A Comparison of Housing Needs Measures Used in Canada, The United States and England
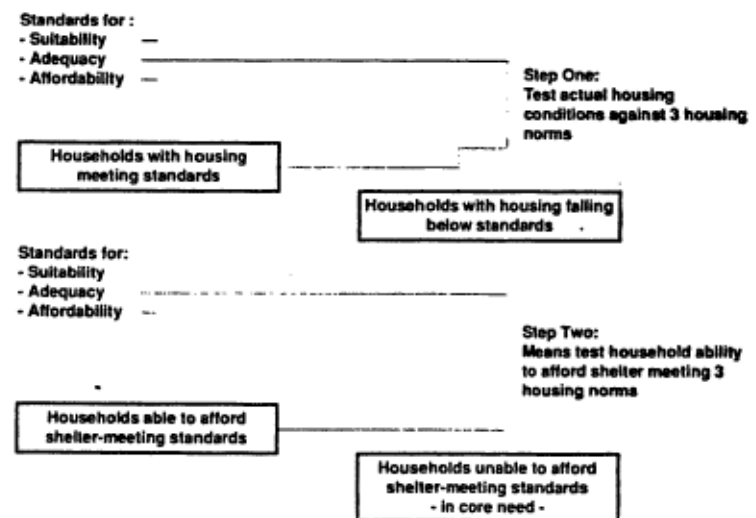
Introduction

governments of countries that assist households in housing need require mechanisms to ensure that available assistance is equitably distributed. Different countries have developed unique methods of assessing housing need for the purpose of distributing social housing assistance. In this issue of Research and Development Highlights, these methods are outlined, first for Canada, then for the United States and England. Information for this issue was obtained from the U.S. Department of Housing and Urban Development and the Department of the Environment in the United Kingdom.

Findings

The distribution of federal social housing budgets across Canada is based on housing need. Households whose housing does not meet one or more norm dwelling standards (suitability, adequacy and affordability). and whose income is such that they are unable to obtain housing that meets such standards are considered to be in core housing need (Figure 1).

Figure 1
Core Housing Need Measurement in Canada

Standards for :
- Suitability
- Adequacy
- Affordability

Step One:
Test actual housing conditions against 3 housing norms

Households with housing meeting standards

Households with housing falling below standards   .

Standards for:
- Suitability
- Adequacy
- Affordability

Step Two:
Means test household ability to afford shelter meeting 3 housing norms

Households able to afford shelter-meeting standards

Households unable to afford shelter-meeting standards
- in core need -

The main social housing budget is then allocated across the ten provinces and two territories, based primarily on the distribution of households in core housing need. Consideration is also given to the differential cost of providing assistance. By allocating on the basis of need, the objective of the allocation process is to provide for equality of access. However, affirmative action policy is taken into account with respect to the native population by specifying delivery targets within each province or temtory.

The housing norms of the core housing need model have evolved to reflect today's societal housing expectations. The three housing norms of the core housing need model can be described as follows:

- The suitability norm is based on the National Occupancy Standard (NOS), which sets a specific number of bedrooms for each household based on its size and composition. For example, a three person household composed of a couple and one child requires a two bedroom dwelling. A household is deemed to be living in crowded accommodation if its dwelling has fewer bedrooms than prescribed by the NOS.
- The **adequacy** norm states that a dwelling unit must possess all basic plumbing facilities and requires only regular upkeep or minor repairs. A dwelling is deemed to be inadequate if it needs major repair or lacks hot and cold running water, an inside toilet, or a bath or shower.
- Finally, the affordability norm states that a household should not be requiied to spend 30 per cent or more of its income to acquire shelter that is suitable and adequate.

United States

The United States uses a method different from Canada's to measure housing need and to distribute housing assistance to renters. Instead of using a single integrated indicator for measuring the overall housing need of individual households, as does Canada, the United States draws upon a number of independent indicators.

A fair share formula averages the indicators into a composite measure that makes it possible to allocate housing assistance across about *250* allocation areas. In the formula, weights are used to assign a relative level of importance to each indicator and the housing assistance budget is allocated on that basis. These indicators, together with their attendant weights, are shown in Figure 2. While this is the main formula used, similar formulas are used for smaller housing programs.

Figure 2
United States Fair Share Formula, *1986-92*

Indicator	Sham
1. Renter Households	20%
2. Poor Renter Households (below official poverty level)	20%
3. Crowded Renter Households (over one person per room)	10%
4. a. Extra Vacant Units Needed, If any, to raise local rental vacancy rate to national average	5%
b. Extra Vacant Unlts Needed, if any, to raise local long-temi rental vacancy rate to national average	5%
5. Poor Renter Households in homes built before 1940 (measure for substandard housing)	20%
6. Renter Households below national median income, with gross rent over 30% of Income	20%

The detennination of hovsing need under the fair share formula differs in three key ways from the core need approach used in Canada:

1. Where the Canadian approach is based solely on a household's housing conditions in relation to its income, the U.S. method is based as much on general factors as it is on specific housing conditions. These include the distribution of all renter as well as low income households, and the level of rental housing vacancies.

2. Canadian housing need is estimated from a single measure based completely on an assessment of each household's housing situation. U.S. housing need is estimated by assigning weights to apportion relative importance to a set of aggregate factors. All six measures in the U.S. formula are highly correlated so that the exact choice of weights does not profoundly affect the overall result.

3. Simply having a low income is of considerable importance in the U.S. formula. Under the Canadian core need approach, low income is not considered a sufficient condition on its own: households must first be identified as living below norm housing standards, and only then are they income-tested for core housing need. Regional variations in housing costs play a greater role in the Canadian core housing need model.

As in Canada, once the U.S. fair share formula identifies each area's proportion of total U.S. need, it is combined with cost considerations to determine the final allocation of funds.

England

Employing a method similar to that of the United States, the Government of the United Kingdom uses two composite indicators to assess housing need in England, the Housing Needs Indicator (HNI) and the Generalised Needs Indicator (GNI). While similar in composition, the HNI applies to housing associations (third sector groups) and the GM to local housing authorities. Several individual indicators or elements are combined according to sets of weights to yield these composite indicators of housing need. In contrast to the U.S. and Canadian approaches, the English HNI and GNI include elements that represent a number of special groups in the population. These groups include the homeless, the elderly and the disabled, although the U.S. indicator

also includes poor renter households as a special needs group. Some important features of the English housing needs indicators are:

- In the HNI, the indicators taken together, are intended to provide an overall measure of the need for the provision of new units. In this context, the provision of new units refers to increasing the supply of units available to low income households and those with special needs.

- About three quarters of the HNI is weighted by these indicators of the need for new provision. These include indicators representing special groups (homeless, disabled and elderly), which account for about one third of the overall HNI.

- The lone indicator of physical house condition accounts for about one quarter of the HNI.

- Income plays a less important role in these composite needs indicators than in the Canadian core need model or the U.S. fair share formula. It is taken into account only indirectly through indicators for the elderly and access to owner-occupation in both the HNl and ONI and in the private sector stock condition indicator in the GNI.

Figure 3
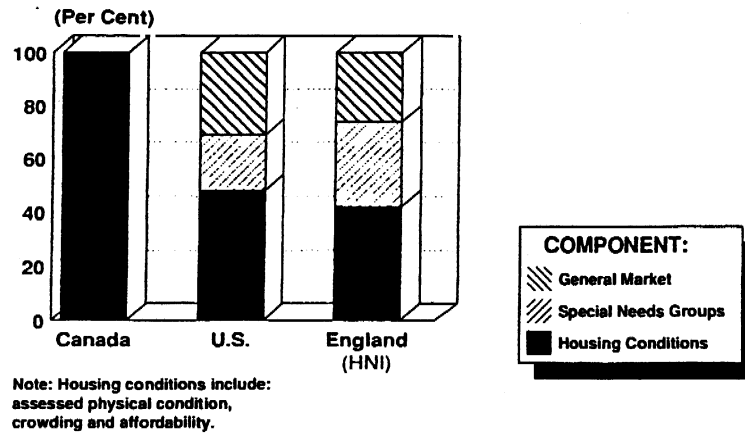## Composition of England's Housing Needs Indicator (HNI), 1991 -92

Indicator	Share
1. Prlvate Sector Stock Condition	27%
2. "Concealed" and Sharing Households	8%
3. Household-Dwelling Balance	8%
4. Overcrowded Households	17%
5, Homeless Households	14%
6. Dlsabled Population	4%
7. Elderly Households	14%
8. Access to Owner-Occupation	4%
9. Households in Temporary Accommodation	4%

NOTE: The ON! Is also composed of all of these elements (with smaller shares), as wall as Local Authorlty Stock Conditlon (50%) and Defective Oweflings (3%). The ON! measure of Private Sector Stock Condltlon, with a share of 17% (compared to 27% for the HNI), Is measuuid more broadly and includes provision for abillty-to.pay.

The results provide an indication of the relative levels of housing need in each of nine regions. They are then adjusted for:

- Regional variations in cost and program mix to determine the allocation of housing assistance.
- Special treatment of stress areas, that is, areas of multiple deprivation (social, economic and environmental) that may justify increased input from housing and other programs in the HNI only.
- Other considerations and local knowledge also involved in the allocation of housing funds.

(Per Cent)

Note: Housing conditions include:
assessed physical condition,
crowding and affordability.

COMPONENT:
General Market
Special Needs Groups
Housing Conditions

Conclusion

The core housing need approach used in Canada evaluates three key norm housing standards (crowding, adequacy and affordability), which are simultaneously used to test individual households to determine whether they are in housing need. Conversely, housing need measures used in the United States and in England comprise a composite of several indicators of need that are independently assigned different weights, collectively forming an overall indicator or formula.

The U.S. fair share measure includes indicators of housing standards similar to the Canadian core need approach. However, the U.S. measure also includes a general indicator of poverty, while the core need approach considers income only in relation to housing costs. The indicators used in England place less emphasis on income. Instead, individual elements reflect the needs of particular groups, the need for additional housing supply and need based on the physical condition of the existing housing stock.