A Residual Income Approach

Rethinking the Canada Housing Benefit for Homelessness Prevention

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Blueprint

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About this report

This report was prepared by Blueprint on behalf of the Canadian Alliance to End Homelessness (CAEH). The analysis examines how the Canada Housing Benefit could be designed more effectively to prevent homelessness. It develops and compares two alternative approaches to defining housing need: an affordability-based approach represented by the Canada-Ontario Housing Benefit (COHB); and a residual income-based approach built around the Homelessness Income Cut-Off (HICO). It evaluates their potential impacts using microsimulation and homelessness modelling.

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Executive summary

The challenge

Homelessness has become one of Canada's most urgent and rapidly growing public policy challenges. National Point-in-Time Counts indicate that homelessness increased by approximately **11% between 2018 and 2020–22**, followed by a further **79% increase between 2020–22 and 2024.**[1] Despite significant public investment in housing and homelessness programs, homelessness has continued to increase across much of the country. This report examines whether the Canada Housing Benefit could be designed more effectively to prevent homelessness.

Portable housing benefits have become an increasingly important policy tool for supporting low-income renters. Existing benefits, including those delivered under the Canada Housing Benefit (CHB) framework, were designed primarily to improve housing affordability by reducing housing cost burdens. This report argues that preventing homelessness requires a different approach. Rather than asking whether households spend too much of their income on housing, it asks whether households retain enough income after paying for housing to meet their basic needs and remain stably housed.

Our approach

This report examines whether portable housing benefits can be designed more effectively for homelessness prevention.

This study was motivated by two developments. First, Blueprint's earlier analysis of the CHB identified an important limitation of affordability-based housing benefits as a tool for preventing homelessness.[2] While the CHB improves housing affordability, eligibility based on housing cost burdens does not consistently direct the greatest support to households at greatest risk of homelessness. This raised a broader question: **if the objective is preventing homelessness, should portable housing benefits be designed differently?**

Second, researchers at the University of Calgary's School of Public Policy developed the Homelessness Income Cut-Off (HICO),[3] a new measure of the minimum income households require after paying for housing to meet their basic needs and avoid homelessness. By providing an operational measure of homelessness risk based on residual income, HICO created an opportunity to design and test a new approach to portable housing benefits.

Building on these developments, Blueprint designed the **HICO-HB**, a new **HICO-based housing benefit** designed specifically to prevent homelessness. In this report, we compare it to the **STIR-HB**, an

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[1] Housing, Infrastructure and Communities Canada. (2025). *Everyone counts 2024: Highlights report Part 1—Enumeration of homelessness.* Government of Canada. https://housing-infrastructure.canada.ca/homelessness-sans-abri/reports-rapports/pit-counts-dp-2024-highlights-p1-eng.html

[2] Blueprint. (2022). *Analysis of the progress of bilateral National Housing Strategy programs*. https://cdn.prod.website-files.com/5f80fa46a156d5e9dc0750bc/642ad5d570d5c97450b7cb01_blueprint-report-analysis-progress-bilateral-nhs-programs-en.pdf

[3] Kneebone, R., & Wilkins, M. (2024). *The homelessness income cut off*. University of Calgary School of Public Policy. https://homelesshub.ca/wp-content/uploads/2025/06/The-Homelssness-Income-Cut-Off-2024.pdf

affordability-based housing benefit designed to illustrate the effects of a universal implementation of the **Canada-Ontario Housing Benefit** (**COHB**).

Each design was assessed using a common evaluation framework, examining:

- effectiveness in reducing homelessness risk;
- efficiency and value for money;
- distribution of benefits; and
- behavioural and market incentives.

The selected designs were then evaluated using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) to estimate program costs, household impacts, and benefit distribution. Finally, we modelled the potential impacts of each approach on homelessness using observed homelessness data from Edmonton, St. John's, and Toronto.

Key findings

1. Housing affordability and homelessness prevention require different benefit designs.

Our analysis demonstrates that improving housing affordability and preventing homelessness are related but distinct policy objectives. Because they seek to achieve different objectives, they require different ways of defining housing need. An affordability-based benefit identifies households experiencing high housing cost burdens, while a HICO-based benefit identifies households whose income remaining after paying for housing is insufficient to meet their basic needs. As a result, the two approaches identify different populations for assistance and produce markedly different outcomes throughout the analysis.

2. A HICO-based benefit targets those at greater risk of homelessness far more effectively.

The HICO-based and affordability-based designs have nearly identical annual costs (approximately **$7.6 billion**), but they produce markedly different outcomes. As shown in **Table ES-1**, the HICO-based design lifts **769,533** renter economic families above the homelessness threshold compared with **278,149** under the affordability-based design—nearly three times as many households at essentially the same cost. It also directs a much larger share of benefit spending toward households below the homelessness threshold (**80.3%** compared with **54.6%**) and lifts households above the threshold at roughly one-third of the cost (**$9,825** compared with **$27,736** per household).

Table ES-1 | Comparison of representative portable housing benefit designs

Measure	HICO-based Design	Affordability-based Design
Families lifted above the HICO threshold	769,533	278,149
Cost per family lifted above HICO	$9,825	$27,736
Share of benefit spending reducing homelessness risk	80.3%	54.6%
Annual program cost	$7.56B	$7.71B
Eligible renter economic families	1.0 million	1.7 million

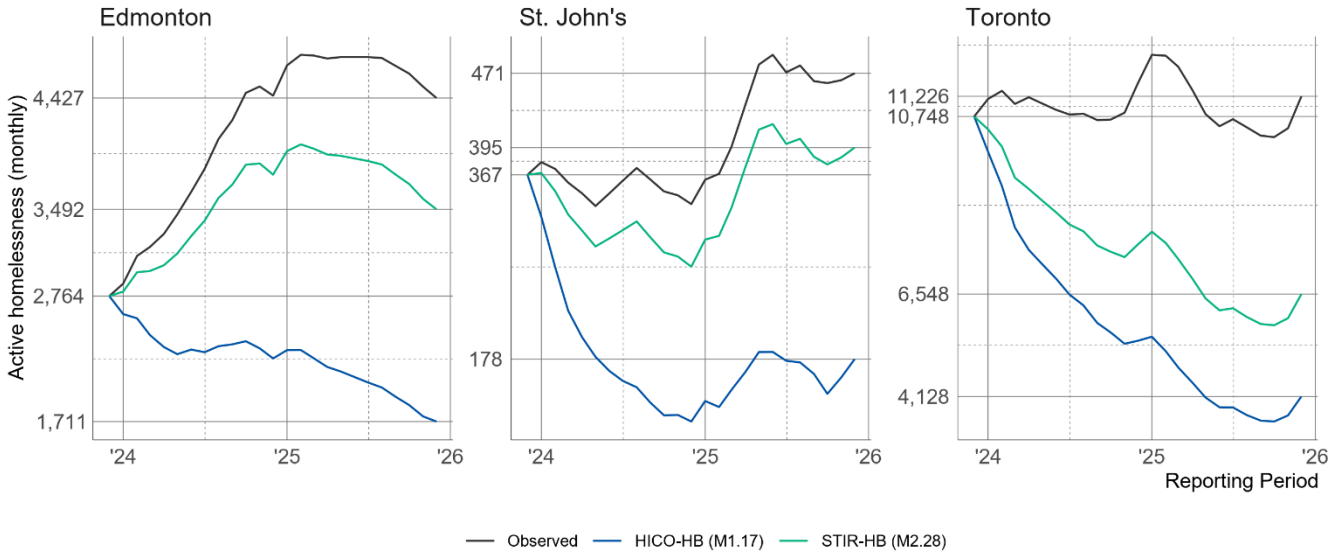
Peak Marginal Effective Tax Rate (METR)	80%	30%

3. Better targeting translates into substantially greater reductions in homelessness.

The more specific targeting achieved by HICO-HB translates into substantially better outcomes. As illustrated in **Figure ES-1**, when applied to observed homelessness in 2024 and 2025 in Edmonton, St. John's, and Toronto, HICO-HB would have reduced homelessness by an estimated **61% to 63%** by the end of 2025, compared with **16% to 42%** under STIR-HB.

Because it prevents more episodes of homelessness, it also generates greater downstream savings. These savings offset between **13% and 30%** of gross program costs within two years, compared with **5% to 14%** under the affordability-based approach. While these projections are illustrative and depend on the assumptions described in this report, they demonstrate the potential value of designing portable housing benefits specifically for homelessness prevention. Better targeting not only reduces homelessness more effectively but also improves the overall value for money of public investment.

Figure ES-1 | STIR-HB and HICO-HB impacts on active homelessness in three municipalities



4. The HICO-based approach can be implemented incrementally.

A HICO-based housing benefit does not need to be implemented all at once. Governments can tailor the approach to different fiscal circumstances by initially targeting households at greatest risk of homelessness, phasing in the benefit over time, or combining both strategies. These options substantially reduce program costs while preserving the core design principle of ensuring households retain sufficient income after paying for housing to remain stably housed. This flexibility allows governments to balance fiscal affordability, policy ambition, and implementation feasibility while maintaining the benefit's focus on preventing homelessness.

Conclusion

This report demonstrates that housing benefits can be designed more effectively for homelessness prevention. By defining housing need in terms of the income households retain after paying for housing, a HICO-based benefit can target assistance more effectively, lift substantially more households above the homelessness threshold within a comparable fiscal envelope, reduce homelessness more significantly, and generate downstream savings that offset a meaningful share of program costs. More broadly, the analysis demonstrates that the way housing need is defined fundamentally shapes who receives assistance, how effectively public resources are allocated, and the outcomes portable housing benefits can achieve. A HICO-based portable housing benefit provides governments with a practical, evidence-informed, and scalable framework for reducing homelessness while improving the effectiveness and value for money of public investment.

Introduction

Homelessness has become one of Canada's most urgent and rapidly growing public policy challenges. Despite significant investments in affordable housing, homelessness services, and income supports, homelessness has continued to increase across much of the country. Governments are increasingly looking to housing benefits as an important part of the solution because they can help households remain stably housed before homelessness occurs. Yet an important policy question remains: **can housing benefits be designed more effectively to prevent homelessness?**

This report examines that question. It develops and evaluates a new housing benefit designed specifically to prevent homelessness and compares it with the current affordability-based approach used under the Canada Housing Benefit (CHB) framework. The report asks whether defining housing need in terms of **residual income**—the income households retain after paying for housing—produces better outcomes than defining need in terms of **housing affordability**, the approach used by existing portable housing benefits.

This work builds on two important developments. First, Blueprint's earlier evaluation of the CHB identified an important limitation of affordability-based portable housing benefits as a tool for preventing homelessness. [4] While these benefits improve housing affordability, eligibility based primarily on housing cost burdens does not consistently direct the greatest support to households at greatest risk of homelessness. Second, researchers at the University of Calgary's School of Public Policy developed the **Homelessness Income Cut-Off (HICO)**, a measure of the minimum income households require after paying for housing to meet their basic needs and avoid homelessness. Together, these developments created an opportunity to rethink how portable housing benefits are designed and to test whether a residual income approach could better achieve the objective of preventing homelessness.

The analysis demonstrates that the way housing need is defined fundamentally shapes who receives assistance, how effectively public resources are allocated, and the outcomes portable housing benefits can achieve. To examine this, we developed multiple affordability-based and HICO-based benefit designs, evaluated them using a common framework, selected representative designs from each approach, and compared their performance using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). We then modelled the potential impacts of both approaches on homelessness using observed homelessness data from Edmonton, St. John's, and Toronto.

The remainder of this report is organized as follows.

- **Section 2. Policy context:** Explains the policy context for portable housing benefits in Canada and outlines why preventing homelessness requires a different approach to defining housing need than improving housing affordability.
- **Section 3. Designing portable housing benefits: Two approaches:** Compares affordability-based and residual income-based approaches to defining housing need and introduces the

[4] Blueprint. (2022). *Analysis of the progress of bilateral National Housing Strategy programs*. https://cdn.prod.website-files.com/5f80fa46a156d5e9dc0750bc/642ad5d570d5c97450b7cb01_blueprint-report-analysis-progress-bilateral-nhs-programs-en.pdf

Homelessness Income Cut-Off (HICO) as the foundation for a new approach to housing benefit design.

- **Section 4. Our approach:** Describes the analytical framework, data sources, simulation methodology, and process used to develop and select representative housing benefit designs for comparison.
- **Section 5. Selected benefit designs:** Identifies the selected HICO-HB and STIR-HB designs used for detailed comparison and explains how they were selected from the full set of simulated options.
- **Section 6. Simulation results:** Compares the performance of the representative housing benefit designs, examines their projected impacts on homelessness and public expenditures, and analyzes how benefits are distributed across provinces, household types, and income groups.
- **Section 7. Implementation options:** Explores practical implementation pathways for a HICO-HB, including targeted eligibility, phased implementation, and other design choices that allow governments to align the program with available fiscal resources and policy priorities.
- **Section 8. Discussion and policy implications:** Discusses the broader implications of the findings for housing benefit design, policy development, and the implementation of a HICO-based approach within Canada's federal-provincial housing system.
- **Appendix A. Data source details:** Describes the administrative and statistical data sources used in the analysis, along with key assumptions, variable construction, and data preparation methods.
- **Appendix B. Parameter grid and simulation results:** Presents the complete set of simulated HICO-HB and STIR-HB designs, including their design parameters and performance across the evaluation framework.
- **Appendix C. Technical notes and supporting methods:** Provides additional technical information supporting the analysis, including the methodology used to estimate HICO thresholds from the Market Basket Measure (MBM), the approach used to estimate the public cost of homelessness, and explanatory notes on Marginal Effective Tax Rates (METRs) and Marginal Effective Rent Discounts (MERDs).

Section 2. Policy context

Rising homelessness and the need for more effective prevention

Homelessness has become one of Canada's most urgent and rapidly growing public policy challenges. Results from the national Point-in-Time (PiT) Counts indicate that homelessness increased by approximately **11% between 2018 and 2020–22**, followed by a further **79% increase between 2020–22 and 2024**. While Point-in-Time Counts capture homelessness on a single night and likely underestimate its full scale, they provide the most consistent national measure available and point to a sharp and sustained increase in homelessness across the country.

Governments have responded with substantial investments across the housing continuum, including supportive housing, affordable housing, homelessness services, and income supports. Portable housing benefits have become an increasingly important part of this response because they provide direct financial assistance to eligible households while allowing recipients to choose where they live. Unlike new housing supply, portable housing benefits can be implemented relatively quickly and adapted as households' circumstances change, making them an important complement to investments in social and affordable housing.

The Canada Housing Benefit (CHB), introduced under Canada's National Housing Strategy, is the federal government's principal portable housing benefit. Rather than operating as a single national program, the CHB is delivered through bilateral agreements with provinces and territories. Each jurisdiction designs and administers its own program within the parameters of these agreements, resulting in a family of related programs that share common objectives while differing in eligibility criteria, benefit formulas, and administration. Throughout this report, we use the Canada-Ontario Housing Benefit (COHB) as the representative example of this affordability-based approach because it is one of the most mature and well-documented implementations.

The primary objective of the CHB framework is to improve housing affordability. Most provincial and territorial programs define housing need using measures of housing affordability—such as the proportion of household income spent on shelter—and calculate benefits to reduce housing cost burdens. This is a well-established and appropriate approach when the policy objective is improving housing affordability.

From housing affordability to homelessness prevention

Preventing homelessness, however, requires a different way of thinking about housing need. A household may spend a smaller proportion of its income on housing after receiving a benefit yet still lack sufficient income remaining to pay for food, transportation, clothing, medications, and other essential expenses needed to remain stably housed. From the perspective of homelessness prevention, the critical question is not simply whether housing has become more affordable, but whether households retain sufficient income after paying for housing to avoid homelessness.

Blueprint's previous evaluation of the CHB highlighted this distinction.[5] Our analysis found that affordability-based housing benefits can substantially improve housing affordability, but they do not necessarily direct the greatest support to households at greatest risk of homelessness. Because eligibility and benefit amounts are based primarily on housing cost burdens, assistance may flow to households that continue to have adequate residual income after paying for housing, while households facing more severe post-shelter income inadequacy receive comparatively less support.

This raised an important policy question: if the objective of a portable housing benefit is preventing homelessness rather than improving housing affordability, should the benefit be designed differently?

At approximately the same time, researchers at the University of Calgary's School of Public Policy developed the **Homelessness Income Cut-Off (HICO)**, a measure of the minimum residual income households require after paying for housing to meet their basic needs and avoid homelessness. For the purposes of this report, HICO can be understood as an estimate of the minimum post-shelter income that households require to remain stably housed. The methodology used to estimate these thresholds is described later in the report. HICO provided, for the first time, an operational benchmark that could be used to design and evaluate a portable housing benefit based on homelessness risk rather than housing affordability alone.

Together, these developments created an opportunity to rethink the design of portable housing benefits. Rather than asking how much assistance households require to improve housing affordability, the analysis that follows asks how portable housing benefits should be designed if their primary objective is preventing homelessness.

[5] Blueprint. (2022). *Analysis of the progress of bilateral National Housing Strategy programs*. https://cdn.prod.website-files.com/5f80fa46a156d5e9dc0750bc/642ad5d570d5c97450b7cb01_blueprint-report-analysis-progress-bilateral-nhs-programs-en.pdf

Section 3. Designing housing benefits: Two approaches

The effectiveness of a housing benefit depends fundamentally on how housing need is defined. This definition determines who is eligible for assistance, how benefit amounts are calculated, and ultimately, what policy objectives the benefit is most likely to achieve.

This report compares two approaches. The first is an affordability-based approach that defines housing need according to the proportion of household income spent on housing. Throughout the remainder of this report, we refer to this approach as the **STIR-based Housing Benefit (STIR-HB)** because it determines eligibility and benefit amounts using the Shelter-to-Income Ratio (STIR). The design is modelled on the Canada-Ontario Housing Benefit (COHB), one of the most mature implementations of the CHB framework.

The second is a residual income approach that defines need according to whether households retain sufficient income after paying for housing to meet their basic needs and avoid homelessness. We operationalize this approach using the Homelessness Income Cut-Off (HICO) and refer to it as the **HICO Housing Benefit (HICO-HB).**

These approaches are designed to achieve different policy objectives. The STIR-HB seeks to reduce housing cost burdens, while the HICO-HB seeks to ensure households retain sufficient income after paying for housing to remain stably housed. As a result, they identify different households for assistance and lead to different approaches for calculating benefit amounts.

The affordability gap approach: STIR-based housing benefit

The STIR-HB is based on the affordability approach underpinning the portable housing benefits delivered through the CHB framework.

COHB is designed to improve housing affordability for low-income renters experiencing severe affordability pressures. It identifies eligible households using the concept of Deep Core Housing Need and calculates benefits using the STIR, which measures the proportion of before-tax household income spent on shelter costs.

Housing is generally considered affordable when shelter costs account for less than **30%** of before-tax household income. Households spending more than **30%** of income on shelter experience affordability challenges, while those spending more than **50%** are generally considered to be in Deep Core Housing Need. Rather than targeting a specific level of income remaining after paying for housing, the affordability approach seeks to reduce the gap between a household's actual shelter costs and a target affordability ratio.

The examples in this section are intended to illustrate the conceptual differences between the two approaches. The detailed methodologies used to estimate HICO thresholds and calculate benefit amounts are described later in **Section 4. Our approach**. For now, HICO can be understood as the estimated minimum residual income that households require after paying for housing to meet their basic needs and avoid homelessness.

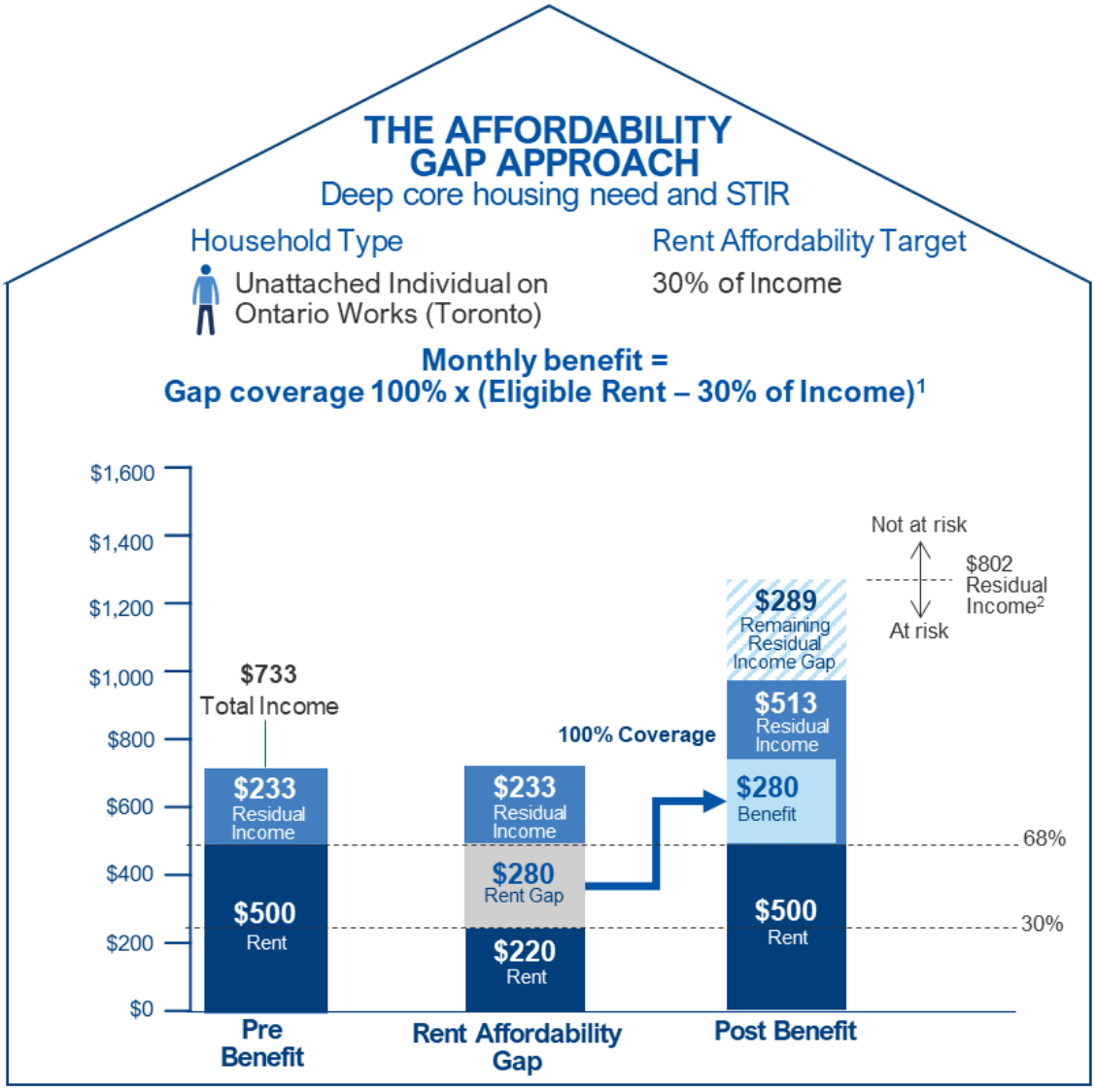
Figure 1 (on the next page) illustrates this approach using an unattached individual renting in Toronto. Before receiving assistance, the individual earns **$733** per month and pays **$500** in rent, leaving **$233** available for all other living expenses. Because rent represents approximately **68%** of income, the household qualifies for assistance under the affordability framework.

The STIR-HB provides a monthly payment of **$280**, reducing the household's effective shelter cost to the equivalent of the target affordability ratio. From the perspective of housing affordability, the policy objective has been achieved.

However, after receiving the benefit, the individual still has only **$513** available each month to pay for food, transportation, clothing, and other necessities—well below the estimated HICO of **$802** for this household in Toronto (see **Section 4**. **Our approach** for the methodology used to estimate HICO thresholds). Although the STIR-HB successfully improves housing affordability, it does not provide sufficient residual income to substantially reduce the household's risk of homelessness.

It is important to note that different parameter combinations can be used to design an affordability-based housing benefit. The STIR-HB examined in this report is only one example. It was selected because it performed most strongly among the affordability-based designs while remaining closely aligned with the design principles of the COHB. It therefore provides an appropriate benchmark against which to compare the HICO-HB. The rationale for selecting this design is described in **Section 5. Selected benefit designs**.

Figure 1 | How the affordability gap approach determines benefit amount



1 Unattached individual on Ontario Works (OW) in Toronto. Monthly OW income = $733. Monthly rent = $500.
STIR target is 30%. The target affordable rent is 30% of income = $220 per month.

2 Actual rent of $500 exceeds the target affordable rent of $220, creating a rent gap of $280.

3 With 100% gap coverage, the benefit provides $280 per month. After the benefit, recipient will have $513.10 in residual income which is $288.90 short of the at risk 100% HICO-R of $802 in residual income.

1 For more information on the benefits formula for this approach see Appendix B.
2 $802 total residual income is 100% of HICO-R for the Toronto region. This number reflects the minimum residual income needed by an individual to prevent homelessness. Individuals with a total residual income below $802 are at risk of homelessness while those above are considered not at risk of homelessness.

The residual income approach: HICO-based housing benefit (HICO-HB)

The HICO-HB begins with a different policy objective. Rather than reducing housing cost burdens, it seeks to ensure that households retain sufficient income after paying for housing to meet their basic needs and remain stably housed. Consequently, it defines housing need using residual income—the income available after shelter costs have been paid.

The HICO-HB operationalizes this approach using the HICO, developed by researchers at the University of Calgary's School of Public Policy. HICO estimates the minimum amount of income households require after paying for housing to meet their remaining essential needs and avoid homelessness. Unlike conventional poverty measures, HICO reflects the reality that households facing housing instability often reduce expenditures on food, clothing, transportation, and other necessities to preserve their housing. It therefore represents a practical threshold for identifying households at greatest risk of homelessness.

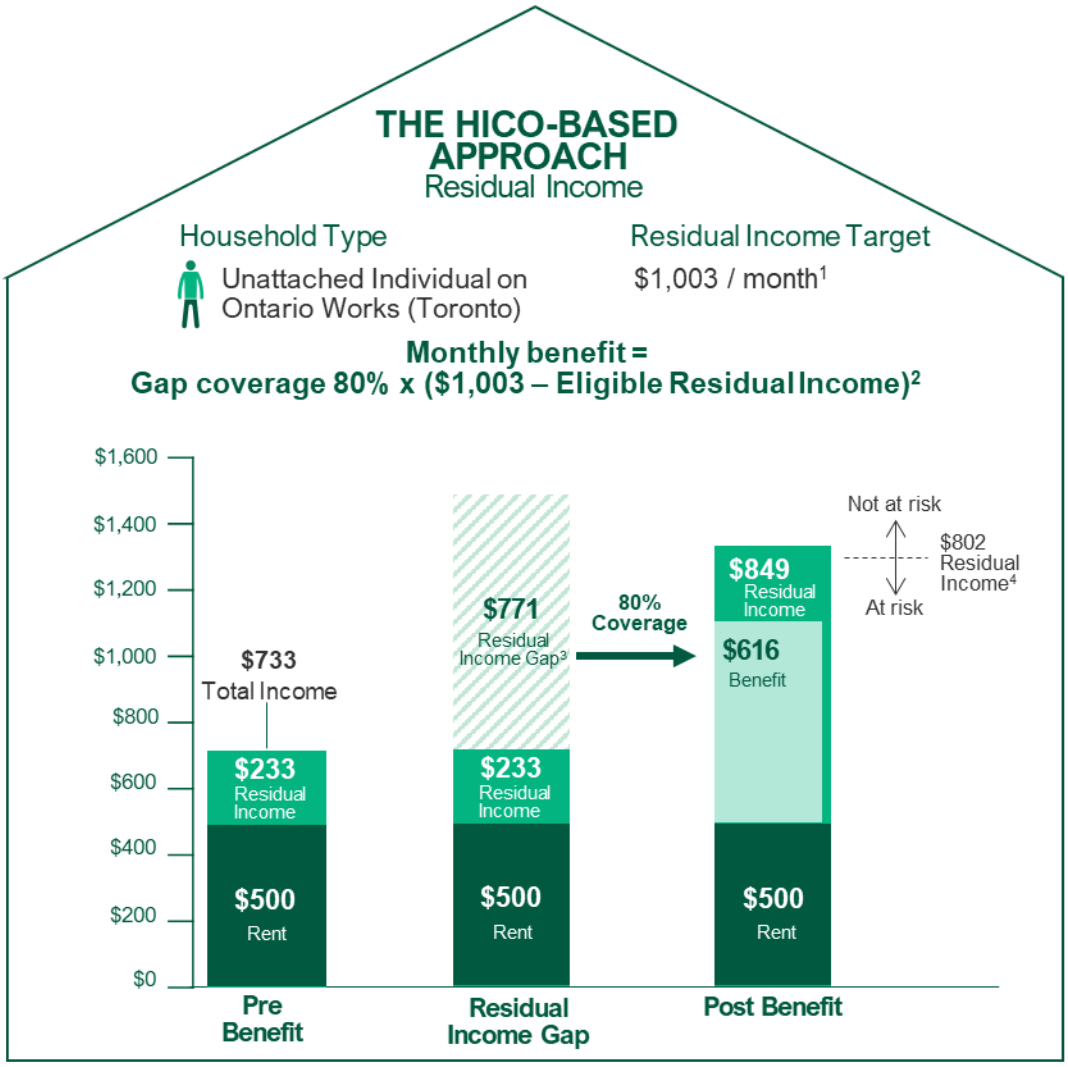
The HICO-HB uses this threshold to determine both eligibility and benefit amounts. Rather than asking whether a household spends too large a share of its income on housing, it asks whether the household has enough income remaining after paying for housing to meet its basic needs. Benefit amounts are calculated by comparing a household's residual income with the applicable HICO threshold then providing assistance to close some or all of that gap.

Figure 2 (on the next page) illustrates this approach using the same unattached individual renting in Toronto. Before receiving assistance, the individual has only **$233** remaining after paying rent—well below the HICO threshold of **$802**. Under the representative HICO-HB examined in this report, the benefit is calculated directly from the gap between the individual's residual income and the HICO threshold, increasing post-shelter income toward the level required to remain stably housed.

Unlike the STIR-HB, success is not measured by reducing the proportion of income spent on housing. Instead, it is measured by whether households retain sufficient income after paying for housing to meet their basic needs and reduce their risk of homelessness.

Both approaches improve the financial circumstances of low-income renters, but they do so in different ways. The STIR-HB reduces housing cost burdens, while the HICO-HB establishes a minimum post-shelter income floor. As the following sections demonstrate, these different design principles lead to markedly different patterns of benefit distribution, efficiency, and projected impacts on homelessness.

Figure 2 | How the HICO-based approach determines benefit amount



1 Unattached individual on Ontario Works in Toronto. Monthly OW income = $733. Monthly rent" $500.
HICO residual income target (125% HICO-R for Toronto) = $1,003 per month.

2 Residual income remaining after rent is $233. The gap with the HICO target is $770.35.

3 With 80% gap coverage, the benefit provides $616 per month (80% x $770).
After the benefit, income remaining = $849, above the at-risk 100% HICO-R of $802 in residual income.

1 The Residual Income Target identified is 125% HICO-R for Toronto region.
2 For more information on the benefits formula for this approach see Appendix B.
3 The Residual Income Gap identified here reflects the remaining residual income needed to reach 125% HICO-R for Toronto region.
4 $802 total residual income is 100% of HICO-R for the Toronto region. This number reflects the minimum residual income needed by an individual to prevent homelessness. Individuals with a total residual income below $802 are at risk of homelessness while those above are considered not at risk of homelessness.

It is important to note that different parameters can be applied for a HICO-based benefit. The HICO-based approach outlined above is just one permutation. It was selected because it consistently performed most strongly across the evaluation framework while maintaining a fiscally realistic design. It successfully achieved the primary policy objective of lifting recipient households above HICO, while balancing the competing objectives of maximizing homelessness prevention, targeting public resources efficiently, containing program costs, and maintaining acceptable Marginal Effective Tax Rates (METRs). For more information on the selection of the benefit design for analysis, see the section titled **Section 5. Selected benefit designs**.

The distinction between STIR and HICO is therefore not simply a different way of calculating a housing benefit. It reflects two different ways of defining housing need. STIR identifies households experiencing severe housing affordability pressures, while HICO identifies households whose remaining income after paying for housing falls below the level needed to meet their basic needs. As the next section demonstrates, these two approaches identify overlapping, but importantly different, groups of households across Canada.

Comparing housing need under the STIR-HB and HICO-HB

The examples above illustrate the conceptual difference between the STIR-HB and the HICO-HB. An important question, however, is whether these two approaches identify different households as being in greatest need of assistance. At the national level, the two approaches identify a similar overall number of renter economic families in need. However, they do not identify the same households, nor do they produce the same geographic patterns of housing need across Canada.

Table 1 compares the estimated number of renter economic families identified by each approach. Nationally, approximately **12.4%** of renter economic families fall below the HICO, compared with **10.8%** that are identified as being in Deep Core Housing Need using the STIR.

Table 1 | Baseline risk need by province

Province	Renters	# Under HICO-R	%	# in Deep Core Housing Need	%
Newfoundland	57,890	8,995	15.5%	4,797	8.3%
Prince Edward Island	26,515	2,400	9.1%	1,542	5.8%
Nova Scotia	175,293	21,305	12.2%	15,924	9.1%
New Brunswick	108,939	13,358	12.3%	5,269	4.8%
Quebec	1,699,372	134,144	7.9%	89,740	5.3%
Ontario	2,290,602	339,081	14.8%	321,907	14.1%
Manitoba	189,549	29,530	15.6%	20,747	10.9%
Saskatchewan	148,711	23,909	16.1%	17,343	11.7%
Alberta	619,646	72,131	11.6%	61,469	9.9%
British Columbia	876,993	124,680	14.2%	132,728	15.1%
Total	6,193,510	769,533	12.4%	671,466	10.8%

The provincial patterns reveal important differences. In most provinces, the HICO-HB identifies a larger number of renter economic families than the STIR-HB. This is particularly evident in the Atlantic provinces and parts of the Prairies, where rents are generally lower, but household incomes are also lower. British Columbia is the principal exception, where exceptionally high housing costs result in more households being identified through the STIR approach.

These differences reflect the distinct policy objectives that each approach is designed to achieve. The STIR-HB identifies households experiencing the greatest housing affordability pressures, while the HICO-HB identifies households whose remaining income after paying for housing falls below the level required to meet their basic needs. Although the two approaches identify many of the same households, they also identify important differences in who is considered in greatest need of assistance.

This distinction has important implications for housing benefit design. A housing benefit can target only the households identified by its eligibility criteria. As a result, the way housing need is defined directly influences who receives assistance and how effectively the benefit aligns with its intended policy objective.

Section 4. Our approach

The preceding section demonstrates that the STIR-HB and HICO-HB identify different populations of households in need. The next question is whether these differences in how housing need is defined translate into meaningful differences in policy performance.

To answer this question, we compared the two approaches using a common analytical framework designed to assess how effectively each aligns with the objective of preventing homelessness. Rather than comparing a single version of each approach, we systematically explored a broad range of alternative benefit designs. We developed and tested **36 HICO-HB designs** and **28 STIR-HB designs** modelled on the COHB. These designs varied across key policy parameters, including benefit targets, shelter cost caps, benefit formulas, and benefit phase-out rates. Each design was evaluated using the same analytical framework to understand how these design choices affected policy performance.

From this analysis, we selected one design from each approach for detailed comparison. The selected STIR-HB remained closely aligned with the design principles of the COHB, while the selected HICO-HB demonstrated strong performance across the evaluation framework, particularly in reducing homelessness risk while targeting public resources efficiently. The complete set of alternative benefit designs and simulation results is provided in **Appendix B**.

Both selected designs were then simulated using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). Each was evaluated using the same underlying population, assumptions, and analytical framework so that differences in results reflect the benefit design itself rather than differences in the modelling approach.

The following sections describe the evaluation framework, data, and simulation methods before presenting the comparative results.

Evaluation framework

The two representative housing benefit designs were evaluated using a common evaluation framework. No single indicator is sufficient to assess the performance of a housing benefit. A design may perform well on one dimension—for example, reaching a large number of households—but perform less well on another, such as efficiently targeting public resources or minimizing unintended behavioural incentives. We therefore evaluated each design across four complementary dimensions: effectiveness, efficiency, behavioural and market incentives, and distribution of benefits.

1. Effectiveness: Targeting and homelessness prevention

The primary objective of this analysis is to identify the housing benefit design that is most effective at preventing homelessness. We therefore begin by assessing whether each design reaches households at greatest risk of homelessness and whether it provides sufficient support to reduce that risk. The analysis uses four indicators of effectiveness:

- **Benefit reach**: The total number of economic families eligible to receive the benefit.
- **Coverage rate:** The proportion of renter economic families below the HICO that receive the benefit.

- **Households lifted above HICO-R (Impact):** The number and proportion of recipient families whose pre-benefit residual income is less than the HICO residual component (LTHICO-R) and whose post-benefit residual income is greater than the HICO residual component.
- **Potential impact on homelessness:** An estimate of the reduction in homelessness based on community-level homelessness data in three community case studies.

2. Efficiency: Fiscal cost and value for money

An effective benefit must also make efficient use of public resources. We therefore assess not only the overall cost of each design, but also the extent to which benefit payments are directed toward reducing homelessness risk. The analysis uses three indicators of efficiency:

1. **Total benefit expenditure:** The estimated annual cost of the benefit.
2. **Impact share:** The proportion of total benefit spending that directly closes the gap between household residual income and the HICO threshold, rather than increasing income beyond that threshold. A high ratio indicates minimal "spillover" to households already above the survival threshold, ensuring every dollar is working toward homelessness prevention.
3. **Cost per household lifted above HICO:** The average public expenditure required to raise one additional economic family above the HICO threshold.

3. Behavioural and market incentives

Housing benefit design can influence the incentives faced by recipients and, potentially, housing markets. Although this analysis does not model behavioural responses directly, it examines the incentives created by each benefit design using two standard summary measures: the **Marginal Effective Tax Rate (METR)**, which captures the extent to which additional earnings reduce benefit entitlement, and the **Marginal Effective Rent Discount (MERD)**, which captures the extent to which additional rent is effectively subsidized by the benefit. Together, these measures help assess the potential trade-offs between targeting assistance, maintaining work incentives, and avoiding unintended effects in housing markets. They are summarized below:

- **Marginal Effective Tax Rate (METR)**: The proportion of each additional dollar of earned income that is offset through reductions in benefit entitlement. Higher METRs reduce the financial return from increasing earnings and may weaken incentives to work or increase hours.
- **Marginal Effective Rent Discount (MERD):** The proportion of each additional dollar of rent that is effectively subsidized through the benefit. Higher MERDs reduce the financial incentive to seek lower-cost housing and may increase pressure on rental prices over time.

Additional technical information on the calculation and interpretation of METRs and MERDs is provided in **Appendix C**.

4. Benefit distribution

Finally, we examine how benefits are distributed across Canada. A housing benefit may have similar overall costs and effectiveness while directing support to different provinces, household types, or income groups. The analysis examines benefit distribution across province, household type, and income decile.

For each group, we calculate a **redistributive effect**, which compares the group's share of total benefits with its share of Canada's renter population. Positive values indicate that a group receives a

disproportionately larger share of benefits, while negative values indicate that it receives a disproportionately smaller share.

Data and simulation platform

The analysis combines three complementary data sources to simulate alternative housing benefit designs and estimate their potential impact on homelessness. Together, these data provide the information needed to identify eligible households, estimate benefit costs, and assess potential reductions in homelessness.

Statistics Canada's SPSD/M

The primary simulation platform, SPSD/M, is Canada's standard microsimulation model for analyzing taxes, transfers, and income-tested benefits. It contains a representative sample of Canadian households and enables policy changes to be simulated while estimating their fiscal costs and distributional impacts across household types, income groups, and provinces.

This analysis uses SPSD/M version 34.0 with a 2026 base year. The model contains a nationally representative sample of approximately **80,000** economic families, weighted to represent the Canadian population (territories excluded). An economic family consists of individuals who are sharing a dwelling and are financially interdependent.

For each economic family, SPSD/M contains detailed information on household composition, income from all major sources, taxes, government transfers, housing costs, and other socio-economic characteristics. Using these data, we simulated eligibility, benefit amounts, and post-benefit disposable income under each alternative housing benefit design. Survey weights were then used to produce national estimates of program reach, benefit expenditures, and household outcomes.

CAEH partner community data

Because SPSD/M does not include information on homelessness, the analysis also draws on aggregate By-Name Data shared by CAEH community partners. These datasets include counts that depict entries into, exits from, and current monthly active homelessness at a community level. For this analysis, we use records for three communities: Edmonton, Toronto, and St. John's. These communities were selected from CAEH's partner roster on the basis of their alignment with MBM region boundaries and the quality of their records assessed by the CAEH data team.

HICO approximation

The analysis also incorporates the HICO estimates developed by Kneebone and Wilkins.[6] HICO estimates the minimum level of residual income households require after paying for shelter to avoid homelessness. These estimates are used throughout the analysis to identify households at elevated risk of homelessness, simulate HICO-based benefit designs, and evaluate whether households remain below or rise above the HICO threshold after receiving benefits.

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[6] Kneebone, R., & Wilkins, M. (2024). *The homelessness income cut off*. University of Calgary School of Public Policy. https://homelesshub.ca/wp-content/uploads/2025/06/The-Homelssness-Income-Cut-Off-2024.pdf

Published HICO estimates are available only for Canada's major census metropolitan areas. For this analysis, Professor Kneebone generously shared the detailed underlying calculations used to derive the published HICO estimates. Using these calculations, we estimated appropriate HICO thresholds for every economic family in the full SPSD/M microdata based on geography, family type, and other household characteristics. This made it possible to apply the HICO framework consistently across the nationally representative SPSD/M population and to simulate HICO-based benefit designs at the household level.

The methodology used to construct HICO thresholds across the SPSD/M microdata is described in detail in **Appendix A**.

Impact projection

The SPSD/M simulation estimates how each benefit design would affect household residual income, program reach, and benefit costs. To assess the potential implications for homelessness, we add a second modelling step that projects how changes in residual income could affect entries into and exits from homelessness in selected communities.

This projection should be interpreted as an illustrative scenario analysis rather than a causal impact estimate. It is designed to show the potential scale and direction of impact if a large-scale portable housing benefit were implemented and if improvements in household residual income translated into changes in homelessness flows.

The analysis constructs a counterfactual scenario for each benefit design, assuming that the benefit had been implemented in January 2024. January 2024 was selected because it provides a two-year period over which to model homelessness dynamics while still reflecting recent conditions in Canada's homelessness crisis.

For each community, the model starts with observed monthly homelessness data and estimates how each benefit would change:

- monthly inflows into active homelessness;
- monthly exits from active homelessness into housing;
- the resulting stock of people experiencing active homelessness; and
- the implied fiscal savings from avoided person-months of homelessness.

Assumptions

The model is based on the following assumptions:

- **Inflows into homelessness:** If all eligible economic families were lifted above HICO, monthly entries into homelessness would fall by **80%**. If only a share of eligible families were lifted above HICO, monthly entries would fall by **80%**, multiplied by that share. This reflects the assumption that economic insecurity is a major, but not exclusive, driver of homelessness.
- **Exits from homelessness:** If all eligible economic families were lifted above HICO, the probability that a person experiencing active homelessness exits into housing would double. If only a share of eligible families were lifted above HICO, the exit rate would increase proportionally. This reflects the assumption that a portable benefit improves the ability of people

experiencing homelessness to secure and maintain housing, while recognizing that some individuals face complex needs not addressed by an income benefit alone.

- **Homelessness trends over time:** The model holds observed inflows constant before applying the benefit effect. For exits, the model uses the observed average exit rate rather than the observed number of exits, allowing exit volumes to decline as the active homeless population declines. This avoids assuming that the same number of people exit homelessness each month regardless of the size or composition of the remaining homeless population.
- **Cost of homelessness:** Based on Simon Fraser University estimates, a person-year of homelessness costs government **$55,000** in 2006 dollars. Adjusted to 2026 dollars, this equals **$90,853.67** per person-year, or **$7,571.14** per person-month (see **Box 1** in **Section 6**).

Using these assumptions, the model estimates the difference between observed homelessness levels and projected homelessness levels under each benefit scenario. The monthly difference is interpreted as the reduction in person-months of homelessness. This reduction is then multiplied by the estimated cost of a person-month of homelessness to estimate fiscal savings. Net spend is calculated as projected benefit expenditure minus estimated fiscal savings.

Technical limitations

As noted, the analysis uses SPSD/M, Canada's standard microsimulation platform for evaluating tax and transfer policy. SPSD/M provides a rigorous and nationally representative framework for simulating alternative housing benefit designs. However, as with any modelling exercise, the analysis is subject to several important limitations that should be considered when interpreting the results.

Geographic scope

SPSD/M covers Canada's provinces but does not include the territories. As a result, the analysis does not estimate the effects of alternative housing benefit designs in Yukon, the Northwest Territories, or Nunavut. Although housing affordability and homelessness are significant challenges in the territories, extending the analysis beyond the provinces was outside the scope of this study.

Existing housing benefits

SPSD/M does not explicitly model the CHB or its provincial and territorial counterparts because these programs are not universal entitlements, and their implementation varies across jurisdictions.

Accordingly, the analysis models each benefit design as a standalone portable housing benefit rather than as an incremental change to existing programs. This approach allows the two alternative benefit designs to be compared on a consistent basis but does not estimate how they would interact with existing CHB programs. The policy implications of implementing the benefit alongside, in place of, or as a partial replacement for existing programs are discussed separately.

Behaviour responses

The microsimulation estimates how alternative benefit designs would affect household incomes and program costs under current conditions. It does not model behavioural responses, such as changes in labour supply, housing choices, or rental market dynamics. These potential effects are considered qualitatively through the evaluation framework but are not incorporated into the quantitative simulations.

Impact projections

The projected reductions in homelessness are based on a scenario model that combines simulated changes in household residual income with observed community homelessness data and a set of explicit assumptions about entries into and exits from homelessness. The results should therefore be interpreted as illustrative estimates of potential impact rather than causal forecasts. They are intended to compare the relative performance of alternative benefit designs under a consistent set of assumptions.

HICO estimates

Published HICO estimates are currently available only for Canada's major census metropolitan areas. To apply the HICO framework nationally, we extended these estimates across the full SPSD/M microdata.

Professor Kneebone shared the detailed underlying calculations used to derive the published HICO estimates. Using these calculations, we estimated HICO thresholds for every economic family represented in the SPSD/M microdata based on household characteristics and geographic location. This enabled the HICO framework to be applied consistently across the nationally representative population used in the simulations.

These nationally applied HICO estimates were developed specifically for this analysis and represent an extension of the published HICO methodology. The full methodology used to estimate HICO thresholds across the SPSD/M microdata is documented in **Appendix A** to support transparency and replication.

Section 5. Selected benefit designs

As described in the previous section, the analysis evaluated **64** alternative housing benefit designs: **36** HICO-HB designs and **28** STIR-HB designs. These designs varied across key policy parameters, including eligible shelter cost caps, benefit targets, benefit formulas, and benefit phase-out rates. The complete parameter grids and simulation results for all **64** designs are presented in **Appendix B**.

For the purposes of this report, we selected one design from each model family for detailed comparison. The selected **HICO-HB** is **Model 1.17 (M1.17)** and the selected **STIR-HB** is **Model 2.28 (M2.28)**. These model identifiers are used throughout the remainder of the report and correspond to the full simulation results presented in **Appendix B**.

HICO-based housing benefit (HICO-HB, M1.17)

The HICO-HB (**M1.17**) was selected because it performed most strongly across the evaluation framework. It successfully achieved the primary objective of lifting recipient households above the HICO threshold while balancing the competing objectives of maximizing homelessness prevention, targeting public resources efficiently, containing program costs, and maintaining acceptable METRs. The selected design incorporates the following parameters:

- **Eligible shelter cost cap: 105%** of HICO shelter costs
- **Target residual income: 125%** of the HICO residual income threshold
- **Gap coverage: 80%** of the remaining residual income gap

These parameters reflect the policy trade-offs identified through the broader simulation exercise. Increasing gap coverage generally improves homelessness prevention but also increases program costs and METRs. Conversely, reducing gap coverage lowers work disincentives but requires a higher target residual income to achieve similar outcomes, increasing overall program costs. **M1.17** represents the strongest overall balance across these competing objectives.

Affordability-based housing benefit (STIR-HB, M2.28)

The STIR-HB (**M2.28**) was constructed to aligned closely with the design principles of the COHB. The main difference is that we used an entitlement design rather than the waiting list approach that is currently used. The selected design incorporates the following parameters:

- **Eligible shelter cost cap: 100%** of Market Basket Measure (MBM) shelter costs
- **Affordability target:** Post-benefit Shelter-to-Income Ratio (STIR) of **30%**
- **Gap coverage: 100%** of the affordability gap

Table 2 summarizes the key design parameters for the two representative benefit designs.

Table 2 | Selected benefit designs

Model	Eligible Shelter Cost Cap	Target	Gap Coverage
HICO-HB (M1.17)	105%HICO-S	Res. Income = 125%HICO-R	80%
STIR-HB (M2.28)	100%MBM-S	STIR = 30%	100%

Section 6. Simulation results

This section compares the performance of the selected **HICO-HB** and **STIR-HB** across the evaluation framework. We first examine their overall performance before comparing how benefits are distributed and the projected impacts of each design on homelessness. The complete simulation results for all **64** housing benefit designs are provided in **Appendix B**.

Evaluation of benefit designs

Table 3 (on the next page) compares the performance of the HICO-HB and STIR-HB across the evaluation framework introduced earlier in this report. The table summarizes their performance on measures of effectiveness, efficiency, and behavioural and market incentives. Together, these measures illustrate not only how many renter economic families each design assists, but also how effectively public resources are targeted toward reducing homelessness risk and the principal trade-offs associated with each approach.

Comparative performance

At a high level, the HICO-HB and STIR-HB have comparable annual program costs (at approximately **$7.6–$7.7 billion**) but perform quite differently across the evaluation framework.

The STIR-HB reaches substantially more eligible renter economic families than the HICO-HB (**1.7 million** compared with **1.0 million**). However, the HICO-HB lifts substantially more households above the HICO threshold (**769,533** compared with **278,149**), directs a much larger share of benefit expenditures toward reducing homelessness risk (**80.3%** compared with **54.6%**), and does so at approximately one-third of the cost per household lifted above HICO (**$9,825** compared to **$27,736**). These gains are accompanied by higher METRs, reflecting the trade-off between more precise targeting and stronger work incentives (see **Appendix C** for further discussion of METRs and MERDs).

Interpreting the results

The differences between the HICO-HB and STIR-HB arise from the way they define and target housing need. The STIR-HB assists households experiencing housing affordability pressures, regardless of whether they retain sufficient residual income after paying for housing. This broad definition of housing need allows it to reach substantially more households. However, many recipient households already have sufficient residual income to remain above the HICO threshold. While the benefit improves their financial circumstances, a significant share of program spending increases the incomes of households that are already above the homelessness threshold rather than reducing homelessness risk.

The HICO-HB, by contrast, targets assistance specifically to households whose residual income falls below the HICO threshold after paying for housing. Although it reaches fewer households overall, it concentrates resources on those at greatest risk of homelessness. Consequently, it lifts nearly three times as many households above the HICO threshold, despite operating within a comparable fiscal envelope.

The HICO-HB's stronger impact is driven by greater targeting efficiency. Approximately **80%** of benefit expenditures under the HICO-HB move households closer to or above the HICO threshold, compared

with approximately **55%** under the STIR-HB. As a result, each economic family lifted above the HICO threshold costs an average of **$9,825** under the HICO-HB, compared with **$27,736** under the STIR-HB. In other words, the HICO-HB converts a substantially larger share of public expenditure into reductions in homelessness risk.

This greater efficiency comes with important trade-offs. Because the HICO-HB concentrates benefits on households with the greatest need, benefits are phased out more rapidly as earned income increases, resulting in a peak METR of **80%** compared with **30%** under the STIR-HB. This may reduce incentives for some recipients to increase earned income. Conversely, the STIR-HB reimburses eligible households for **100%** of additional shelter costs, effectively subsidizing each additional dollar of rent paid. While this lowers work disincentives, it may also reduce incentives for households to seek lower-cost accommodation and could contribute to rent inflation if implemented at scale. This effect could be mitigated through partial gap coverage, although neither COHB nor the STIR-HB examined here incorporates this design feature.

More broadly, the comparison illustrates that the effectiveness of a portable housing benefit depends fundamentally on the policy objective it is designed to achieve. A benefit designed to **improve housing affordability** distributes assistance broadly across households experiencing affordability pressures. A benefit designed to **prevent homelessness** concentrates resources on households whose residual incomes are insufficient to remain stably housed. These are related policy objectives, but they are not the same, and they lead to materially different benefit designs and outcomes.

The different approaches also produce different patterns of benefit distribution across provinces, household types, and income groups. The next section examines these distributional differences before turning to the projected impacts of each benefit design on homelessness.

Table 3 | Key evaluation metrics

		HICO-HB (M1.17)	STIR-HB (M2.28)
Effectiveness	# of renter economic families	6,193,510	6,193,510
	# of eligible economic families	1,009,293	1,739,343
	# of economic families at risk of homelessness (LTHICO-R) pre-benefit	769,533	769,533
	# of economic families at risk of homelessness (LTHICO-R) post-benefit	0	491,384
	# lifted above risk threshold	769,533	278,149
	% lifted above risk threshold	100%	36%
Efficiency	Total benefit expenditure	$7,560,753,280	$7,714,669,192
	Total benefit impact (benefit flows to economic families at risk of homelessness)	$6,070,127,547	$4,215,482,569
	Impact share	80%	55%
	Cost per lifted	$9,825	$27,736
Externalities	Peak METR	80%	30%
	Peak MERD	80%	100%

Projected impacts on homelessness

The comparison of the HICO-HB and STIR-HB demonstrated that the HICO-HB is substantially more effective at lifting households above the HICO threshold. The next question is whether these differences translate into meaningful reductions in homelessness.

To explore this question, we applied the impact projection methodology described earlier in the report. Using observed monthly homelessness data from Edmonton, Toronto, and St. John's, we estimated how homelessness trends might have changed had each housing benefit design been implemented beginning in January 2024.

These projections should not be interpreted as forecasts. They are scenario analyses based on the assumptions described in the methodology section, including assumptions about how lifting households above the HICO threshold influences entries into and exits from homelessness. Their purpose is to illustrate the potential magnitude of the impacts that different housing benefit designs could have under a common set of assumptions.

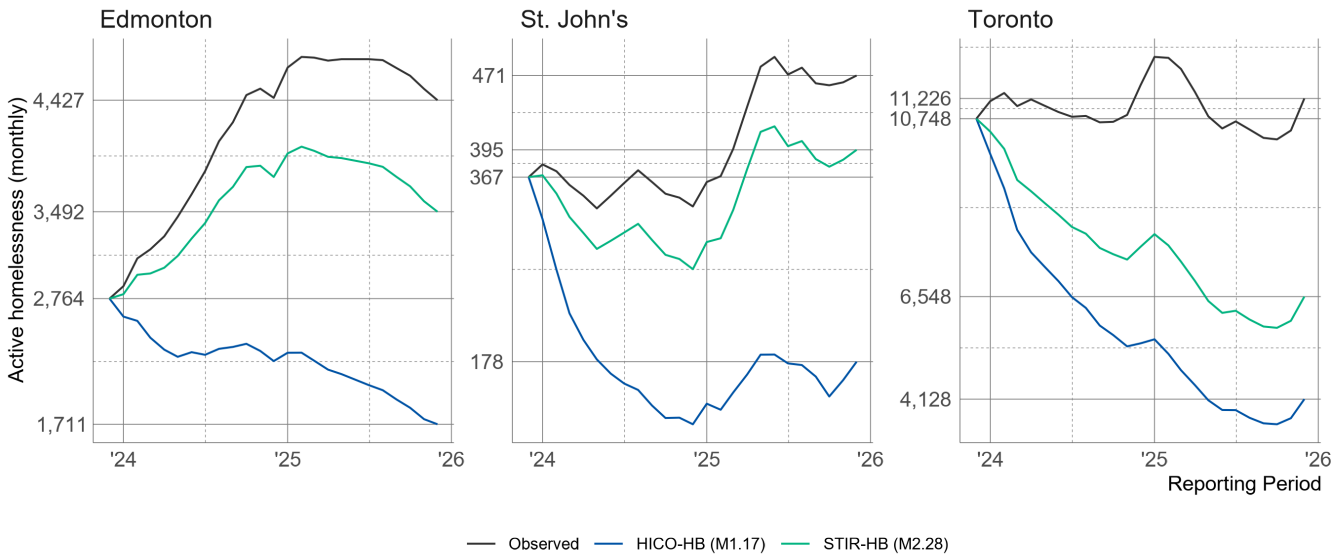
Impact on homelessness

Figure 3 (on the next page) compares observed homelessness trends (black line) with the projected trajectories under the HICO-HB and STIR-HB in Edmonton, Toronto, and St. John's. Across all three municipalities, both housing benefit designs are projected to reduce homelessness relative to the observed trend. However, the reductions achieved by the HICO-HB are substantially larger.

Between January 2024 and December 2025, active homelessness increased in all three municipalities. Under the HICO-HB, all three are projected to experience sustained declines in active homelessness over the analysis period. Overall, the HICO-HB is projected to reduce homelessness by approximately **61% to 63%** across the three municipalities by the end of 2025 compared to the observed trend. By comparison, the STIR-HB is projected to reduce homelessness by approximately **16% to 42%**.

These projections are a direct consequence of the different ways the HICO-HB and STIR-HB define and target housing need. Because the HICO-HB lifts substantially more households above the HICO threshold, it is projected to prevent more entries into homelessness while increasing exits from homelessness. Although the STIR-HB also reduces homelessness relative to the observed trend, its broader but less targeted distribution of benefits produces a smaller overall impact. The analysis suggests that the HICO-HB translates its greater targeting efficiency into larger reductions in homelessness across a range of local housing market conditions.

Figure 3 | HICO-HB and STIR-HB impacts on active homelessness in three municipalities



Fiscal impacts of reducing homelessness

The projected reductions in homelessness also have important fiscal implications. Because fewer people experience homelessness under each housing benefit design, governments incur lower costs associated with emergency shelters, health care, justice services, and other public systems. The next question is whether the HICO-HB's larger reductions in homelessness translate into meaningfully greater fiscal savings.

Table 4 (on the next page) summarizes the projected fiscal impacts of the HICO-HB and STIR-HB for each municipality. For each design, **Table 4** reports the estimated gross program cost, the projected reduction in person-months of homelessness relative to baseline, the associated savings from reduced homelessness, and the resulting net program cost after accounting for those savings.

Both housing benefit designs generate downstream savings by reducing the number of people experiencing homelessness. These savings accumulate over time because fewer people enter homelessness while more people exit, reducing the cumulative number of person-months of homelessness. Consequently, the projected fiscal benefits are substantially larger by the end of 2025 than in the first year of implementation.

Consistent with the earlier findings, the HICO-HB generates substantially greater savings than the STIR-HB because it prevents more episodes of homelessness. Across the three municipalities, the STIR-HB generates savings equivalent to approximately **5% to 14%** of gross program costs by the end of 2025. By comparison, the HICO-HB generates savings ranging from approximately **13% to 30%** of gross program costs. In Edmonton, for example, projected gross program costs of **$259 million** in 2025 are reduced to a net cost of **$187 million** after accounting for an estimated **$72 million** in savings from reduced homelessness. Substantial fiscal offsets are also projected in St. John's and Toronto.

These estimates should be interpreted cautiously, as they depend on the assumptions described earlier in the report regarding the relationship between household income and homelessness. They should not be interpreted as a formal cost-benefit analysis.

Nevertheless, they illustrate an important implication of the analysis. The HICO-HB's greater targeting efficiency produces a second dividend. In addition to reducing homelessness more effectively, it also reduces future public expenditures associated with homelessness, substantially narrowing the program's net fiscal cost over time. While the projected savings do not fully offset program costs over the relatively short time horizon examined here, the results suggest that designing housing benefits specifically to prevent homelessness, rather than solely improve housing affordability, has the potential to improve both social outcomes and the long-term value of public investment.

Table 4 | Projected community impact and savings

	Year	HICO-HB				STIR-HB			
		Gross Spend (MM)	Impact[1]	Savings (MM)	Net Spend (MM)	Gross Spend (MM)	Impact[1]	Savings (MM)	Net Spend (MM)
Edmonton	2024	$283	16,620	$41	$241	$331	4,754	$12	$319
	2025	$259	29,187	$72	$187	$303	9,372	$23	$280
St. John's	2024	$28	2,108	$5	$23	$15	547	$1	$13
	2025	$28	3,404	$8	$20	$15	853	$2	$13
Toronto	2024	$1,622	48,009	$119	$1,503	$2,623	29,375	$73	$2,550
	2025	$1,622	82,009	$203	$1,418	$2,623	53,362	$132	$2,491

All dollar values are presented in 2026 dollars rounded to the nearest million.

[1] Impact is the estimated reduction in person-months of active homelessness relative to observed totals.

Box 1 | Estimating the public cost of homelessness

To estimate the fiscal benefits of each housing benefit model, we estimate the public costs avoided through reductions in homelessness. We begin with Simon Fraser University's 2006 estimate of the average cost of services used by a person with serious addictions or mental health issues experiencing active homelessness for a year (**$55,000**). From this figure, we subtract the same paper's estimate of the average cost of services used by the same person if they were housed (**$37,000**). We then arrive at an estimated annual net cost of leaving a person unhoused (**$18,000** in 2006 dollars). We convert this to 2026 dollars using the Consumer Price Index, resulting in an estimated annual public cost of **$29,734**, or approximately **$2,478** per month.

The simulation projects the number of months of active homelessness avoided under each housing benefit design. Total public cost savings are then estimated by multiplying the projected months of homelessness avoided in each year by the estimated monthly public cost of homelessness.

This estimate should be interpreted as a useful approximation rather than a precise measure of the current public cost of homelessness. The underlying study is old, service use and public costs have evolved over time, and the estimate reflects a specific population rather than all people experiencing homelessness. However, it remains one of the most widely cited Canadian estimates of the public costs associated with chronic homelessness and provides a reasonable basis for illustrating the potential fiscal implications of preventing homelessness.

Accordingly, the fiscal estimates presented in this report should be interpreted as illustrative rather than as a formal cost-benefit analysis. Their primary purpose is to compare the relative fiscal implications of alternative housing benefit designs under a common set of assumptions. Because the same cost assumptions are applied

consistently across all simulations, the comparative findings are more robust than the precise dollar estimates themselves.

Benefit distribution

The previous sections demonstrated that the HICO-HB is more effective and efficient at reducing homelessness risk than the STIR-HB. These differences arise because the two housing benefit designs identify different households as being in greatest need of assistance. This section examines how those differences translate into the distribution of benefits across Canada.

Benefit distribution is important because it helps explain why the HICO-HB and STIR-HB produce different outcomes. By defining housing need differently, they allocate public resources to different regions and different groups of households. Examining these patterns provides additional insight into the policy objectives that each design is best suited to achieve.

The analysis compares the distribution of benefits across provinces, household types, and income deciles. For each group, we calculate a **redistributive effect**, which compares a group's share of total benefit expenditures with its share of Canada's renter population. A positive redistributive effect indicates that a group receives a larger share of total benefits than its share of renter households, while a negative value indicates that it receives a smaller share.

Distribution across provinces

Table 5 (on the next page) summarizes the distribution of benefit expenditures across Canadian provinces under the HICO-HB and STIR-HB. For each province, the table reports its share of Canada's renter population, total benefit expenditures, its share of overall program spending, and the resulting redistributive effect.

Both housing benefit designs distribute benefits broadly across the country, but they produce distinctly different geographic patterns. The HICO-HB allocates relatively more funding to provinces with lower household incomes and higher rates of deep poverty, while the STIR-HB directs relatively more funding to provinces with the highest housing costs.

These differences are particularly evident in the Prairie provinces and Atlantic Canada. Compared with the STIR-HB, the HICO-HB allocates a larger share of total benefit expenditures to Saskatchewan, Manitoba, and Newfoundland and Labrador. In contrast, the STIR-HB allocates relatively more funding to British Columbia and Ontario, where exceptionally high rents create larger affordability gaps under a STIR-based approach.

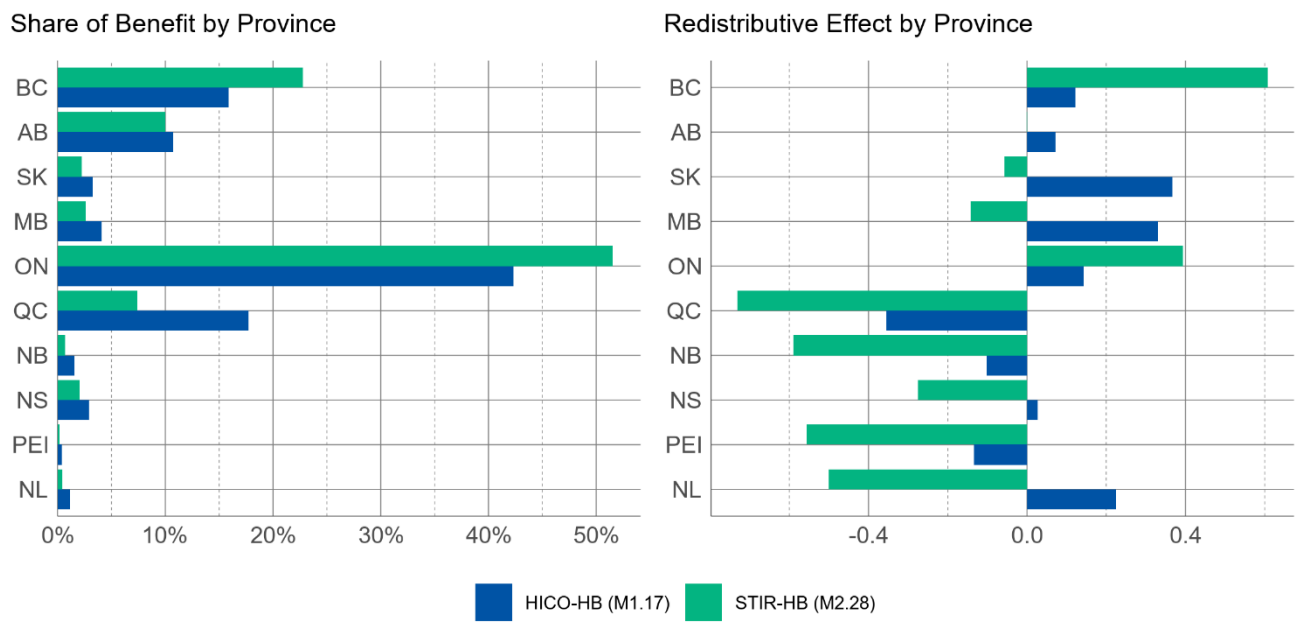
Quebec receives the smallest relative share of benefits under both designs, although the difference is substantially more pronounced under the STIR-HB. This likely reflects Quebec's combination of comparatively affordable rental markets and relatively generous income support programs, which reduce both housing affordability pressures and residual income gaps.

Figure 4 (on the next page) illustrates these differences by comparing each province's share of total benefit expenditures with its redistributive effect. Overall, the HICO-HB produces a more balanced geographic distribution of benefits, while the STIR-HB concentrates relatively more resources in Canada's highest-cost rental markets.

Table 5 | Provincial distribution of benefits

Province	Renters	Share of Renters	HICO-HB			STIR-HB		
			Total Benefit	Share of Expenditure	Redistributive Effect	Total Benefit	Share of Expenditure	Redistributive Effect
BC	876,993	14.2%	$1,202MM	15.9%	+0.12	$1,756MM	22.8%	+0.61
AB	619,646	10.0%	$811MM	10.7%	+0.07	$771MM	10.0%	0.00
SK	148,711	2.4%	$248MM	3.3%	+0.37	$175MM	2.3%	−0.06
MB	189,549	3.1%	$308MM	4.1%	+0.33	$203MM	2.6%	−0.14
ON	2,290,602	37.0%	$3,198MM	42.3%	+0.14	$3,976MM	51.5%	+0.39
QC	1,699,372	27.4%	$1,339MM	17.7%	−0.35	$570MM	7.4%	−0.73
NB	108,939	1.8%	$119MM	1.6%	−0.10	$56MM	0.7%	−0.59
NS	175,293	2.8%	$220MM	2.9%	+0.03	$158MM	2.1%	−0.27
PEI	26,515	0.4%	$28MM	0.4%	−0.13	$15MM	0.2%	−0.56
NL	57,890	0.9%	$86MM	1.1%	+0.22	$36MM	0.5%	−0.50

Figure 4 | Interprovincial distribution of benefits



Distribution across incomes deciles

Table 6 (on the next page) summarizes the distribution of benefit expenditures across household income deciles under the HICO-HB and STIR-HB. For each income decile, **Table 6** reports the share of renter economic families, the share of total benefit expenditures received, and the resulting redistributive effect.

Both housing benefit designs are strongly progressive, directing the vast majority of benefits to lower-income households. However, the HICO-HB is considerably more concentrated at the very bottom of the income distribution.

Because eligibility and benefit amounts under the HICO-HB are determined by residual income, assistance is directed primarily to households whose incomes remain insufficient to meet their basic

needs after paying for housing. As a result, approximately **99%** of total benefit expenditures accrue to renter economic families in the lowest three income deciles.

The STIR-HB also directs most benefits to lower-income households but distributes assistance more broadly across the income distribution. Households with moderate incomes can still experience high shelter cost burdens, particularly in high-cost rental markets, and therefore remain eligible for assistance even when their residual incomes exceed the HICO threshold. Consequently, approximately **88%** of total benefit expenditures are directed to households in the lowest three income deciles, while the remaining **12%** flows to households in the upper half of the income distribution for their family size and region, including approximately **$41 million** in benefits to these higher-income households.

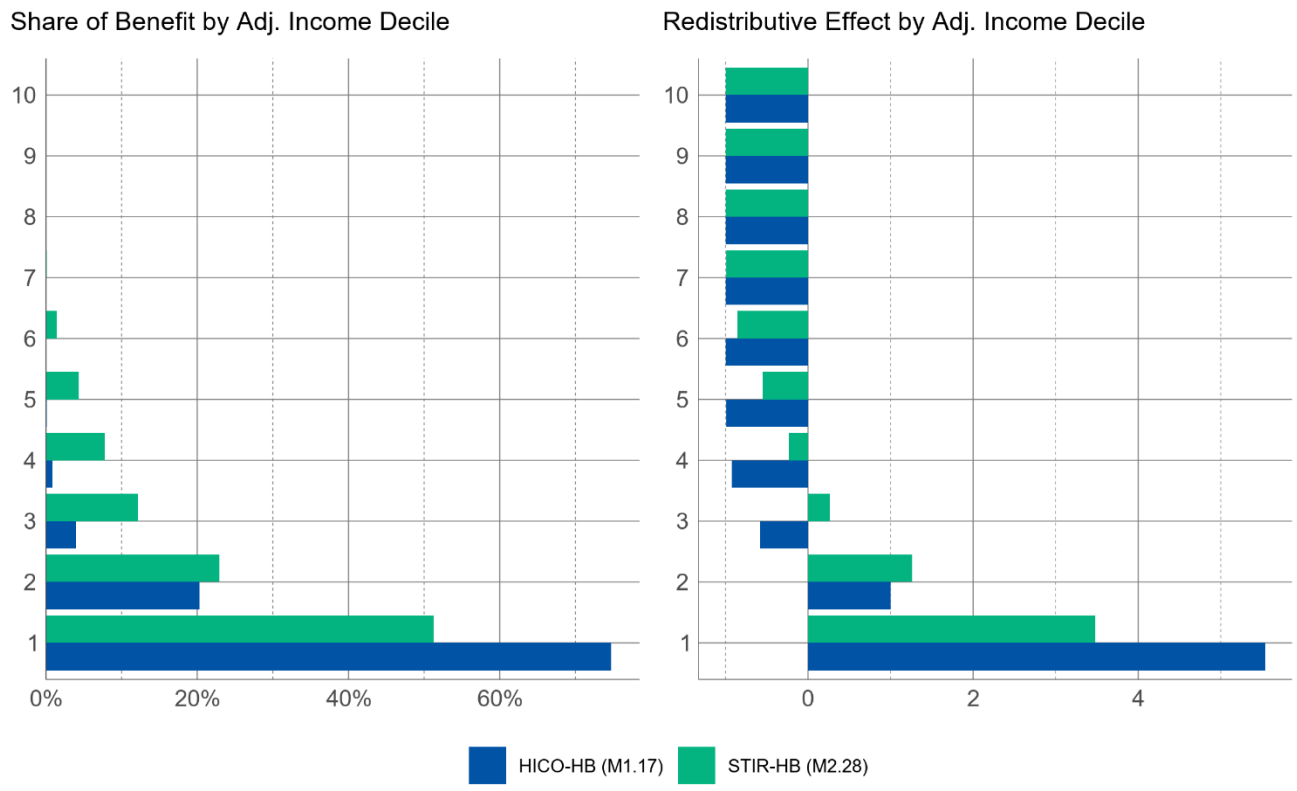
Figure 5 (on the next page) illustrates these differences in redistributive effects across the income distribution. The contrast between the two housing benefit designs is most pronounced in the lowest income deciles, where the HICO-HB concentrates substantially more public investment on households at greatest risk of homelessness.

These differences are not simply a consequence of the simulation assumptions; they are a structural consequence of the different ways the HICO-HB and STIR-HB define housing need. The STIR-HB targets households experiencing high housing cost burdens, regardless of whether they retain sufficient residual income to remain stably housed. The HICO-HB, by contrast, targets households whose post-shelter incomes fall below the minimum income required to avoid homelessness. As a result, it directs a substantially larger share of public investment to households facing the greatest risk of homelessness.

Table 6 | Benefit distribution by income decile

Adjusted Income Decile	Renters	Share of Renters	M1.17 (HICO-Based Model)			M2.28 (Affordability Gap Model)		
			Total Benefit	Share of Expenditure	Redistributive Effect	Total Benefit	Share of Expenditure	Redistributive Effect
10	570,766	9.2%	$0MM	0.0%	−1.00	$0MM	0.0%	−1.00
9	615,824	9.9%	$0MM	0.0%	−1.00	$0MM	0.0%	−1.00
8	611,692	9.9%	$0MM	0.0%	−1.00	$0MM	0.0%	−1.00
7	614,626	9.9%	$2MM	0.0%	−1.00	$7MM	0.1%	−0.99
6	620,101	10.0%	$0MM	0.0%	−1.00	$109MM	1.4%	−0.86
5	595,296	9.6%	$8MM	0.1%	−0.99	$337MM	4.4%	−0.55
4	631,317	10.2%	$61MM	0.8%	−0.92	$602MM	7.8%	−0.23
3	597,553	9.6%	$304MM	4.0%	−0.58	$938MM	12.2%	+0.26
2	628,190	10.1%	$1,535MM	20.3%	+1.00	$1,768MM	22.9%	+1.26
1	708,145	11.4%	$5,651MM	74.7%	+5.54	$3,954MM	51.2%	+3.48

Figure 5 | Benefit distribution by income



Distribution across household types

Table 7 (on the next page) summarizes the distribution of benefit expenditures across household types under the HICO-HB and STIR-HB. For each household type, the table reports its share of renter economic families, the share of total benefit expenditures received, and the resulting redistributive effect.

Both housing benefit designs direct a disproportionate share of assistance toward household types at greater risk of housing insecurity. However, the HICO-HB concentrates a substantially larger share of assistance on unattached individuals, who are the household type most likely to experience severe residual income shortfalls and homelessness.

This difference reflects the way the two housing benefit designs define housing need. Because eligibility and benefit amounts under the HICO-HB are based on residual income, assistance is concentrated among household types that are most likely to have insufficient income remaining after paying for housing. As a result, unattached individuals receive **76.3%** of total benefit expenditures under the HICO-HB, compared with **70.3%** under the STIR-HB. Single-parent families also receive a disproportionate share of benefits under both designs.

The STIR-HB distributes benefits more broadly across household types because eligibility is determined by housing affordability rather than post-shelter income. Consequently, couple households—particularly couples with children—receive a larger share of benefit expenditures than under the HICO-HB. For

example, couples with children receive **12.4%** of total benefits under the STIR-HB, compared with **8.5%** under the HICO-HB.

Figure 6 illustrates these differences in redistributive effects across household types. Overall, the HICO-HB directs a greater share of public investment toward household types most likely to experience severe income inadequacy after paying for housing, while the STIR-HB distributes assistance more broadly across households experiencing housing affordability pressures.

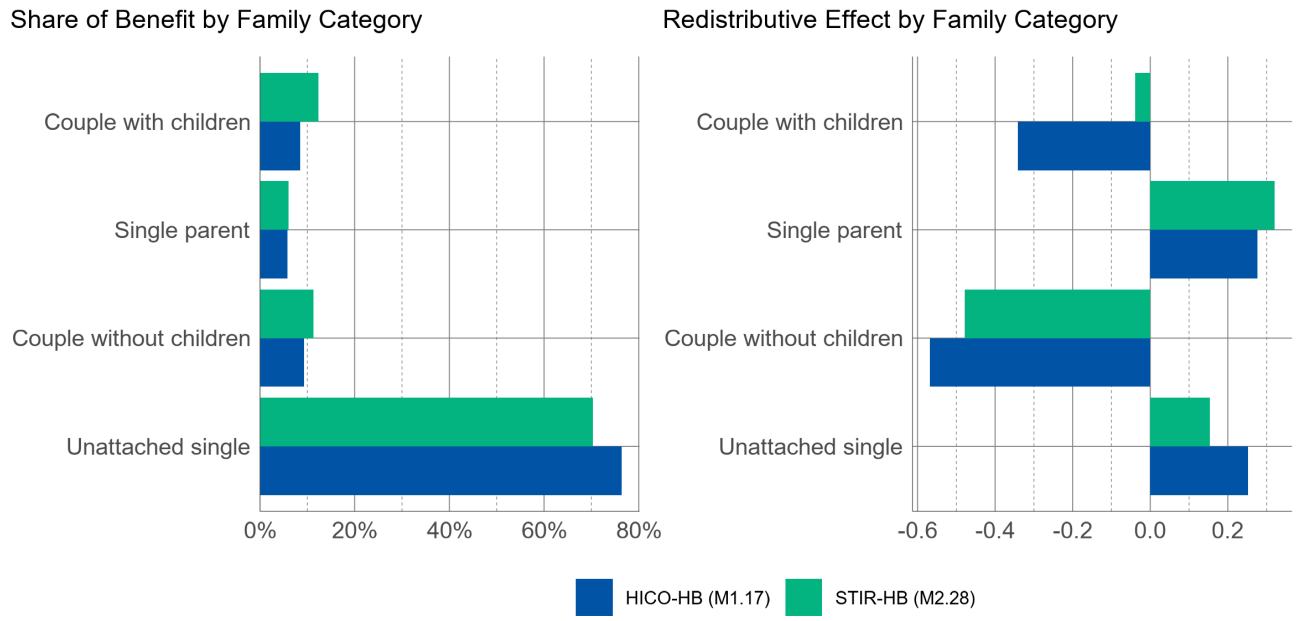
As with the provincial and income analyses, these differences are a structural consequence of how the two housing benefit designs define housing need. The HICO-HB targets households facing the greatest risk of homelessness, whereas the STIR-HB targets households experiencing the greatest housing affordability pressures.

Table 7 | Benefit distribution by family structure

Family Category	Renters	Share of Renters	M1.17 (HICO-Based Model)			M2.28 (Affordability Gap Model)		
			Total Benefit	Share of Expenditure	Redist. Effect	Total Benefit	Share of Benefit	Redist. Effect
Couple with children	796,787	12.9%	$641MM	8.5%	−0.34	12.9%	$954MM	12.4%
Single parent	284,245	4.6%	$443MM	5.9%	+0.28	4.6%	$468MM	6.1%
Couple without children	1,337,768	21.6%	$705MM	9.3%	−0.57	21.6%	$870MM	11.3%
Unattached single	3,774,710	60.9%	$5,772MM	76.3%	+0.25	60.9%	$5,422MM	70.3%

Figure 6 visualizes the share of benefits and redistributive effects for each family category. Here, we see that the HICO-based model and affordability gap model both favour single adult families, with children and without.

Figure 6 | Benefit distribution by family category



Section 7. Implementation options

The analysis presented thus far suggests that the HICO-HB provides a more effective and efficient approach to preventing homelessness than the STIR-HB. However, adopting the HICO-HB does not require governments to implement the full national design immediately.

The simulation results demonstrate that the HICO-HB can be adapted to reflect different fiscal capacities and policy priorities while preserving its core design principle of targeting households whose residual incomes fall below the HICO.

Two implementation strategies are particularly straightforward. Governments can **narrow eligibility** to focus on populations at greatest risk of homelessness, **phase in benefit generosity** over time by gradually increasing the target residual income, or **combine both approaches**. The following sections illustrate these two implementation pathways.

Categorical eligibility restrictions

One option is to introduce the HICO-HB initially for selected populations while retaining the same residual income framework. **Table 8** illustrates how program costs and performance change under a range of alternative eligibility scenarios. For each scenario, **Table 8** reports total program cost, the number of households lifted above the HICO threshold, and the average cost per household lifted above the threshold.

Restricting eligibility substantially reduces total program costs while largely preserving the HICO-HB's targeting efficiency. The unrestricted design has an estimated annual cost of **$7.56 billion**, lifting **769,533** renter economic families above the HICO threshold at an average cost of **$9,825** per household. Restricting eligibility to non-student, non-senior households living in market housing reduces annual program costs to approximately **$3.95 billion**, while maintaining a very similar cost of **$9,676** per household lifted above the HICO threshold. Narrowing eligibility further to households receiving social assistance and living in market housing reduces annual program costs to approximately **$1.25 billion**, while improving cost efficiency to approximately **$7,873** per household lifted above the threshold.

These results suggest that governments do not face an all-or-nothing choice between implementing a universal housing benefit and maintaining the status quo. The HICO-HB could be introduced initially for populations at greatest risk of homelessness and expanded over time as fiscal capacity permits. Restricting eligibility reduces the scale of the program but largely preserves its effectiveness for households that remain eligible.

Table 8 | Categorical eligibility restrictions

Eligibility Criteria				Total Benefit		Impact		Efficiency	
Social Assistance	Housing Type	Senior Status	Student Status	Total Benefit	% of Unrestricted	# Lifted	% of Unrestricted	Impact Share	Cost per Lifted
Any	Any	Any	Any	$7,561MM	100.0%	769,533	100.0%	80.3%	$9,825
Any	Any	Non-senior	Any	$7,391MM	97.8%	753,899	98.0%	80.3%	$9,803
Any	Market	Any	Any	$7,018MM	92.8%	705,192	91.6%	81.1%	$9,952
Any	Market	Non-senior	Any	$6,892MM	91.2%	692,734	90.0%	81.1%	$9,949
Any	Any	Any	Non-student	$4,470MM	59.1%	467,622	60.8%	76.3%	$9,559
Any	Any	Non-senior	Non-student	$4,300MM	56.9%	451,988	58.7%	76.1%	$9,514

Any	Market	Any	Non-student	$4,072MM	53.9%	420,249	54.6%	76.7%	$9,690
Any	Market	Non-senior	Non-student	$3,946MM	52.2%	407,791	53.0%	76.6%	$9,676
On SA	Any	Any	Any	$1,679MM	22.2%	209,679	27.2%	63.9%	$8,007
On SA	Any	Non-senior	Any	$1,665MM	22.0%	208,709	27.1%	63.7%	$7,978
On SA	Market	Any	Any	$1,486MM	19.6%	182,651	23.7%	65.4%	$8,133
On SA	Market	Non-senior	Any	$1,477MM	19.5%	182,148	23.7%	65.3%	$8,111
On SA	Any	Any	Non-student	$1,425MM	18.9%	183,685	23.9%	62.5%	$7,760
On SA	Any	Non-senior	Non-student	$1,412MM	18.7%	182,715	23.7%	62.3%	$7,726
On SA	Market	Any	Non-student	$1,261MM	16.7%	159,603	20.7%	63.7%	$7,900
On SA	Market	Non-senior	Non-student	$1,253MM	16.6%	159,100	20.7%	63.5%	$7,873

Phasing in target residual income

A second implementation strategy is to phase in the level of support provided rather than immediately implementing the full HICO-HB. Although the conceptual foundation of HICO is strong, its specific thresholds have not yet been empirically validated. Governments may prefer to begin with a lower target residual income and increase it over time as evidence accumulates and fiscal capacity allows.

Table 9 illustrates this approach by modelling a series of HICO-HB designs with progressively higher target residual incomes. As the target increases, benefit amounts increase, allowing more households to reach the HICO threshold while increasing overall program costs. This provides governments with a flexible implementation pathway that can be expanded incrementally without changing the underlying design of the benefit.

Unlike restricting eligibility, this approach maintains support for approximately the same population of households throughout implementation while gradually strengthening the level of protection provided. Lower target residual incomes require less public expenditure but leave more households below the HICO threshold. Higher targets lift more households above the threshold, increasing the benefit's projected impact on homelessness while also increasing program costs.

Together, these two implementation strategies provide governments with considerable flexibility. Restricting eligibility concentrates resources on fewer households while maintaining the full protective effect of the HICO-HB for those who receive it. Increasing the target residual income spreads support across a similar population of households while progressively strengthening the benefit's ability to prevent homelessness. These approaches can be implemented independently or in combination, allowing governments to balance fiscal capacity with policy ambition.

Table 9 | Phasing in target residual income

Target Residual Income	Total Benefit	Average Benefit	# Eligible
75%HICO-R	$2,996MM	$5,344	560,545
88%HICO-R	$3,855MM	$5,924	650,634
100%HICO-R	$4,856MM	$6,310	769,533
112%HICO-R	$6,028MM	$6,909	872,544
125%HICO-R	$7,377MM	$7,390	998,226

Overall implementation considerations

Taken together, these implementation options demonstrate that adopting the HICO-HB does not require a single implementation model. Governments can tailor both the breadth of the program through

eligibility criteria and the depth of support through the target residual income, allowing implementation to be aligned with available fiscal resources, policy priorities, and risk tolerance.

Importantly, these implementation choices do not alter the fundamental innovation of the HICO-HB: defining housing need according to whether households retain sufficient income after paying for housing to meet their basic needs and avoid homelessness. The simulations presented throughout this report suggest that this approach to defining housing need—and not simply the generosity of the benefit—is the primary driver of the improved effectiveness, efficiency, and projected reductions in homelessness observed across the analysis.

This flexibility provides governments with a practical pathway for implementation. Rather than choosing between the status quo and a fully implemented national program, jurisdictions can introduce a HICO-HB incrementally, evaluate its performance, and expand coverage over time while preserving the core features that make the approach effective.

Section 8. Discussion and policy implications

Rethinking housing need

The central finding of this paper is not simply that one portable housing benefit performs better than another. Rather, it is that the way housing need is defined fundamentally shapes who receives assistance, how public resources are allocated, and ultimately whether a portable housing benefit is designed to improve housing affordability or prevent homelessness.

Currently, portable housing benefits in Canada have been designed primarily around housing affordability. The CHB and related provincial programs identify need using measures such as STIR, reflecting an objective of reducing the proportion of household income devoted to housing. This is a logical and well-established approach when the policy objective is to improve housing affordability.

Preventing homelessness, however, requires answering a different policy question. A household may spend a smaller share of its income on housing after receiving a benefit yet still lack sufficient income to pay for food, transportation, clothing, medications, and other basic necessities. From the perspective of homelessness prevention, the critical question is not simply whether housing has become more affordable, but whether households retain sufficient income after paying for housing to remain stably housed.

The HICO provides a different way of defining housing need that is directly aligned with this objective. Rather than measuring housing affordability, HICO measures whether households retain sufficient residual income after paying for shelter to meet their basic needs and avoid homelessness. Consequently, the HICO-HB represents more than an alternative benefit formula—it reflects a different conceptual approach to designing a housing benefit for homelessness prevention.

This distinction is important because the two approaches identify overlapping but meaningfully different populations of households. As the analysis demonstrated, affordability-based measures primarily reflect housing cost pressures, while residual income measures identify households whose incomes remain insufficient after paying for housing. These differences influence not only who becomes eligible for assistance, but also how effectively public resources are directed toward households at greatest risk of homelessness.

This should not be interpreted as suggesting that affordability-based housing benefits are fundamentally flawed. Rather, the analysis suggests that different ways of defining housing need are appropriate for different policy objectives. A housing benefit designed to improve housing affordability should logically be based on affordability measures. A housing benefit designed to prevent homelessness should instead be designed around the minimum residual income households require after paying for housing to remain stably housed.

Implications for housing benefit design

The simulation results consistently favour the HICO-HB across every dimension of the evaluation framework. At a comparable fiscal cost, the HICO-HB lifts substantially more households above the HICO threshold than the STIR-HB; directs a larger share of public expenditure toward households at greatest risk of homelessness; and does so at substantially lower cost per household protected. These

advantages are reflected not only in greater targeting efficiency, but also in larger projected reductions in homelessness and greater downstream fiscal savings.

The distributional analyses reinforce this conclusion. Compared with the STIR-HB, the HICO-HB directs a greater share of assistance to lower-income provinces, the lowest income deciles, and household types most likely to experience severe residual income inadequacy after paying for housing. These differences are not the result of individual design parameters. Rather, they are a direct consequence of the different ways the two housing benefit designs define housing need.

Taken together, the findings suggest that when the objective is homelessness prevention, a residual income approach provides a stronger conceptual and empirical foundation than an affordability-based approach. The results indicate that defining housing need according to residual income allows public resources to be targeted more effectively to households at greatest risk of homelessness, improving both policy effectiveness and value for money.

From evidence to policy design

The analysis should not be interpreted as suggesting that the HICO-HB examined in this report is the only appropriate implementation model. Rather, it demonstrates that the underlying residual income framework performs well across a broad range of parameter combinations.

There are important policy choices regarding benefit generosity, benefit withdrawal rates, eligibility criteria, and implementation timing. These parameters influence program costs, labour market incentives, and the pace at which households are lifted above the HICO threshold. As demonstrated in **Appendix B**, different combinations of these parameters produce different balances between fiscal cost, targeting efficiency, and behavioural incentives.

The HICO-HB examined in this report was selected because it performed strongly across the evaluation framework, not because it represents a uniquely optimal solution. The simulations therefore provide a foundation for policy design rather than prescribing a single implementation model.

Moving from that foundation to a specific policy requires decisions that extend beyond the scope of this analysis, including the acceptable balance between targeting and work incentives, the pace of implementation, the design of eligibility rules, and the coordination of federal and provincial responsibilities. What this report provides is the empirical basis for making those decisions: a clear map of the policy trade-offs, estimates of costs and outcomes across a wide range of design options, and evidence that the core residual income framework performs substantially better than the affordability-based alternative when the objective is preventing homelessness.

Multilateral and fiscal considerations

Implementing a HICO-HB involves more than designing an effective benefit formula. Because housing, income assistance, and homelessness services are shared responsibilities across federal, provincial, and territorial governments, implementation will require careful intergovernmental coordination. While these issues fall beyond the scope of the simulation analysis, they are important considerations for policy design.

Aligning incentives across governments

The HICO-HB directs more funding to provinces where households face the largest residual income gaps after receiving existing provincial income supports. This is an intentional feature of the design: the benefit is calibrated to close the gap between the income that households have after paying for housing and the income they require to avoid homelessness.

At the same time, this creates an important fiscal dynamic. Provinces with less generous social assistance programs receive larger federal transfers because households begin further below the HICO threshold. For example, Ontario, which has largely frozen social assistance rates since 2018, would receive substantially more HICO-HB funding than Quebec, which has increased benefit rates over the same period. This is not an argument against the design—the objective is to protect households rather than equalize provincial spending—but it is a fiscal consequence that federal-provincial agreements should explicitly recognize.

Protecting benefit integrity

Experience with federal-provincial income transfers demonstrates that provinces sometimes adjust their own programs in response to new federal benefits. If provincial governments reduce social assistance payments in response to the HICO-HB, the intended household-level benefit would be diminished, and part of the federal investment would effectively become a provincial fiscal saving.

Maintaining the integrity of the HICO-HB therefore requires a clear "last payer" principle, under which the benefit supplements rather than replaces existing provincial supports. This will likely require explicit federal-provincial agreements prohibiting clawbacks, together with ongoing monitoring to ensure provincial policy changes do not undermine the benefit's intended impact.

Integrating with the CHB

The relationship between the HICO-HB and the existing CHB will also require careful planning. The current CHB is a targeted, wait-listed program delivered through bilateral agreements with provinces and territories. A universal HICO-HB would operate at a substantially larger scale.

Our analysis treats the two programs independently. In practice, governments would need to determine whether the HICO-HB should replace, absorb, or complement the existing CHB. Running both programs in parallel could create administrative complexity and duplication, while wholesale replacement could disadvantage some current recipients if transition arrangements are not carefully designed. A phased transition that integrates the strengths of both approaches may provide the most practical pathway.

More broadly, the HICO-HB should be implemented as part of a broader federal-provincial-territorial strategy to prevent homelessness rather than as a stand-alone income support. One option would be to embed the redesigned CHB within a renewed **Canada Housing Accord**, providing a common framework for federal investments, provincial responsibilities, and long-term coordination under the next generation of National Housing Strategy agreements.

Conclusion

This report demonstrates that portable housing benefits can be designed more effectively for homelessness prevention. When the policy objective shifts from improving housing affordability to

preventing homelessness, defining housing need in terms of the income households retain after paying for housing leads to a fundamentally different approach to targeting assistance. Across a wide range of simulations, the HICO-HB consistently outperformed the STIR-HB, producing larger reductions in homelessness, greater targeting efficiency, and stronger value for public investment.

The findings provide a foundation for the next generation of housing benefit policy in Canada. While important implementation decisions remain, the evidence suggests that a residual income approach offers governments a practical, evidence-informed framework for designing housing benefits that more effectively prevent homelessness while making better use of public resources.

Appendix A: Data source details

The SPSD/M microdata

The analysis uses synthetic microdata generated by Statistics Canada's Social Policy Simulation Database and Model (SPSD/M).

- Version and base year: SPSD/M 34.0, 2026 base year.
- Sample: approximately 80,000 synthetic Economic Family units (EFs), weighted to represent the Canadian provincial population.
- Analytic unit: the Economic Family (EF)—a group of individuals sharing a dwelling and financially interdependent.
- Key variables drawn from SPSD: MBM income (immbminc), monthly/annual rent (efrentm), MBM threshold (immbmthr), family composition (efnpers, efnkids, efnadult), MBM region (hdmbmregp), household weight (hdwgthh).
- Key variables generated from SPSD and other data sources: Annual rent (efrenta), HICO-S (imhicothr_shelter), HICO-R (imhicothr_resid)

CAEH partner community data

Our impact projection approach begins with monthly stock and flow records for three CAEH partner communities: Edmonton, Toronto, and St. John's. For each month between December 2023 and December 2025, the data provide community-specific counts of:

- current active homeless population (ah)
- entries into active homelessness:
    - newly identified (in.new)
    - returned from housing (in.from_housing)
    - from inactive (in.from_inactive)
- exits from active homelessness:
    - into housing (out.move_in)
    - to inactive (out.inactive)

These records are provided by CAEH and used by Blueprint with permission from each of the focal communities. Focal communities were selected from CAEH's partner roster on the basis of their alignment with MBM region boundaries and the quality of their records assessed by the CAEH data team.

HICO approximation

Published HICO values are only available for major Canadian cities. In support of this work, Professor Kneebone generously shared detailed 2023 HICO calculations for each of the 50 communities for which he and Margarita Wilkins estimated HICO. To apply HICO-based thresholds across the full microdata (which maps households to MBM regions, including rural and smaller-centre areas), we derive region-specific HICO approximations from MBM thresholds:

- For each family type in each HICO community, calculate HICO-S as a percentage of MBM (hico_shelter_pct) and HICO-R as a percentage of MBM (hico_resid_pct).
- Map HICO communities to their corresponding MBM regions, as coded in the SPSD.
- For each MBM region and family size represented in the supplementary HICO data, derive HICO scaling factors as the respective means of hico_shelter_pct and hico_resid_pct.
- For each MBM region represented in SPSD but not represented in the supplementary HICO data, derive HICO scaling factors as the global average of HICO scaling factors by family type.
- Link analysis dataset with the generated MBM-HICO crosswalk by MBM region.
- For each economic family in the analysis dataset, calculate HICO-S (imhicothr_shelter) as the product of family MBM threshold (immbmthr) and the HICO shelter scaling factor (hico_shelter_pct); calculate HICO-R (imhicothr_resid) as the product of family MBM threshold (immbmthr) and HICO residual scaling factor (hico_resid_pct).

Simulation procedure

All simulations are implemented in R (tidyverse). The procedure for each variant is as follows:

- Load and filter SPSD/M microdata: retain EFs with positive MBM income (immbminc > 0), and positive rent (efrentm > 0).
- Join HICO approximation table (mbm-hico.tsv) on hdmbmregp and efnpers.
- Compute derived variables: annual rent (efrenta = efrentm × 12), base shelter deduction, base residual income, base gap to HICO residual.
- Expand across parameter grid.
- Compute benefit amounts per the relevant formula (Model 1 or Model 2).
- Compute post-benefit residual income and pre/post HICO indicator flags.
- Aggregate to population-level estimates using household weights (hdwgthh).

Appendix B: Parameter grid and simulation results

Model 1: HICO income floor

Policy logic

The immediate goal of Model 1 is to top-up recipient income just enough that they can afford to maintain minimal housing. After paying shelter costs (capped at a maximum), the benefit bridges the gap between the household's remaining income and the post-shelter HICO threshold. A partial-gap structure (less than **100%** coverage) preserves the recipient's financial incentives to seek lower-cost housing and to earn more income.

Benefits formula

Box 2 | Model 1 formula

INCOME-S	=	min(ELIGIBLE-SHELTER-COST-CAP, RENT)	*Shelter cost deduction*
INCOME-R	=	INCOME − INCOME-S	*Eligible residual income*
GAP	=	max(TARGET-R – INCOME-R, 0)	*Residual income gap*
AMOUNT	=	GAP-COVERAGE × GAP	*Benefit payment*

Parameters tested

Table B1 | Model 1 parameter grid

Parameter	Rationale	Values tested
ELIGIBLE-SHELTER-COST-CAP	HICO estimates a minimal shelter cost available to the average family, but it is sensitive to short-term fluctuations in the economy. Some families may have an above-average minimal shelter cost available to them. Raising the shelter cost cap above HICO mitigates the risk of leaving recipients at risk of income-related homelessness due to HICO calibration lag and housing market access.	100%HICO-S, 105%HICO-S, 110%HICO-S
TARGET-R (target residual income)	We set the target residual income with respect to the total residual components of HICO. The lowest target income (112% of HICO residual) is set such that a recipient with zero pre-benefit residual income will have at least 100% of HICO residual income after the benefit covers 90% of the gap (90% of 112% is roughly 100%). The highest target income (200% of HICO residual) achieves the same goal with gap coverage set to 50%.	112%HICO-R, 125%HICO-R, 150%HICO-R, 200%HICO-R
GAP-COVERAGE (% of gap covered)	Gap coverage dictates the peak marginal effective tax rate induced by the benefit's design. A higher gap coverage creates more negative externalities, but permits a lower target residual income, resulting in a more efficient but also more distortionary benefit. A	50%, 80%, 90%

	lower gap coverage requires a higher target income, resulting in a less efficient benefit that is less distortionary.	

Total unique Model 1 variants: 3 × 4 × 3 = **36** simulations.

Table B2 | Model 1 simulation results

Model S=Eligible shelter (% of HICO-S), T=Tgt. res. income (% of HICO-R), G=Gap coverage	Effectiveness			Efficiency		
	Eligible Renter EFs	# Lifted	Coverage	Total Benefit	Impact Share	Cost per EF Lifted
M1.1 (S: 100%, T: 112%, G: 50%)	868,153	114,274	14.8%	$3,736MM	97.4%	$32,696
M1.2 (S: 100%, T: 112%, G: 80%)	868,153	342,698	44.5%	$5,978MM	94.2%	$17,444
M1.3 (S: 100%, T: 112%, G: 90%)	868,153	769,533	100.0%	$6,725MM	90.3%	$8,740
M1.4 (S: 100%, T: 125%, G: 50%)	998,226	208,988	27.2%	$4,611MM	91.1%	$22,061
M1.5 (S: 100%, T: 125%, G: 80%)	998,226	769,533	100.0%	$7,377MM	82.3%	$9,586
M1.6 (S: 100%, T: 125%, G: 90%)	998,226	769,533	100.0%	$8,299MM	73.1%	$10,784
M1.7 (S: 100%, T: 150%, G: 50%)	1,330,678	351,752	45.7%	$6,731MM	74.8%	$19,136
M1.8 (S: 100%, T: 150%, G: 80%)	1,330,678	769,533	100.0%	$10,770MM	56.4%	$13,995
M1.9 (S: 100%, T: 150%, G: 90%)	1,330,678	769,533	100.0%	$12,116MM	50.1%	$15,745
M1.10 (S: 100%, T: 200%, G: 50%)	2,219,555	769,533	100.0%	$13,341MM	45.5%	$17,337
M1.11 (S: 100%, T: 200%, G: 80%)	2,219,555	769,533	100.0%	$21,346MM	28.4%	$27,739
M1.12 (S: 100%, T: 200%, G: 90%)	2,219,555	769,533	100.0%	$24,014MM	25.3%	$31,206
M1.13 (S: 105%, T: 112%, G: 50%)	883,276	121,893	15.8%	$3,834MM	96.5%	$31,453
M1.14 (S: 105%, T: 112%, G: 80%)	883,276	388,063	50.4%	$6,134MM	92.5%	$15,808
M1.15 (S: 105%, T: 112%, G: 90%)	883,276	769,533	100.0%	$6,901MM	88.0%	$8,968
M1.16 (S: 105%, T: 125%, G: 50%)	1,009,293	223,101	29.0%	$4,725MM	89.9%	$21,181
M1.17 (S: 105%, T: 125%, G: 80%)	1,009,293	769,533	100.0%	$7,561MM	80.3%	$9,825
M1.18 (S: 105%, T: 125%, G: 90%)	1,009,293	769,533	100.0%	$8,506MM	71.4%	$11,053
M1.19 (S: 105%, T: 150%, G: 50%)	1,364,234	365,969	47.6%	$6,897MM	73.4%	$18,845
M1.20 (S: 105%, T: 150%, G: 80%)	1,364,234	769,533	100.0%	$11,034MM	55.0%	$14,339
M1.21 (S: 105%, T: 150%, G: 90%)	1,364,234	769,533	100.0%	$12,414MM	48.9%	$16,132
M1.22 (S: 105%, T: 200%, G: 50%)	2,258,953	769,533	100.0%	$13,639MM	44.5%	$17,724
M1.23 (S: 105%, T: 200%, G: 80%)	2,258,953	769,533	100.0%	$21,822MM	27.8%	$28,358
M1.24 (S: 105%, T: 200%, G: 90%)	2,258,953	769,533	100.0%	$24,550MM	24.7%	$31,903
M1.25 (S: 110%, T: 112%, G: 50%)	900,699	129,295	16.8%	$3,930MM	95.6%	$30,392
M1.26 (S: 110%, T: 112%, G: 80%)	900,699	423,049	55.0%	$6,287MM	90.7%	$14,862
M1.27 (S: 110%, T: 112%, G: 90%)	900,699	769,533	100.0%	$7,073MM	85.8%	$9,192
M1.28 (S: 110%, T: 125%, G: 50%)	1,039,969	238,441	31.0%	$4,837MM	88.7%	$20,287
M1.29 (S: 110%, T: 125%, G: 80%)	1,039,969	769,533	100.0%	$7,740MM	78.4%	$10,058
M1.30 (S: 110%, T: 125%, G: 90%)	1,039,969	769,533	100.0%	$8,707MM	69.7%	$11,315
M1.31 (S: 110%, T: 150%, G: 50%)	1,388,270	374,168	48.6%	$7,059MM	72.1%	$18,866
M1.32 (S: 110%, T: 150%, G: 80%)	1,388,270	769,533	100.0%	$11,294MM	53.7%	$14,677
M1.33 (S: 110%, T: 150%, G: 90%)	1,388,270	769,533	100.0%	$12,706MM	47.8%	$16,512
M1.34 (S: 110%, T: 200%, G: 50%)	2,289,548	769,533	100.0%	$13,930MM	43.6%	$18,101
M1.35 (S: 110%, T: 200%, G: 80%)	2,289,548	769,533	100.0%	$22,287MM	27.2%	$28,962
M1.36 (S: 110%, T: 200%, G: 90%)	2,289,548	769,533	100.0%	$25,073MM	24.2%	$32,583

Model 2: Deep Core Housing Need

Policy logic

This model targets affordability ratios. For households spending over half their gross income on rent, the benefit bridges part of the gap between actual rent and the rent that would correspond to a target

shelter-to-income ratio (STIR)—subject to a maximum eligible rent. The partial-gap structure retains incentives to seek lower-cost housing and for landlords to price competitively.

Benefits formula

Box 3 | Model 2 formula

ELIGIBLE-RENT	=	min(ELIGIBLE-SHELTER-COST-CAP, RENT)	*Rent eligible for subsidy*
TARGET-RENT	=	TARGET-STIR × INCOME	*Affordable rent at target STIR*
GAP	=	max(ELIGIBLE-RENT - TARGET-RENT, 0)	*Affordability shortfall*
AMOUNT	=	GAP-COVERAGE × GAP	*Benefit payment*

Parameters tested

Table B3 | Model 2 parameter grid

Parameter	Rationale	Values Tested
ELIGIBLE-SHELTER-COST-CAP (maximum rent subsidized)	We set the lowest maximum rent such that post-benefit effective rent is less than 50% of any recipient's income at the lowest target affordability ratio and highest gap coverage. The highest maximum rent is set to achieve the same at the highest target affordability ratio and lowest gap coverage.	115%HICO-S, 125%HICO-S, 150%HICO-S
TARGET-STIR (target affordability ratio)	Target affordability ratios are set relative to the affordability component of the canonical Core Housing Need.	30%, 35%, 40%
GAP-COVERAGE (% of gap covered)	The range of gap coverage values is designed to be internally compatible with the other parameters.	50%, 75%, 90%

Total unique Model 2 variants: **28** simulations.

The parameter grid specified in Parameters tested

Table **B4** implies **27** design variants. We add a **28th** that approximates the COHB, covering **100%** of the gap between the **30%** of the recipient tenant's income and their eligible shelter cost, capped at MBM-S.

Table B4 | Model 2 simulation results

Model: S=Eligible shelter (% of HICO-S), R=Target STIR, G=Gap coverage	Effectiveness			Efficiency		
	Eligible Renter EFs	# Lifted	Coverage	Total Benefit	Impact Share	Cost per EF Lifted
M2.1 (S: 115%, R: 30%, G: 50%)	1,004,334	52,398	6.8%	$1,777MM	82.6%	$33,911
M2.2 (S: 115%, R: 30%, G: 70%)	1,004,334	72,785	9.5%	$2,488MM	81.6%	$34,177
M2.3 (S: 115%, R: 30%, G: 90%)	1,004,334	96,688	12.6%	$3,198MM	80.5%	$33,079
M2.4 (S: 115%, R: 35%, G: 50%)	788,254	28,029	3.6%	$1,398MM	92.8%	$49,870
M2.5 (S: 115%, R: 35%, G: 70%)	788,254	37,832	4.9%	$1,957MM	92.2%	$51,727
M2.6 (S: 115%, R: 35%, G: 90%)	788,254	49,373	6.4%	$2,516MM	91.6%	$50,960
M2.7 (S: 115%, R: 40%, G: 50%)	630,729	8,031	1.0%	$1,163MM	97.6%	$144,803
M2.8 (S: 115%, R: 40%, G: 70%)	630,729	11,061	1.4%	$1,628MM	97.4%	$147,191

M2.9 (S: 115%, R: 40%, G: 90%)	630,729	16,348	2.1%	$2,093MM	97.2%	$128,043
M2.10 (S: 125%, R: 30%, G: 50%)	1,159,176	65,462	8.5%	$2,142MM	76.5%	$32,721
M2.11 (S: 125%, R: 30%, G: 70%)	1,159,176	87,287	11.3%	$2,999MM	75.2%	$34,355
M2.12 (S: 125%, R: 30%, G: 90%)	1,159,176	116,746	15.2%	$3,856MM	74.0%	$33,025
M2.13 (S: 125%, R: 35%, G: 50%)	868,090	37,345	4.9%	$1,669MM	88.1%	$44,683
M2.14 (S: 125%, R: 35%, G: 70%)	868,090	54,499	7.1%	$2,336MM	87.3%	$42,866
M2.15 (S: 125%, R: 35%, G: 90%)	868,090	75,713	9.8%	$3,004MM	86.4%	$39,671
M2.16 (S: 125%, R: 40%, G: 50%)	702,918	14,872	1.9%	$1,370MM	95.2%	$92,107
M2.17 (S: 125%, R: 40%, G: 70%)	702,918	27,918	3.6%	$1,918MM	94.8%	$68,692
M2.18 (S: 125%, R: 40%, G: 90%)	702,918	35,793	4.7%	$2,466MM	94.3%	$68,887
M2.19 (S: 200%, R: 30%, G: 50%)	2,111,157	130,071	16.9%	$5,284MM	47.4%	$40,625
M2.20 (S: 200%, R: 30%, G: 70%)	2,111,157	182,879	23.8%	$7,398MM	45.7%	$40,452
M2.21 (S: 200%, R: 30%, G: 90%)	2,111,157	240,930	31.3%	$9,511MM	43.6%	$39,478
M2.22 (S: 200%, R: 35%, G: 50%)	1,581,505	103,900	13.5%	$3,999MM	59.1%	$38,488
M2.23 (S: 200%, R: 35%, G: 70%)	1,581,505	147,304	19.1%	$5,599MM	57.3%	$38,007
M2.24 (S: 200%, R: 35%, G: 90%)	1,581,505	204,753	26.6%	$7,198MM	55.1%	$35,155
M2.25 (S: 200%, R: 40%, G: 50%)	1,252,244	86,606	11.3%	$3,146MM	70.4%	$36,330
M2.26 (S: 200%, R: 40%, G: 70%)	1,252,244	120,280	15.6%	$4,405MM	68.6%	$36,622
M2.27 (S: 200%, R: 40%, G: 90%)	1,252,244	167,448	21.8%	$5,663MM	66.5%	$33,822
M2.28 (COHB-like)	1,739,343	278,149	36.1%	$7,715MM	54.6%	$27,736

Appendix C: Technical notes and supporting methods

MBM-HICO scaling factors

Table C1 | MBM-HICO scaling factors

MBM Region	HICO Communities	Unattached Individual		Reference Family of Four	
		HICO-S	HICO-R	HICO-S	HICO-R
Newfoundland and Labrador, rural and population under 100,000	(Imputed)	14.4%	53.1%	19.5%	53.1%
St. John's, Newfoundland and Labrador	St. John's	19.4%	49.5%	22.2%	49.5%
Prince Edward Island	Charlottetown	18.8%	49.6%	25.1%	49.6%
Nova Scotia, rural	(Imputed)	14.6%	52.8%	19.8%	52.8%
Nova Scotia, population under 100,000 and Cape Breton	Sydney	16.5%	51.2%	20.4%	51.2%
Halifax, Nova Scotia	Halifax	16.0%	47.6%	22.4%	47.6%
New Brunswick, rural	Bathurst	16.1%	53.6%	20.8%	53.6%
New Brunswick, population under 100,000 and Fredericton	Fredericton, Moncton, Saint John	15.6%	51.9%	22.0%	51.9%
Saint John and Moncton, New Brunswick	(Imputed)	17.4%	49.4%	23.5%	49.4%
Quebec, rural	(Imputed)	12.2%	55.8%	16.5%	55.8%
Quebec, population under 30,000	(Imputed)	12.3%	55.7%	16.7%	55.7%
Quebec, population 30,000 to 99,999	Drummondville	12.7%	54.8%	16.5%	54.8%
Quebec, population 100,000 to 499,999	Saguenay, Sherbrooke, Trois Rivieres	13.7%	54.0%	18.7%	54.0%
Québec, Quebec	Quebec City	16.4%	52.0%	22.5%	52.0%
Montréal, Quebec	Montreal	16.3%	51.2%	21.8%	51.2%
Ontario, rural	(Imputed)	16.6%	50.4%	22.4%	50.4%
Ontario, population under 30,000	(Imputed)	16.7%	50.2%	22.6%	50.2%
Ontario, population 30,000 to 99,999	North Bay, Sault Ste. Marie	17.7%	48.9%	24.9%	48.9%
Ontario, population 100,000 to 499,999	Barrie, Bellville, Brantford, Guelph, Kingston, London, Peterborough, St. Catherines, Sudbury, Thunder Bay, Waterloo, Windsor	19.2%	45.3%	26.9%	45.3%
Ontario, population 500,000 and over	Oshawa	20.6%	44.7%	26.9%	44.7%
Ottawa-Gatineau, Ontario part	Ottawa	21.5%	43.1%	30.4%	43.1%
Hamilton/Burlington, Ontario	Hamilton	24.4%	42.7%	33.1%	42.7%
Toronto, Ontario	Toronto	21.2%	41.0%	30.0%	41.0%
Manitoba, rural	(Imputed)	13.9%	53.8%	18.8%	53.8%
Manitoba, population under 100,000 and Brandon	Thompson	16.7%	50.1%	23.6%	50.1%
Winnipeg, Manitoba	Winnipeg	20.1%	46.2%	28.2%	46.2%
Saskatchewan, rural	(Imputed)	14.4%	53.1%	19.5%	53.1%
Saskatchewan, population under 100,000	Prince Albert	18.1%	50.4%	25.5%	50.4%

Saskatoon, Saskatchewan	Saskatoon	20.1%	45.6%	27.7%	45.6%
Regina, Saskatchewan	Regina	19.9%	45.7%	28.2%	45.7%
Alberta, rural	(Imputed)	16.0%	51.1%	21.7%	51.1%
Alberta, population under 30,000	(Imputed)	18.8%	47.6%	25.5%	47.6%
Alberta, population 30,000 to 499,999	Grande Prairie, Lethbridge, Medicine Hat, Red Deer, Wood Buffalo	21.5%	46.3%	27.8%	46.3%
Edmonton, Alberta	Edmonton	17.9%	48.8%	24.2%	48.8%
Calgary, Alberta	Calgary	21.3%	45.1%	28.2%	45.1%
British Columbia, rural	(Imputed)	18.3%	49.7%	25.6%	49.7%
British Columbia, population under 30,000	(Imputed)	21.4%	44.5%	28.9%	44.5%
British Columbia, population 30,000 to 99,999	Kamloops, Nanaimo, Prince George	16.7%	47.2%	22.8%	47.2%
British Columbia, population 100,000 to 499,999	Kelowna, Victoria	21.5%	43.0%	28.7%	43.0%
Vancouver, British Columbia	Vancouver	20.1%	40.1%	27.7%	40.1%
HICO scaling factors are presented as percentages of total MBM					

Understanding Marginal Effective Tax Rates (METRs)

A **Marginal Effective Tax Rate (METR)** measures how much of an additional dollar of earned income is offset through reductions in government benefits. For example, a METR of **80%** means that when a recipient earns an additional **$100**, their benefit is reduced by **$80**, leaving them **$20** better off overall. Higher METRs reduce the financial reward from increasing earnings and are therefore commonly used as an indicator of potential work disincentives.

The **HICO-HB** and **STIR-HB** models produce different METRs because they target assistance differently.

The HICO-HB concentrates assistance on households facing the greatest housing insecurity. As household income increases, benefits are phased out relatively quickly so that available funding remains focused on households at the highest risk of homelessness. This targeted approach produces a peak METR of **80%**.

By contrast, the STIR-HB extends assistance across a much broader range of household incomes. Benefits therefore phase out more gradually as earnings increase, resulting in a substantially lower peak METR of **30%**. However, because assistance is spread across a wider income range, a larger share of program funding is directed to households at comparatively lower risk of homelessness.

The higher METR observed under the HICO-HB reflects an important policy trade-off. Under the HICO-HB, the METR is determined directly by the proportion of the affordability gap that the benefit covers. Increasing gap coverage concentrates more resources on households at the greatest risk of homelessness, but also increases the rate at which benefits are reduced as earnings rise. Conversely, reducing gap coverage lowers the METR and strengthens work incentives.

This trade-off is not fixed. Policymakers can reduce the HICO-HB's METR by lowering the gap coverage rate, but doing so also reduces the benefit available to households facing the greatest housing need. Maintaining a similar level of homelessness prevention would therefore require extending benefits further up the income distribution or increasing overall program expenditures. The selected HICO-HB design represents one balance among these competing objectives.

By contrast, the STIR-HB produces lower METRs because its benefit formula is based on a household's target shelter-to-income ratio rather than its residual income gap. As a result, benefits phase out more gradually as earnings increase, although assistance is spread across a broader range of household incomes.

Understanding Marginal Effective Rent Discounts (MERDs)

A **Marginal Effective Rent Discount (MERD)** measures how much of an additional dollar of eligible shelter costs is covered through increased housing benefits. For example, a MERD of **80%** means that if a recipient's eligible shelter costs increase by **$100**, their housing benefit increases by **$80**, leaving the household responsible for the remaining **$20**. Higher MERDs reduce the effective cost of more expensive housing and therefore weaken the financial incentive to seek lower-cost accommodation.

The **HICO-HB** and **STIR-HB** models produce different MERDs because they cover different proportions of a household's eligible housing affordability gap.

The HICO-HB covers **80%** of the remaining affordability gap. As eligible shelter costs increase, benefits increase by **80 cents** for each additional dollar of eligible rent, resulting in a peak MERD of **80%**. This design ensures that households continue to face some of the cost of more expensive housing while still receiving substantial assistance to improve affordability.

By contrast, the STIR-HB covers **100%** of the eligible affordability gap. Benefits therefore increase by one dollar for every additional dollar of eligible shelter costs, producing a peak MERD of **100%**. While this fully protects households from additional housing costs within the program limits, it also removes the marginal financial incentive to seek lower-cost accommodation.

By requiring households to bear a portion of any additional housing costs, the HICO-HB preserves some price sensitivity in housing decisions while continuing to provide substantial support toward achieving housing affordability.

Blueprint