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# FAST FACTS

November 16, 2007

## Redirecting Federal Tax Cuts Could End Homelessness

A recent report by the United Nations Special Rapporteur on Adequate Housing echoes what a growing number of Canadians already know. There is a housing crisis in this country and governments are simply not doing what is necessary to address it.

While this problem is nation-wide, it is particularly acute in provinces like Manitoba. The housing crisis is too great and the remedies too costly for the Manitoba government to address without a significant long term commitment from the federal government.

While homeownership is still within reach for middle income households in Manitoba, the dream of owning a home is quickly fading for lower-income households as prices escalate. And real median income for renters in Manitoba has remained unchanged for 5 years while real rents have gone up by close to 5%, leaving low income renters in an affordability squeeze.

Throughout Manitoba, rental housing, and in particular low-cost rental housing, is virtually non-existent. According to CMHC's fall 2007 reports, there has been a decline in Winnipeg's aging rental units every year since 2003, although there has been some rehabilitation of the private stock, much of it through the publicly-funded Affordable Housing Initiative. In older neighbourhoods, infill housing dot streets thanks to the ongoing efforts of community-based organizations. Some rehabilitation of public

stock is also visible but there is little evidence of any new social housing for the growing number of households in greatest need. There is simply not enough social housing to meet the demand, and the existing stock is in poor condition. In 2004, the Manitoba Housing Authority suggested an \$83.9M five-year maintenance and improvement plan, but a 2004 provincial audit determined that the MHA did not have sufficient funding to implement the plan, putting the condition of public housing at risk.

In Thompson, hydro-development, expansion of Inco Limited, and the growth of the University College of the North is putting upward pressure on housing prices: they have increased by 30-40% in just a few years. City officials note that there has been no new rental housing in Thompson for at least 10 years, and it has been even longer since public housing has been built there. The aging supply is desperately in need of repair. On a positive note, the private stock is being rehabilitated as the economic boom creates a market for higher income earners. But the attendant increase in rents has displaced low-income renters. The City estimates that they need at least 200 new rental units to meet immediate need.

In Brandon, the expanding Maple Leaf plant entices migrant workers with promises of accommodation – in fact they are obligated to provide the first month's accommodation for migrant workers. Yet Maple Leaf contributes



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# ***FASTFACTS* continued ...**

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nothing to the development of new housing stock. The supply is quickly gobbled up, leaving Brandon residents of modest means with even fewer housing options. The situation is become desperate as the vacancy rate hovers under one percent.

The Province's new "Four Pillar" strategy increases the commitment to maintenance and improvement of public supply and commits to an investment in new low-cost rental housing across the province. But costs are rapidly increasing and the budget falls short of what is required.

## **Federal Government Response**

Federal government support for housing began disappearing during the 1990's.

The 2000 federal/provincial Affordable Housing Initiative injected some much needed resources into housing. But it was too little to make a significant dent.

In spite of Minister Monte Solberg's claims that his government is "committed to working with communities to address homelessness" (*Winnipeg Free Press*, Nov. 7) the federal government's commitment will be short lived as investment in the Affordable Housing Trust ends in 2008 - part of the Harper government's philosophy of offloading important responsibilities to the provinces.

## **There is a Solution**

Even the biggest promoters of free market solutions know that the market alone cannot fix this problem. In 2003, a senior VP at the TD Bank noted that "In many cases, it is more economical to target public resources on preserving and rehabilitating the existing stock." The solution is a multi-level strategy involving all levels of governments as well as the private sector. We need new public and private supply, rehabilitation of existing supply, and rent subsidies.

Building 1000 new subsidized rental units per year for 10 years, across the province, would not be an unreasonable goal. Although costly

- upwards of \$180 million in capital alone would be required each year – the positive social and economic spinoffs of housing Manitoba's needy would more than outweigh the costs.

## **The Federal Government Has The Money**

Canada's economy is flourishing. We have recorded multi-billion dollar surpluses each year since 1998. The federal 2007-08 after-tax-cut surplus is expected to hit \$11.6 billion. In spite of the nation-wide housing crisis, the Harper government has made the decision to whittle away the surplus through massive tax-cuts (\$60 billion over 5 years) and an aggressive debt reduction plan (\$10 billion).

The Conservative Government refuses to acknowledge the costs of cutting taxes. These costs come in the well-documented association of inadequate housing with reduced levels of educational attainment, and a higher incidence of family instability, crime, addictions, health problems (mental and physical), and homelessness. By choosing tax cuts the government is choosing these outcomes. A better use of the huge government surpluses would be to invest significantly more in housing for low-income people.

It is estimated that the average household will have approximately \$200 extra dollars as the result of the tax cuts. Few Canadians will take comfort in receiving this trifling amount knowing that its cost is a greater risk of homelessness for 1.5 million Canadian households, many with children.

- Shauna MacKinnon and Clark Brownlee

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