

# How best to house the needy

By J. David Hulchanski

**A**FTER BEING AWAY from Toronto for eight years, teaching housing policy at the University of British Columbia, I was surprised to hear my name come up in a televised debate during Toronto's recent mayoral race.

What was more surprising was the topic: rent supplements.

In the debate on CITY-TV, Toronto's newly elected mayor, June Rowlands, advocated a "move into a rent supplement program," claiming that "there have been some very successful rent supplement programs and I have had them described to me." When challenged on the subject with reference to my work, she said she didn't care what some professor had to say.

I don't know who described what to Mayor Rowlands, but she should reconsider her quick dismissal of research on rent supplement programs.

The rent supplement option was debated thoroughly some 10 years ago and was, I thought, long dead. The overwhelming evidence against it and its bad track record is convincing. I have yet to see any credible study that recommends rent supplement programs over social housing supply programs.

In rent supplement programs, rental units are leased from private landlords for a period of time. Low-income people are assigned to these units, and the taxpayer pays a portion of the rent to the landlord. The amount of the rent that is "supplemented" depends on a formula based on the tenants' ability to pay.

It was assumed that in a private rental market, letting the taxpayer make up the difference between what the tenant could pay and the rent — bridging the affordability gap — was cheaper than social housing supply programs, like non-profit and co-op housing.

In the early 1970s, with higher vacancy rates, lower housing costs, increasing real incomes and relatively low inflation rates, this assumption was not unreasonable.

Under present, and likely future, conditions, however, the affordability gap is widening. Low-income households are generally not experiencing any increase in real income, while their housing costs are rising.

A rent supplement program is attractive to landlords in soft markets and to landlords with less desirable, poorly located, hard-to-rent units. It is also attractive to groups who oppose social housing supply programs on ideological grounds. They

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for rent supplements  
is an old notion  
that's never worked*



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prefer rent supplements because they keep people and housing units in the private sector.

It seems that politics — not experience, evidence or rational debate — drives the lobby for rent supplements.

When a committee of the Ontario Legislature reviewed the small existing rent supplement program in 1981, for example, it recommended that the program be gradually phased out because:

- rent supplement housing is more costly than non-profit and government-owned housing;
- in tight rental market conditions, private landlords do not renew their rent supplement agreements;
- financial benefits of rent supplements accrue primarily to the landlord;
- tenants do not have the same security of tenure as in public, non-profit or co-operative housing because the landlord can terminate rent supplement agreements; and
- it is difficult for the government to project subsidy costs in rent supplement housing.

At about the same time, Canada Mortgage and Housing Corporation arrived at the same conclusions. It assessed the cost-effectiveness of rent supplements by way of an analogy to home-ownership. Is it better to rent or to buy? In the short term, it is better for a person to rent. Over the long term, it is better to buy. This logic holds true for the taxpayer who provides the subsidy.

A series of independent studies, several focused directly on cost-effectiveness, was undertaken in the United States following the Nixon administration's switch to a massive rent supplement program from social housing supply programs. The findings are consistent with those in Canada.

Major studies by the Congressional Research Service in 1976, the Congressional Budget Office in 1979, and two studies by the General Accounting Office in 1980, all concluded that over the medium and long term there is no question that the direct provision of social housing through rehabilitation or new construction is much more cost-effective than rent supplements.

The result of the switch to rent supplements in the U.S. is now recognized to be a financial and social policy disaster.

The U.S. at present has a stock of only 1.4 million public housing units, compared to 2.4 million privately owned rent supplement units. The leases are expiring on the privately owned units, generating a crisis of enormous proportions. In areas where vacancy rates are low and land values have increased — precisely those places where affordable housing is most needed — landlords are not renewing the rent supplement leases.

Should we in Ontario have a housing program which requires us to keep paying rent forever, or should we invest in creating a stock of housing that is free from the inflationary influences of the real estate market and that will serve several generations of people?

Most rent supplement advocates are themselves home-owners. They, however, don't practise what they preach. If it is so efficient for the taxpayers to rent housing in perpetuity from private landlords, why don't they do the same?

All this was well researched, well debated and well understood many years ago.

So, please, let's not fight old fights over and over again.

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