Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

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KPMG sends Manitoba Housing down a dead end

The Manitoba government is relying on KPMG consulting firm's research to guide housing policy. A new report "KPMG sends Manitoba Housing down a dead end: Learning the wrong lessons from Great Britain, Australia, and New Zealand" by Doug Smith outlines the problems of KPMG's regressive recommendations for Manitoba. The following is the executive summary from the report.

In 2017 the KPMG consulting firm prepared the "Manitoba Fiscal Performance Review: Phase Two Report–Business Case Social Housing" for the Manitoba Government. According to the report government mandated KPMG to:

- Assess current housing policy, programs and funding (including Rent Assist) which have increased sharply, in the context of the recent transfer of these programs to Families;
- Consider leading practices, trends and alternative financing in social housing; and
- Investigate and identify viable policy and program options to reduce the growth rate of spending, while protecting front-line services and vulnerable Manitobans.[1]

The leading practices that the paper discussed came from Great Britain, Australia, and New Zealand. More specifically, these practices included the use of general rent subsidies (termed 'vouchers' by KPMG) to provide low-income people with what KPMG identified as greater choice, the transfer of public housing to the non-profit sector, and the use of social impact bonds as a source of funding for non-profit housing.

There is nothing particularly new about the recommendations in the KPMG report, which can be boiled down to:

- Privatize public housing.
- Reduce benefits.
- Increase barriers for eligibility to benefits
- Subsidize private landlords.
- Open up public services to private investors.

These are variations on policies have been part of the Conservative playbook for four decades.

The KPMG report provided very little detail on what it termed 'leading practices,' their goals, or their impact. It is hard not to view the references to 'leading practices' as little more than an intellectual smokescreen to justify the adoption of long-favoured Conservative policies. This point becomes even clearer when one actually looks outcomes of housing policy in the three jurisdictions that KPMG identified.

Each of these jurisdictions is also experiencing a commonly recognized crisis in the supply and affordability of

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housing. The crisis is characterized by the following phenomena:

- Homeownership is in relative decline even as house prices soar.
- No significant growth in the public and social housing sector for decades.
- The cost of social housing is increasing as what are defined by government as 'affordable' rents become increasingly 'unaffordable.'
- Having largely created the non-profit housing sector, government has become disillusioned with it, as the sector comes up against the unavoidable fact that safe, decent, affordable housing for low-income people cannot be provided without subsidy.
- Subsidies to private landlords have proven to be expensive but have failed to relieve housing stress for low-income people.
- Housing costs in the private rental market are rising faster than wages.
- Rising costs in the private sector and the social housing sector have led to increases in overcrowding and homelessness.
- The social mix of people in public housing has been increasingly narrowed and the period of time that people are expected to live in public housing has been shortened.

The housing crises that these jurisdictions face arise from complex and inter-related sources. They have been exacerbated by cuts to public housing and reliance on 'pro-market' policies. (In reality, there is nothing 'pro-market' about policies that subsidize the purchase of private homes.) The practices advocated by KPMG have played a contributory role in creating the crises and done nothing to alleviate them.

Consideration of the experiences of these three jurisdictions gives rise to the following observations on the KPMG proposals:

1. Privatization. Manitoba has a significant non-profit housing sector, the legacy of federal policies of the 1970s and 1980s. The Manitoba government should make use of its access to capital, economies of scale, and experience in the governance of housing to manage the housing it owns. The time, energy, money, and risk involved in transferring publicly owned housing to the non-profit sector would be better spent in supporting the sector in the construction and operation of new housing

2. Vouchers/rent supplement. Adequate rent supplements are a necessity in an overpriced rental market, but they are insufficient without a dynamic public/social housing sector.

3. Social impact bonds. There is a very limited data on the use of social impact bonds to build public housing. There is, however, a growing literature on the limited value and considerable risk of using these bonds.

Truly innovative policies would put the interests of low-income people before those of the Manitoba government. They would recognize that the cost bar that needs bending is the housing cost bar. They would build on the legacy of previous investment in public housing in Canada and avoid the pitfalls that have arisen when governments adopt the policies proposed by KPMG.

Doug Smith is the author of KPMG sends Manitoba Housing down a dead end: Learning the wrong lessons, from Great Britain, Australia, and New Zealand

1 KPMG, *Manitoba Fiscal Performance Review: Phase Two Report–Business Case Social Housing*, Winnipeg: Government of Manitoba, 2017, 3.

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