



# Responding to a new wave of homelessness:

## PROPOSAL FOR A HOMELESSNESS PREVENTION & HOUSING BENEFIT

A proposal for the federal government, prepared on behalf of the Canadian Alliance to End Homelessness (CAEH).

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By Steve Pomeroy  
Industry Professor, McMaster University, Canadian Housing Evidence Collaborative (CHEC) and Senior Research Fellow, Carleton University, Centre for Urban Research and Education (CURE)



## Executive Summary

This brief reviews recent trends in homelessness and housing affordability and proposes a policy initiative to help alleviate the impacts of high inflation on housing affordability and homelessness. Based on evidence from the 2021 census—augmented by shelter use data—it recommends a revised and expanded federally-funded Homelessness Prevention and Housing Benefit (HPHB), as an expansion to the Canada Housing Benefit (CHB), that will both accelerate exits from homelessness and prevent new inflows into homelessness.

As Canada faces the ongoing impact of the COVID-19 pandemic, a cost-of-living crisis driven by significant inflation rates, and a likely recession, more Canadians are facing homelessness. Since pandemic supports ended, there has already been an increase of shelter use and homelessness, seen in cities across the country. In many cases, this homelessness is highly visible in encampments and on the street, which is driving significant concern amongst the broader public.

The oncoming recession will make things worse. Research has shown that there is a lag effect with a delay of several years between the onset of the recession and the increase in the homeless population (Falvo, 2010, 2021).<sup>1</sup> The rising cost of living eventuates these challenges, especially for those on fixed incomes (Kneebone & Wilkins, 2022). With no capacity to absorb higher costs, these individuals and households are more at risk.<sup>2</sup>

The 2021 census demonstrated that the financial supports provided during the pandemic played a major role in reducing core housing need in Canada. Renters in core need were reduced by five per cent helping over 177,000 households compared to the 2016 count.

As a result, we propose a new federally-funded benefit – the Homelessness Prevention and Housing Benefit (HPHB) – to augment the Canada Housing Benefit (CHB). This benefit is designed to slow the wave of new homelessness and accelerate reductions in people experiencing chronic homelessness.

### THE BENEFIT WOULD HAVE TWO STREAMS:

- ▶ Stream 1: An HPHB to reduce the flow into chronic homelessness and accelerate exits from chronic homelessness.
- ▶ Stream 2: An HPHB to prevent “at risk” populations from becoming homeless.

Under the second stream, two variations are outlined to provide options:

- ▶ 2A. Assumes a more universal approach seeking to capture all those potentially “at risk.” An extreme shelter cost burden is typically identified as paying over 50% of income for rent and is used as a proxy for those at risk.
- ▶ 2B. Assumes a more narrowly targeted option that more selectively enrolls participants based on need – at which point they would move from “at risk” to fall into homelessness.

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<sup>1</sup>Falvo, N (2010). The Calm Before the Storm: The Great Recession’s Impact on Homelessness CAE; Falvo, N (2021). The long-term impact of the Covid 19 Pandemic on Homelessness in Canada, ESDC.

<sup>2</sup>Kneebone & Wilkins (2022). Income support, inflation, and homelessness. <https://www.policyschool.ca/wp-content/uploads/2022/07/HSP104-Inflation.Kneebone.Wilkins.pdf>

## Impact

Estimates of chronic homelessness have identified a count of 35,000 individuals over the course of a year. Prior research (Recovery for All, 2020), demonstrated that this is not a static number. To account for ongoing flows into chronic homelessness, a more realistic estimate of 50,000 individuals is used in developing the current proposal.

Meanwhile, it is estimated that 385,000 households experience a severe shelter cost burden (i.e., they pay over 50% of income for rent) and are therefore at high risk of becoming homeless, especially in the prevailing high inflation context.

The potential impact of the HPHB would be to bring up to 50,000 people/households out of chronic homelessness and prevent between 200,000 and 385,000 people/households from falling into homelessness due to inflationary pressures they are currently experiencing. Depending on implementation and eligibility, this benefit could impact up to almost half a million Canadians as some move off the benefit while others are added.

## Cost

The potential cost will be significantly influenced by decisions on eligibility, targeting, and the level of benefit provided. It will also vary over time, as some individuals become stabilized and able to improve their income, potentially transitioning off benefit, while others flow in, reflecting the intent to divert persons facing imminent homelessness through a rapid re-housing response.

**Stream 1 is anticipated at full implementation to support up to 50,000 people. Assuming the average gap of \$600-\$700 per month, this would require an annual budget of \$360 million up to \$420 million.**

The budget for Stream 2 will depend on the degree to which shelter cost burdens are reduced, and whether it will be more broadly spread to cover all 385,000 households at risk or more narrowly targeted to enroll people imminently at risk.

- ▶ Enrolling 385,000 “at risk” (those who pay over 50% of their income in shelter cost) individuals and reducing their shelter cost to 30% would require an expenditure of approximately \$3.0 billion per year.
- ▶ A shallower (reducing rent to only 40% of their income) more targeted benefit (200,000 individuals) would incur a lower cost, approximating \$1.0 billion annually.

**Combining Stream 1 (accelerate exits of existing and future chronic) with up to 50,000 recipients, and Stream 2B (a targeted prevention stream assisting 200,000 people/households at imminent risk of homelessness) would therefore involve an approximate combined cost of \$1.4 billion annually.**

## Implementation

It is further recommended that this be funded as a unilateral federal initiative, but implemented in consultation and collaboration with provinces and Territories who would be partners in separately funded necessary ongoing support services.

In both streams, it is suggested that payments be administered through the Canada Revenue Agency (CRA), like many other federal credits and benefits.

The HPHB Stream 1 would be piloted and delivered via existing Reaching Home community entities, which would allow targeting of chronic homelessness. Once the delivery mechanism is tested and in place, the initiative could be expanded to other communities outside of the Reaching Home network.

## Summary

The introduction of the HPHB could play a major role in halting the increase in homelessness that we are currently experiencing and accelerating reductions in chronic homelessness. The single greatest impediment to reducing and preventing homelessness is the absolute lack of, and ongoing erosion of, low-rent housing options. Without affordable places to rent, reducing homelessness is close to impossible. The proposed HPHB augments their ability to afford housing that is more available.

However, as Canada works to deliver on its commitments to build more affordable housing and tackle the housing crisis, an HPHB could play a significant role in alleviating the suffering and trauma of up to half a million Canadians experiencing, or “at risk” of experiencing, homelessness.



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## Introduction

This brief reviews recent trends in homelessness and housing affordability and proposes a policy initiative to help alleviate the impacts of high inflation on housing affordability and homelessness. Based on evidence from the 2021 census—augmented by shelter use data—it recommends a revised and expanded federally-funded Homelessness Prevention and Housing Benefit (HPPHB), as an expansion to the Canada Housing Benefit (CHB), that will both accelerate exits from homelessness and prevent new inflows into homelessness.

Recent data have already identified an increase in shelter use and homelessness as pandemic relief initiatives end. Further, previous research (Falvo, 2010, 2021) has documented a phenomenon of rising homelessness following periods of economic recession.<sup>3</sup> Falvo found a lag effect with a delay of several years between the onset of the recession and the increase in the homeless population. The rising cost of living eventuates these challenges, especially for those on fixed incomes (Kneebone & Wilkins, 2022). With no capacity to absorb higher costs, these individuals and households are more at risk.<sup>4</sup> With a recession now anticipated in Canada and globally, it is critical to consider programming to minimize the downstream impacts of an economic downturn on top of the withdrawal of pandemic-related temporary assistance. Without further action, there is continued risk of rising homelessness and further expansion of tent-cities.

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<sup>3</sup> Falvo, N (2010). *The Calm Before the Storm: The Great Recession's Impact on Homelessness* CAE; Falvo, N (2021). *The long-term impact of the Covid 19 Pandemic on Homelessness in Canada*, ESDC.

<sup>4</sup> Kneebone & Wilkins (2022). *Income support, inflation, and homelessness*. <https://www.policyschool.ca/wp-content/uploads/2022/07/HSP104-Inflation.Kneebone.Wilkins.pdf>

## Framing the issue

Homelessness has become an increasingly visible element in Canadian society and governments have responded with an array of programming to provide supports and assistance to those living on the streets and in emergency shelters.

In 2017, the National Housing Strategy (NHS), identified the right to housing as a cornerstone of the strategy which was subsequently formalized with the proclamation of the National Housing Strategy Act, 2019. This committed the federal government to the progressive realization of the right to adequate and affordable housing for all. Essentially, this means ending homelessness within the foreseeable future.

In the 2020 Speech from the Throne, the NHS target of reducing chronic homelessness by 50% was updated to completely end chronic homelessness. The NHS was expanded with a new funding stream, the Rapid Housing Initiative (RHI), designed to build permanent supportive housing. This is the only initiative in the NHS that targets deep assistance, as required for those seeking to exit homelessness. The RHI is currently funded with \$4 billion and is anticipated to add over 12,000 units of permanent supported housing for both chronic and at-risk individuals and families (with ongoing support costs to be funded by the provinces and territories).

The COVID-19 pandemic heightened concern for people experiencing homelessness. When confronted with the directive to “go home and stay home,” people experiencing homelessness were at a significant disadvantage – with no home to go home to.

Through the later part of the pandemic period, the dramatic rise of inflationary pressures has had a significant impact on affordability. Families face increasing difficulty buying food and covering their basic costs of living with pressures exacerbated by unprecedented increases in rents. Across most cities, the rents for new tenancies are reported as increasing by over 15% from the summer to fall of 2021.

These pressures have manifested in the emergence of encampments across communities large and small. These were initially a product of service restrictions and fears of COVID-19. People experiencing homelessness were forced out of shelters by restrictions or left due to fear of getting sick. Subsequently, others, facing the impacts of inflationary rent increases and other increasing costs of living, have also been unable to sustain their housing, forcing them into homelessness. Meanwhile, those trapped too long in the emergency shelter system—those experiencing chronic homelessness—are inhibited from exiting these dire conditions by the absence of lower rent housing and, due to low income-assistance benefit levels, their inability to pay the prevailing rents in most communities. And now, inflating basic living expenses are making affordability worse.

While expanding the new supply of affordable, permanent, supportive housing through the RHI—with appropriate support funding (typically funded at the provincial level)—could create options, it is important to recognize that chronic homelessness is only the tip of the iceberg. Most homelessness is shorter term and associated mainly with a lack of income, and insufficient lower rent options.

Triggering events such as family breakups, accidents, and illness (especially for the uninsured), loss of employment and/or income, all act to exacerbate flows into homelessness.

But the longer people remain in the emergency system and in temporary accommodations, the more likely they are to ultimately “age into chronic homelessness” (i.e., experience homelessness for more than 180 days). Therefore, prevention and mechanisms to stop and slow the flow into homelessness and to reduce the duration of homelessness are just as important as supporting the outflow (exiting into stable housing, with necessary supports, as in RHI).

Setting aside the different triggering events for this much larger cohort, the primary issue is low income combined with unaffordable housing. Many are living in housing that is adequate (condition) and suitable (not over-crowded) – it’s just unaffordable at their income level and as such, they are at risk of losing this housing. A reasonable label for this group is “economically homeless.”<sup>5</sup>

For this significant at-risk population, it is not necessary to build new housing (although at a broader scale, expanding supply is necessary to take pressure off the existing stock). Because their problem is affordability, it can largely and more rapidly be addressed by providing conditionally linked income assistance—that is, rental assistance akin the Canada Housing Benefit—to alleviate high shelter cost burdens and reduce the risk of becoming homeless.

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<sup>5</sup> The concept of economic homelessness was developed and described in detail in a 2008 report for the Region of Waterloo Assessing Risk of Economic-based Homelessness: Background Report for Waterloo Region’s Housing Stability System, prepared by Steve Pomeroy

As reviewed below, the experience of wage supplements and now, the one-time top-up to the Canada Housing Benefit (CHB), provides concrete proof of the efficacy of a conditional rental assistance approach.

## Reviewing the evidence – the case for a homeless housing benefit

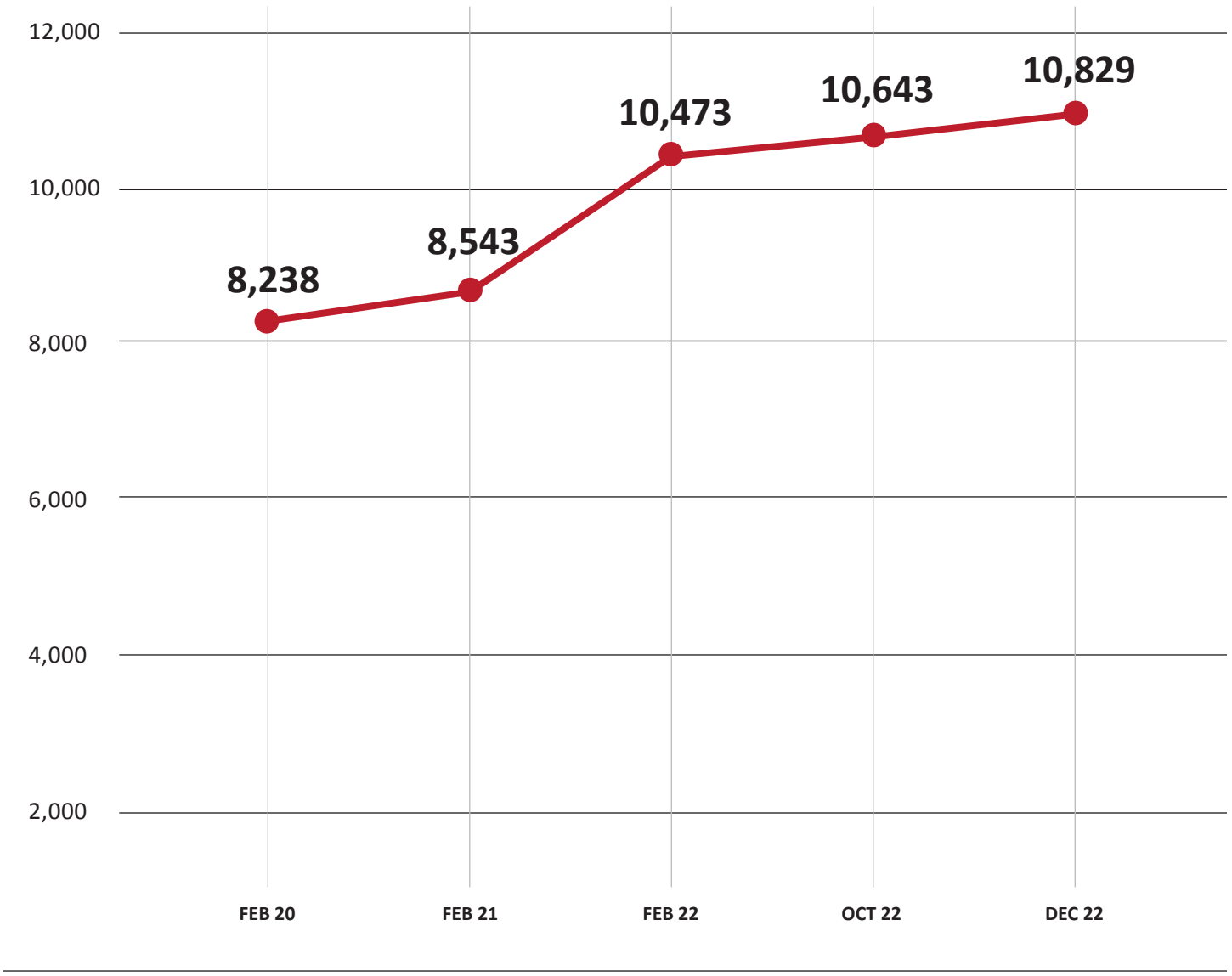
Data on emergency shelter use and counts of chronic homelessness drawn from a cross-section of communities that have implemented a By-Name List (BNL) to track progress in ending homelessness, shows that chronic homelessness has been steadily increasing from the beginning of the pandemic until today.

The data, reported on the Built for Zero Canada website ([bfzcanada.ca/community-progress](https://bfzcanada.ca/community-progress)) shows a dramatic rise in the counts of chronic homelessness, with new peak counts evidenced in more recent months. Of the 14 Built for Zero communities that had quality data before the pandemic and continue to have reliable data, 79% saw increases in chronic homelessness from before the pandemic between Feb 2020 and December 2022, with overall increases averaging 31.5%.

The high rate of inflation is impacting these trends, with low-income individuals and families struggling to pay rising bills and especially rising rents, the number of individuals at risk of falling into homelessness is also increasing (more so for those facing claw backs of ineligible CERB benefits).



## People Experiencing Chronic Homelessness in a Sample of 14 Communities



**Investment to address homelessness and renter affordability being eroded**

There is a dramatic reduction in the number of existing low-rent units, which creates a barrier to exiting the shelter system.

The census records rents in \$250 increments, commencing at \$500 per month. To afford a rent of \$500 (a rent just above the benefit level of singles on income assistance) at 30% of income, an income of \$20,000 is required. A rent of \$750 per month requires an income of \$30,000, which is roughly the annual income at minimum wage.

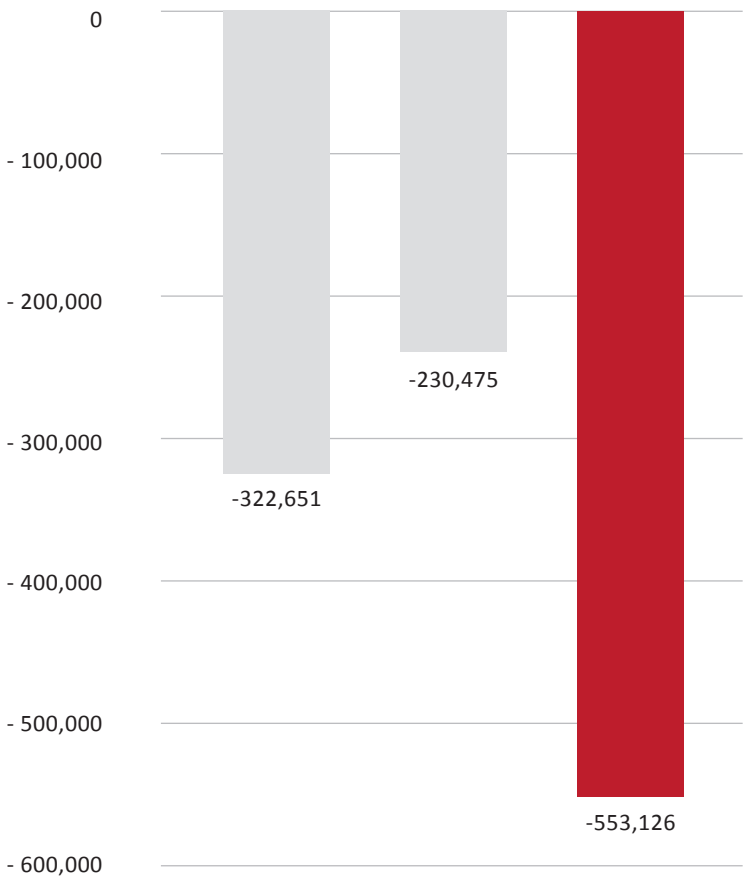
The number of units renting below these thresholds is rapidly disappearing. In 2016, there were 303,775 units below \$500; by 2021 this number fell by 35,000 to only 268,305.

The chart below shows the net change in the number of units below \$750 rent. The number of rentals under \$750 fell by 322,000 between 2011 and 2016. Since 2016, it has been further reduced by 230,000. This equates to a total loss of over half a million units in the past decade. Furthermore, the rent in higher-cost cities with similar erosion in the \$750-\$1000 range offers even more limited housing options.

The NHS proposes to add roughly 16,000 new affordable homes per year through new construction (plus a further 3,000-4,000 per year via RHI, but only for 2020-2023 as RHI is not currently ongoing). However, this is overwhelmed by the erosion of 55,000 existing affordable options each

**Change in #rental units under \$750**

(NON-SUBSIDIZED RENTAL STOCK)



**UNITS LOST**      **2011-2016**      **2016-2021**      **2011-2021**

Source census 2011, 2016 2021

year – a loss of three to four affordable homes for every new one proposed.

The two original NHS targets of a reduction in renter need and 50% reduction in chronic homelessness by 2028 are completely negated by this phenomenon of erosion within the existing private low rent stock.

In some cases, this involves absolute loss. For instance, low-rent properties which largely exist in inner city areas subject to intensification are demolished and replaced with either higher rent or condominium units. In most cases, the units continue to exist, but rents have inflated above the more affordable rent range (i.e. above \$750). This is enabled by market pressures, rent regulation that permits vacancy decontrol and landlord behaviours that seek to force the end of tenancies (renovictions) to implement vacancy decontrol with a substantial increase in rents.

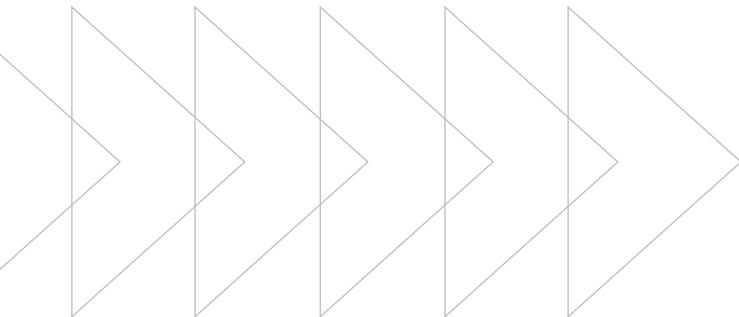
## Illusionary but revealing insights from the 2021 Census

The housing and income data from the 2021 Census, released in September 2022, provides further evidence and insight on potential solutions.

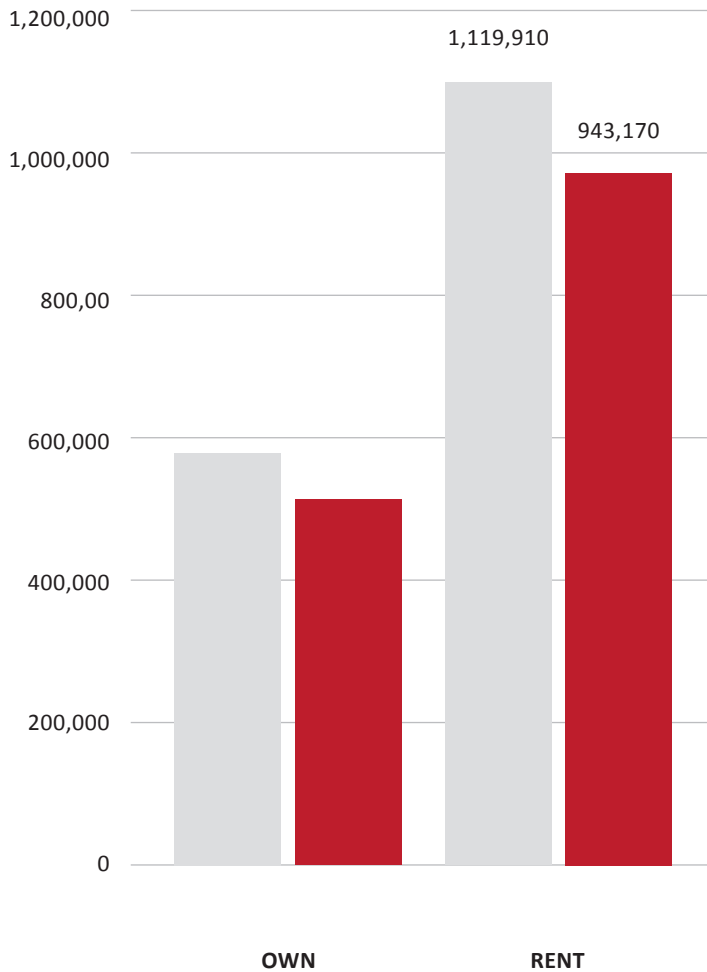
New estimates of core housing need reported in Census 2021 add valuable insight into the impact of income support. Despite the extensive media and political discourse about a housing affordability crisis, the Census reported a substantial improvement in housing affordability.

The total number in core housing need declined by 242,000, with most of the gain among renters (177,000). The percentage of all renters in core housing need fell from 27% to 20% of all renters.

While CERB (the Canada Emergency Response Benefit) was temporary and general in nature, it dramatically reveals the potential impact of providing income subsidy on housing affordability.



## Number Household in Core Need

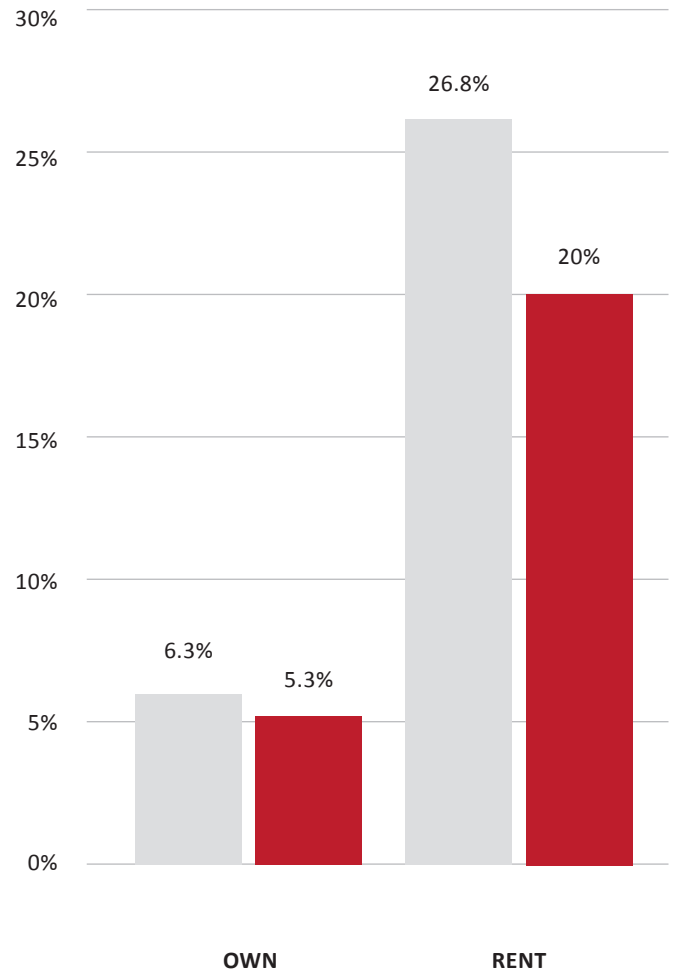


Statistics Canada. Table 98-10-0248-01

■ 2016

■ 2021

## Incidence of Need, by Tenure



Statistics Canada. Table 98-10-0248-01

■ 2016%  
IN NEED

■ 2021%  
IN NEED

While this seems counterintuitive, given the wide discussion of inflation, rising rents and prices, the improvement is readily explained. Because affordability compares shelter cost to income, while rents and prices have increased, there was a more than offsetting improvement in incomes – but a very temporary one.

Because the Census was conducted in May 2021 and asked for total annual income in 2020, it captured the peak of CERB and other pandemic-related wage subsidies. As such, this is a temporary phenomenon and one that is already in abeyance.

**More importantly, while this was temporary in nature, it dramatically revealed the potential impact of providing income subsidies. The same effect can be reproduced and extended by expanding the Canada Housing Benefit. A CHB-type approach can be implemented far more quickly and more cheaply than building new units with deeply subsidized rents.**

For the almost one million renter households in core need, over 85% experience only an affordability problem. They live in a home of sufficient size for their family and in fair or good condition. Assisting them to address the specific issue of affordability can be achieved by simply augmenting their income - which doesn't require a pandemic response.

While most homeless people are not captured in the core need assessment, many "at risk" households are, especially those with high shelter cost burdens— paying over 50% of their income for rent. Loss of employment or some income reduction, unexpected expenses and other life events can quickly create challenges to pay the rent, lead to arrears and ultimately eviction. With an insufficient stock of low-rent homes available, and nowhere affordable to move to, the consequence of this is homelessness.

Over one-third (37%) of the 943,000 renter households in core need in 2021 pay over 50% of

their income for their housing and, as such, are potentially at risk. Augmenting the income of these 347,000 renters with severe rent burdens is an effective way to reduce the risk of increasing flows into homelessness.

To have the greatest impact, it would be desirable to create a universal housing benefit, as exists in other countries like the United Kingdom, Netherlands, and France. However, prior analysis has determined that such a universal entitlement approach would involve substantial cost —more than \$3.5 billion annually (Blueprint, 2021). In the current context, which demands fiscal prudence to manage the risk of exacerbating inflationary pressures, a more narrowly targeted or rationed benefit is a more realistic option (e.g., as in the US Section 8 voucher or Australian Commonwealth Rent Assistance).

This can target people experiencing homelessness and those deemed to be at high risk of becoming homeless. Such a targeted option could also be effective in addressing the prevailing concern for those forced to live in tent encampments, due to the lack of affordable housing. And when combined with Housing First supports can also assist in housing those in encampments with complex needs.

More carefully designed supportive housing is required for the most vulnerable and highest acuity homeless (especially those with significant mental health and addiction illness and complex needs). These cases may be better managed under initiatives like the Rapid Housing Initiative or another dedicated supportive housing program.



But for the vast majority for whom the primary cause is simply a lack of income, combined with insufficient lower rent stock, a housing benefit is a quick and effective remedy.

Detailed analysis of the dynamics of poverty and core housing need has empirically confirmed that in most cases, the issue is temporary and resolvable (CMHC, 2012). Two-thirds to three-quarters of those in poverty or core need are found to experience these challenges for less than three years – there is only a smaller subset of chronic poor or chronic core need.

Given this characteristic, temporary income support can be effective, and overtime clients will reduce and eliminate their need (usually due to improved employment and income) with stabilized and affordable housing.

## Existing Canada Housing Benefit

The Canada Housing Benefit (CHB) was introduced under the NHS as one of the three cost-shared initiatives to be delivered under bilateral agreements by the provinces and territories. Scheduled to be implemented effective April 1, 2020, this was delayed in many jurisdictions due to the pandemic. As a result, there is limited data and reporting on achievements to date.

Progress on the NHS as of June 2022 reported that provinces have committed \$284.79 million to support 84,835 households. Some jurisdictions have used the new CHB cost sharing to expand existing provincial housing allowance programs,

notably in British Columbia, Manitoba, Ontario, and Quebec, while the others are designing and implementing new initiatives. But the progress remains well short of the plan to address rental affordability for 300,000 households.

Subsequently inspired by the necessity to address the impacts of high inflation in September 2022, the federal government announced an Affordability Plan (Bill C-31). This included a range of relief initiatives including what is framed as “a one-time top up to the Canada Housing Benefit”. This is described in the official government release:

*The one-time top-up to the Canada Housing Benefit would deliver a \$500 payment to 1.8 million renters who are struggling with the cost of housing. This more than doubles the government’s Budget 2022 commitment, reaching twice as many Canadians as initially promised. The federal benefit will be available to applicants with an adjusted net income below \$35,000 for families, or below \$20,000 for individuals, who pay at least 30 per cent of their adjusted net income on rent.<sup>6</sup>*

The release further advises that Canada Revenue Agency’s (CRA) application portal for Canada Housing Benefit will be available to Canadians following Royal Assent of Bill C-31.

As such, this is not so much a top-up of the bilateral CHB, as a unilateral federal initiative. This

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<sup>6</sup>In this statement it counts all persons living in renter households, hence 1.8 million **people** vs the earlier reference to 943,000 renter **households** in core need.

demonstrates a federal commitment to improve housing affordability for low-income renters. It also reveals a commitment to directly deliver assistance to individuals or households using the tax system, in the same way that the child tax benefit or the Climate Action Incentive payment, rather than rely of delivery via provincial-territorial programs.

In the area of homelessness, the federal government already directly delivers funding to communities under Reaching Home Community Entity agreements. Earlier versions of Reaching Home created rent supplements to augment Housing First initiatives and the new Veteran Homelessness Program (announced in Budget 2021 and 2022) is expected to allocate over \$100M to facilitate Housing First, plus a rent supplement.

So the precedents and mechanisms to allocated and distribute a unilateral homeless housing benefit are already well established.

## Proposed Targeted Homelessness Prevention and Housing Benefit

As reviewed above, the number of low-rent units are insufficient and eroding, and usually already occupied. To exit homelessness, a sufficient level of purchasing capacity is needed to access available housing, typically at least \$750-\$1,000 range. These rents are far above the benefit level of Income Assistance.

For those facing high shelter cost burdens, the risk of losing their home can be reduced by augmenting income with targeted income assistance, in the form of a housing benefit.

The intent here is to accelerate exits from homelessness and at the same time prevent “at risk” individuals and households from falling into homelessness due to lack of income and inability to secure affordable housing. This ultimately adds to counts of chronic homelessness.<sup>7</sup>

This problem can be addressed by creating a remedy for the critical barrier that is precluding exits from homelessness or exacerbating the risk of becoming homeless – insufficient income.

Based on this assessment, and the dual issues of exiting homelessness and slowing and preventing the growth of additional homelessness two variants for a benefit are proposed:

- ▶ 1. A benefit targeting chronic homelessness to enable exits and minimize long-term emergency shelter stays; and
- ▶ 2. An upstream benefit to prevent and divert at risk households from becoming homeless.

The potential eligibility and affordability gaps, and estimated costs are outlined below for each of these streams.

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<sup>7</sup> Others may present at shelters because of other risk factors, including mental health, addictions, family violence or separation, so risk is not only associated with loss of or insufficient income. However, “economic homelessness” is associated with a high proportion of cases, separately or in combination with these factors.



## **1. A BENEFIT TO SUBSTANTIALLY REDUCE CHRONIC HOMELESSNESS**

There are an estimated 35,000 chronically homeless people per year, although this is in constant flux. As some are housed, new flows and longer stays in the shelter system, influenced by the ongoing cost of living crisis, result in new chronic homelessness. In the 2020 assessment for Recovery for All (CAEH, 2020) it was estimated that the number of people experiencing long-term chronic homelessness is likely closer to 50,000 per year when accounting for these new flows in chronicity.

Depending on need and individuals' acuity level, some people experiencing chronic homelessness may better fit with permanent supportive housing, being delivered in existing supportive housing and now under the new Rapid Housing Initiative (RHI) or through scattered site Housing First programs. However, a targeted Homelessness Prevention and Housing Benefit (HPHB) can be an effective complement to RHI and can much more quickly reduce chronic shelter use. A housing benefit is also an integral element of scattered-site housing first.

So, the first stream of the proposed HPHB would seek to assist the majority of those identified in chronic homelessness, between 30,000-50,000 mostly single-person households.

This would be phased in incrementally, but ideally with the goal of housing as many as possible within the first year. This could potentially house 20,000-25,000 people and incrementally assist remaining (and newly) chronic over the subsequent 2-4 years. At full participation, up to 50,000 people would be assisted after 5 years.

As recipients are stabilized in housing and supported to reacquire employment skills, participation and/or the amount of assistance required may decline as recipients gain employment earnings, are transitioned to mainstream provincial or territorial housing benefits, or are moved into purpose built affordable or supportive housing. Ideally, these reductions can exceed the number of new recipients flowing into homelessness – but this depends on a second initiative targeting a reducing in “new homelessness,” described later.

For those seeking to exit the emergency system, most are, initially at least, dependent on provincial/territorial Income Assistance benefits, often associated with Housing First programs. Across Canada, the portion of the income assistance designated for shelter is very low – typically under \$400/month for a potentially-employable single person; and typically, under \$500/month for someone on long-term disability benefits.

## MONTHLY AFFORDABILITY GAP BETWEEN INCOME ASSISTANCE (IA) SHELTER AND MEDIAN RENT (2021)

	SINGLE			LONE PARENT-2 KIDS		
	BLENDED MEDIAN BACH/ONE-BED	AVAILABLE VIA IA BENEFIT	AFFORD GAP	TWO BEDROOM MEDIAN	AVAILABLE VIA IA BENEFIT	AFFORD GAP
AB	945	400	545	1,230	650	580
BC	1225	400	825	1,500	650	850
MB	890	400	490	1,238	650	588
NB	725	400	325	900	650	250
NL	733	400	333	888	650	238
NS	923	400	523	1,175	650	525
ON	1154	400	754	1,397	650	747
PEI	699	400	299	960	650	310
QC	680	400	280	805	650	155
SK	800	400	400	1,105	650	455
CAN	904	400	504	1,084	650	434

Source: 2021 CMHC Rental Market Survey

There is simply an insufficient number of rental units in the lower rent range, and most are already occupied. To enable an exit from homelessness, it is necessary to top up this minimum allowance to better align with the realistic rent costs of available units.

The estimated affordability gap (the difference between median rent of suitable units and the available income assistance shelter benefit) is estimated in the table above (provincial benefits vary by jurisdiction but are on average \$400 and \$500, so for simplicity these general levels are used below).

While the required top-up will vary and be much larger in higher-cost markets (even at the provincial level we see much higher gaps in BC and Ontario), it is likely to average between \$430 and \$500 per month in 2021. This is significantly greater than the current CHB which estimates \$2,500 per year (just over \$200/month).

To reflect ongoing inflation of 15-20% in rents, and the greater share of people experiencing homelessness in more expensive cities, a more realistic estimate is an average gap of \$600-\$700 per month.

**At full participation, up to 50,000 people would be assisted. Assuming an average gap of \$600-\$700 per month would require an annual budget of \$360 million to \$420 million.**

## **2. A BENEFIT TO PREVENT NEW FLOWS INTO HOMELESSNESS**

Alongside enabling current chronically homeless people to access housing, it is critical to slow and ideally stop the flow into homelessness, which when unaddressed, can then evolve toward chronic homelessness.

The critical risk factor for many is a high shelter cost burden, which often exacerbates vulnerability to life stress, such as loss of income, family separation or illness. This can mean an inability to pay rent resulting in arrears that can spiral into eviction. With an inability to afford new accommodation (exacerbated by vacancy decontrol mechanisms that raise the rent on a previously affordable vacated unit), such individuals and families remain homeless, exacerbating mental health issues and creating ongoing trauma.

A substantial proportion of people are seeking assistance from emergency shelters and associated community service centres mainly due to a lack of income and affordability challenges. Because of this, an HPHB can be an effective mechanism to prevent and divert people from homelessness, beyond a very temporary exposure, as their issues are assessed and housing assistance delivered. This reduction new clients at these service providers can concurrently increase the capacity for emergency shelters and community service centres to focus resources and improve outcomes, supporting people experiencing homelessness with higher acuity needs.

## **Estimated participation and benefit amount in a prevention HPHB**

The way that the HPHB is designed, allocated and distributed will significantly impact the program cost for this second type of preventive benefit.

At one extreme, it could be allocated to all renters paying more than 50% of their income on rent. Alternatively, it could be distributed on an “as needed” basis, with enrolment triggered only when a household reports a serious risk of eviction or loss of housing.

In this brief, two variants of the preventive stream are examined.

- ▶ 2A. assumes a more universal approach, seeking to capture all those potentially at risk of homelessness. An extreme shelter cost burden is typically identified as paying over 50% of income for rent and is used as a proxy for those at risk.
- ▶ 2B. assumes a more narrowly targeted option that more selectively enrolls participants based on need – at the point they would move from “at risk” to falling into homelessness.

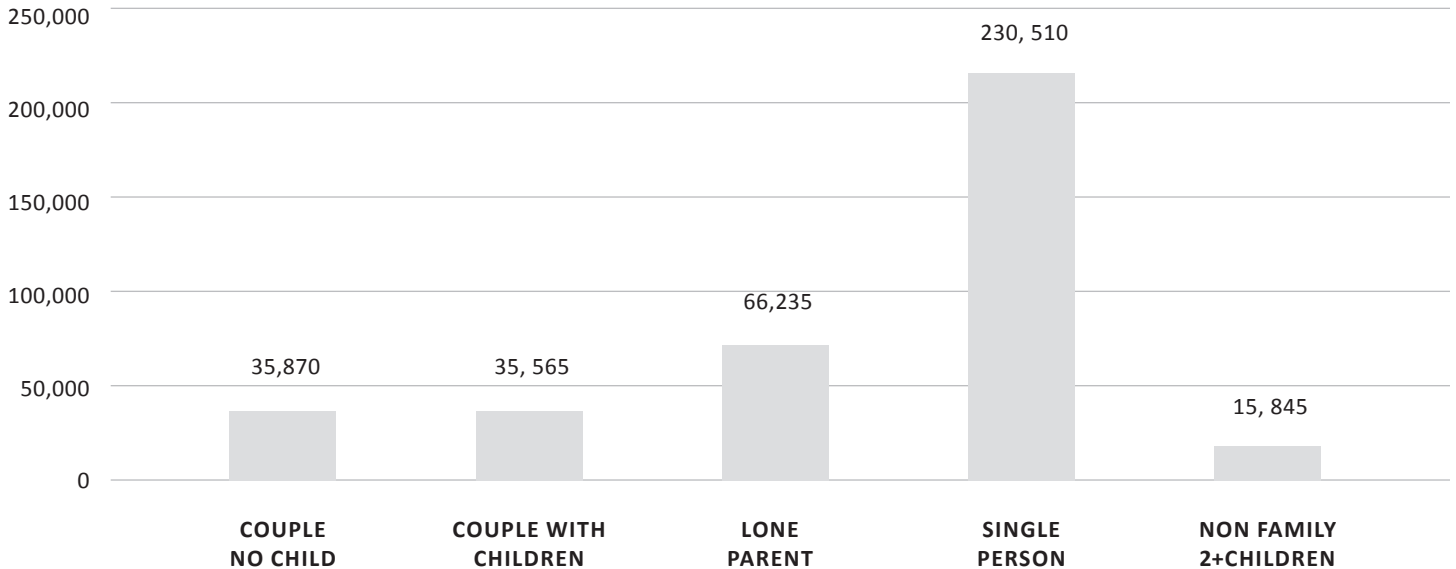
## Stream 2A

For the broader Stream 2A, in 2016 there were 385,000 nonsubsidized renters paying over 50% of their income for their rent. The 2021 Census data captured a lower number at 309,000, reflecting a temporary boost in income due to pandemic supports, which reduced the number of renters with severe rent burdens exceeding 50% of income. As a result, the 2016 Census may provide a better proxy of potential eligibility and is used in developing cost estimates below.

More than half (53%) of the households paying over 50% for rent are single-person (and thus single or fixed income) and a further 17% are sole parents (so again, constrained by one income). Not shown here, roughly 20% of all paying over 50% are seniors, also reflecting low, fixed incomes.

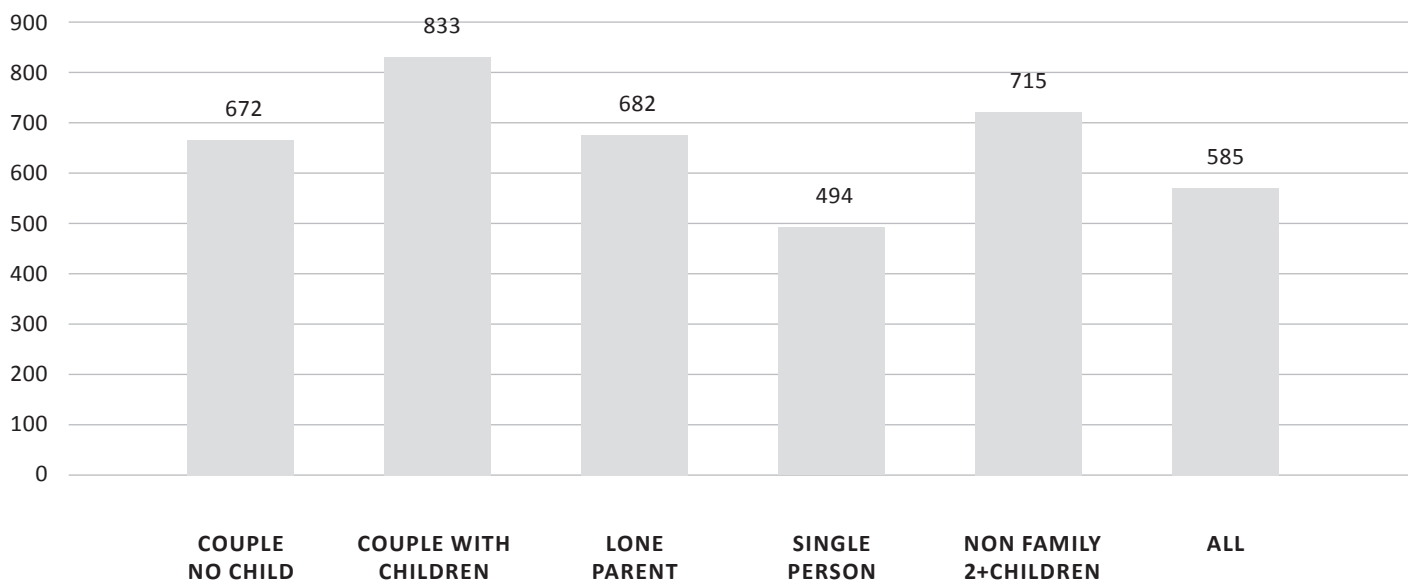


## 2016 Households in core need paying >50%



Source: CMHC HICO 2016

## Core need >50% - affordability gap (2016)



Source: CMHC HICO 2016

Again, based on the average before tax income and average shelter costs, the affordability gap (calculated at 30% gross income) is estimated for each household type, using 2016 data. This reflects the average amount required to reduce payments down to only 30% of gross income.

The overall average HPHB payment required in 2016 is estimated at \$585/month – although this varies by household type, size, and geography. With substantially inflating rents since 2016 and ignoring the temporary income effect of the pandemic support, this is now likely similar to that determined in Stream 1 (chronic benefit), somewhere between \$600-\$700 per month.

The aggregate cost will be impacted by design and eligibility features, especially how much of this gap is addressed.

Reducing affordability down to 30% of income would impose the largest cost. While not removing households from core need, a narrower amount of assistance (e.g., down to 40%) could reduce risk and allow a lower cost option.

As an upper estimate of the potential cost, if 100% participation was facilitated (based on 385,000 people/households paying over 50%), with the benefit designed to lower net shelter cost to only 30% of income, the potential annual cost would be in the order of \$3.0 billion each year.

Rather than fully removing participants from core need, the HPHB could be designed to only reduce the severity of the shelter cost burden and thus the risk of homelessness. If the benefit reduced

maximum shelter expenses to only 40% (rather than 30%) of income, the estimated aggregate cost for the same 385,000 households might be reduced to roughly \$2.0 billion annually. This assumes full, 100% participation, which may occur if recipients are automatically qualified based on a tax filing process, as discussed later.

**Depending on the design and degree of affordability sought, in this first variation of the prevention stream, Stream 2A would incur an estimated cost of between \$1.5 billion and \$2.7 billion annually.**

## Stream 2B

Stream 2B envisions a more targeted approach requiring the development of an enrolment process that assesses and prioritizes people based on need and risk of homelessness. The logistical challenges of enrolling those imminently at risk are greater than Stream 2A, a blanket approach, but this option is more narrowly targeted, with a resulting lower cost.

Because there are so few readily available social-affordable housing options, having an HPHB would expand options to find appropriate and affordable housing. It would strengthen rapid rehousing/diversion initiatives and help secure ongoing housing stability.

This would potentially capture up to 200,000 (excluding people experiencing chronic homelessness) that seek assistance in the shelter system emergency services in any one year.

With a more targeted, needs-based enrollment, and thus lower caseload, it is likely that the number of assisted individuals/households would be between 100,000 and 200,000. Again, if the design simply seeks to reduce excessive shelter burden to 40% of income versus reducing shelter costs to only 30%, this again substantially impacts the required expenditure.

- ▶ Enrolling 200,000 individuals and reducing their shelter cost to 30% would require an expenditure of approximately \$1.5 billion per year.
- ▶ A shallower benefit (reduce rent-to-income to only 40%) would incur a lower cost, approximating \$1.0 billion annually.

## Options for the delivery of the HPHB

The chronic homeless targeted Stream 1 and the more targeted prevention Stream 2B would involve an enrollment/registration process to determine eligibility and benefit level, while being directly linked to the process to support people/families in finding and securing housing.

With the objective of rapid rehousing, local points of access would ideally have access to funds to immediately help in the form of the first month of rent and deposit or an equivalent guarantee mechanism. This could be facilitated by creating a line of credit or refunding source to reimburse the local service agencies. More importantly, this would facilitate immediate rehousing, rather than a period living in the emergency shelter.

Once enrolled, housed payments can be made via direct deposit or cheques to the recipient. Ongoing need and eligibility renewal could be facilitated via creating a tax credit form in the annual income tax filing and utilizing CRA as a payment conduit, as now proposed under Bill C-31, An Act respecting cost of living relief measures related to dental care and rental housing, (September 2022).

An efficient mechanism would be to allocate this targeted HPHB via existing Reaching Home community entities, including the rural and northern streams. Initially this option could be piloted in Reaching Home and communities with Coordinated Access BNLs. Once tested and proven it could then be expanded to additional communities, where designated enrollment services would need to be identified.

For Stream 2A, this component of the HPHB could be established as an expansion of the current Canada Housing Benefit. The process of determining eligibility and calculating benefit levels could be delegated to provincial housing ministries already implementing the CHB.

Since the Canada Housing Benefit is already delivered under the cost-shared bilateral programs, and as most support services are funded and delivered via provincial and territorial programs, there is a case to flow any targeted HPHB as an enhancement to the existing bilateral arrangements on the CHB. This could strengthen coordination between housing and support services, which are almost exclusively delivered via the provinces/territories.

To the extent that the provinces and territories are unilaterally funding the array of health and support services, it may not be fair to also seek a cost-sharing for the HPHB (provinces and territories already fund support costs, a form of cost matching), so this could be unilaterally funded at the federal level. Given the bulk of cost savings for reducing chronic homelessness would accrue to the provinces, and the federal government would be solely funding this enhancement, an argument could be made to the provinces that they should fund health and social services related support costs to support housing people with complex needs.

For Stream 2B, the program could be delivered either under the umbrella of Reaching Home or delivered through provincial or territorial homelessness funding programs. The key in this scenario is to attempt to narrow eligibility to those at greatest risk of homelessness, without inadvertently drawing people at risk of homelessness into the homeless system to access the benefit.

Eligibility for streams 2A and 2B could also be facilitated directly by the federal government by creating a schedule and application in the annual tax return. Distributing monthly assistance payments, and reconfirming eligibility can also be implemented using the tax filing system, in conjunction with the array of other benefits delivered through that mechanism as anticipated under Bill 31.



## Conclusions and Recommendations

To address the trend of rising chronic homelessness as well as overall homelessness, exacerbated by prevailing inflationary conditions, as well as termination of temporary pandemic relief measures it is recommended that the federal government undertake the design and implementation of a targeted Homelessness Prevention & Housing Benefit (HPHB).

### **Two streams of the HPHB are identified:**

- ▶ 1. An HPHB to accelerate exits from chronic homelessness and minimize long-term emergency shelter stays.
- ▶ 2. An HPHB to prevent at risk populations from becoming homeless.

Under the second stream, two variants are outlined:  
2A. assumes a more universal approach seeking to capture all those potentially at risk. An extreme shelter cost burden is typically identified at paying over 50% of income for rent and is used as a proxy for those at risk.

2B. assumes a more narrowly targeted option that more selectively enrolls participants based on need – at the point they would move from “at risk” to falling into homelessness.

Participation and associated annual expenditures to fund these subsidies have been estimated.

Stream 1 is anticipated at full implementation to support up to 50,000 people. Assuming an average gap of \$600-\$700 per month, this would require an

annual budget of \$360 million up to \$420 million.

The budget for Stream 2 will depend on the degree to which shelter cost burdens are reduced and whether it is more broadly spread to cover all 385,000 households at risk or more narrowly targeted to enroll people imminently at risk.

- ▶ Enrolling 385,000 “at risk” individuals (who spend over 50% of their income on shelter) and reducing their shelter cost to 30% would require an expenditure of approximately \$3.0 billion per year.
- ▶ A shallower (reduced to 40% of income) more targeted benefit (200,000 individuals) would incur a lower cost, approximating \$1.0 billion annually.

It is further recommended that this be funded as a unilateral federal initiative but implemented in consultation and collaboration with provinces and territories, who would be partners in separately funded necessary ongoing support services.

In both streams, it is suggested that payments be administered through CRA like many other federal credits and benefits as was already proposed under Bill C-31.

Once individuals are enrolled payments can be facilitated via direct payment either through Reaching Home/Infrastructure Canada) or CRA. Subsequent and ongoing renewal can be determined via tax filing applications, which will require the creation of a specific schedule in the annual tax return to reapply.

# Appendix A: Costing Estimates

## STREAM 1 HPHB TO ACCELERATE EXITS FROM CHRONIC HOMELESS

Total eligible households (most individuals)	50,000	50,000
Gap max welfare shelter and typical rent	600	700
Total cost	\$360 million	\$420 million

## STREAM 2 HPHB PREVENTION TO MINIMIZE NEW HOMELESS

Stream 2A - blanket all renters in core need paying >50%

Total eligible households (2/3 individuals)	385,000
Gap ave rent vs 30% ave income	650/month
Total cost	\$3.0 billion

Total eligible households (2/3 individuals)	385,000
Gap ave rent vs 40% ave income	450/month
Total cost	\$2.0 billion

## STREAM 2B TARGETED ENROLLMENT WHEN PRESENT AS HOMELESS

Total eligible households	200,000
Gap ave rent vs 30% ave income	650/month
Total cost	\$1.56 billion

## STREAM 2B TARGETED ENROLLMENT WHEN PRESENT AS HOMELESS

Total eligible households	200,000
Gap ave rent vs 40% ave income	450/month
Total cost	\$1.0 billion





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