



# CCPA

## research for communities

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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### The KPMG Report: No Solution for the Low-Income Housing Problem

Consulting firm KPMG’s recommendations that Manitoba Housing units be sold and that the private sector play a greater role in providing housing for low-income people are profoundly mistaken. Far from being the solution to the problem of low-income housing, the private sector has most often been the problem.

Equally problematic is KPMG’s recommendation that rents be raised for the lowest-income tenants, and that eligibility for the Rent Assist program that supports low-income renters be restricted, and that 42 positions at Manitoba Housing be cut.

The claim is being made that there is a crisis at Manitoba Housing, and that a part of the solution is cuts in spending, directed in particular at those in our society who are most vulnerable. Further, KPMG is claiming that the private sector has the solutions.

The private sector will not solve the low-income housing problem. Private builders and developers build and manage housing for profit, and there simply is no profit in building housing for low-income people. Precisely because they have low incomes, low-income people can’t afford to pay monthly amounts sufficient to cover the costs

both of building housing, and producing a profit for the builder. Housing for low-income people only gets built if governments are involved in some way.

#### Governments and Low-Income Housing

Canada was successful in building significant numbers of low-income housing units from the mid-1960s to the mid-1980s. But since then, and especially since the early-mid 1990s, the federal government has dramatically reduced funding for social housing, and largely off-loaded responsibility to the provinces. Operating agreements—the contractual arrangements by which the federal government has subsidized most social housing—are also currently being phased out, and are projected to be completely gone by 2032. With the federal government largely out of the business of producing social housing, and private, for-profit builders not willing to build without a government subsidy, we are left with a significant but largely silent crisis of low-income housing (Brandon and Silver 2015). There simply isn’t enough decent quality, affordable housing being built for low-income citizens.

The solution lies in the federal government implementing a national housing

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strategy that features public investment in the building of many thousands of units of social—ie., subsidized—housing, as was successfully done from the mid-1960s to the mid-1980s (Sutor 2016).

### **A Complex and Convoluted Plan**

Instead, KPMG recommends a complex and convoluted process by which the Province would sell Manitoba Housing units to private, for-profit housing organizations in partnership with community-based housing providers. Doing so, KPMG says (2017: 52), will “require sophisticated procurement, contract management, negotiation skills, due diligence, risk transfer and performance accountability mechanisms.” This means a long, complicated process, certain to produce more chaos than social housing, and the outcome of which cannot be relied upon: KPMG acknowledges (2017: 4) that “it is not possible to fully assess the viability of options identified.” Worse, KPMG (2017: 56) calls for the use of social impact bonds—another form of privatization in the social sector—even while adding that “the cautionary note is that it is still early days in terms of use, and so there is not a robust body of evidence that can speak definitively to long term successes and pitfalls.” So much for evidence-based policy making.

We are to be taken down a long, complex and convoluted road, for which KPMG admits there is no reliable roadmap and the sole purpose of which is to cut costs—KPMG (2017: 3) calls this an “opportunity to help contain

core government costs.” And while this process drags on endlessly, no new social housing is likely to be built. On the contrary, existing Manitoba Housing units are to be sold, and once they are in private hands their future price will be market-determined and thus beyond the financial reach of low-income people. Rather than adding to the supply of low-income housing, the KPMG proposal, if implemented, would reduce the supply.

### **Private Sector Opposition to Housing for Low-Income Citizens**

The private sector has long been an obstacle to the building of low-income housing. Throughout the twentieth century, private for-profit builders and developers have actively opposed government involvement in the provision of housing for low-income Winnipeggers, even though government involvement is essential if low-income housing is to be built. Business and especially real estate interests have been so opposed to government involvement in housing for low-income people that historian John Bacher (1993: 213) referred to Winnipeg and other western Canadian cities as “fortresses of hostile real estate reaction.” *The Winnipeg Tribune* (February 14, 1956) reported a City Councilor saying that the City “should stay out of the housing business, and leave it to private enterprise.” But private enterprise would not build low-income housing—there was no profit in doing so—with the result that the need went unmet. In an earlier study (Silver 2016) I have set out in detail the long and sorry history of

private sector and especially realtor and developer opposition to the building of decent quality and affordable housing for low-income people in Winnipeg.

For KPMG to say that the private sector, alone or in combination with non-profit housing providers, is the solution to the low-income housing problem is to betray a complete lack of understanding of the historical experience in this city.

### **What the Private, For-Profit Housing Sector Builds**

The private sector does build housing. But they build housing that makes a profit. They build large houses in ever-more-distant suburbs. These houses are wildly beyond the financial reach of low-income people, and the resulting suburban sprawl adds immensely to the financial woes of this city. They also build extremely expensive condos in downtown locations, but these too are completely beyond the price range of low-income people.

There is simply no escaping the fact that governments have to play a role in the housing market if low-income people are to be adequately and affordably housed.

### **Social Housing Can Be a Good Place to Live**

Manitoba Housing has often not been a good landlord, and their failings have earned them negative publicity, some of it well-deserved. But Manitoba Housing can create good places to live. Lord Selkirk Park, Winnipeg's largest public housing complex located in the North End, is the proof.

In the 1990s and early 2000s about half

of the 314 units in Lord Selkirk Park were boarded up; it was seen as housing of last resort and an area to be avoided. Violence was endemic; residents called it a "war zone." Long-time resident Madeline Hatch, speaking in the 2017 film *A Good Place to Live: The Transformation of Public Housing in Lord Selkirk Park* ([https://youtu.be/Kr6h-m\\_-1vM](https://youtu.be/Kr6h-m_-1vM)), recalled that in the past, "it was very, very hard to live here. There was so much gangs. You couldn't go outside without fearing what was going to happen to you." Lord Selkirk Park was not a good place to live.

But since 2005, as the result of the revitalization efforts led by the North End Community Renewal Corporation and public investment by the previous provincial government, Lord Selkirk Park has been dramatically transformed.

Today, the once-notorious public housing complex is fully occupied, and has a wait list. Nobody would have thought it remotely possible 12 years ago that there would be a wait list to get into what was then seen as a "war zone." Some 60 newcomer families—many from Africa and the Middle East and many Muslim—live peacefully and happily in Lord Selkirk Park. About 90 adults have graduated with their grade 12 diploma; the literacy program has a constant wait list, and adult learners are moving from there into Kaakiyow, the high school program; and the childcare centre is producing remarkable results, especially in regards to improved language skills. As Ugandan refugee Amina Kasfa says in the film, referring to the childcare centre specifically but to

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Lord Selkirk Park more generally, “I like it. I love it! I wish everybody gets the same opportunity I’m getting, and my children.” Lord Selkirk Park is still low income, but there is now a strong sense of community, and people are happy to be living in good quality, affordable housing in a safe and supportive community.

We premiered the film with an outdoor screening on a warm October night in Lord Selkirk Park, and the 200 residents who attended were thrilled. Over and over we were told how bad it used to be, and how good it now is, and how well the film has captured this transformation. As resident Rochelle Moss said: “Now it’s so beautiful,” and “I really like this community,” but “twelve years ago it wasn’t like that.”

Lord Selkirk Park provides tangible evidence that social housing can be a good place to live. And Winnipeg’s history—like cities in the rest of Canada—provides tangible evidence that the private sector cannot meet the housing needs of low-income people.

KPMG’s ill-considered recommendations should be firmly rejected.

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