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Privatization of Public Housing - Who Really Benefits?

At a time when housing advocates are calling for significant increases in social housing, researchers at the Frontier Centre are proposing that we sell-off our social housing stock to the private sector. Variations of the Frontier approach have been tried in other countries, with serious implications for low-income households in Britain and the US.

In Britain, Margaret Thatcher's experiment of selling public housing to renters may have resulted in a transformation of some housing from poor to better quality, but this cosmetic transformation did little to remedy the UK's housing ills. The broader community has been very negatively affected by the policy. The UK has the highest rate of homelessness in Europe. Demand for the remaining social housing stock is at an all time high with nearly 4 million households in England on waiting lists. The growing shortage has led the government to set targets of 45,000 new 'social homes' for rent each year for the next 3 years.

British housing advocates point to Thatcher's 'right to buy' policy as a major contributor to the problem. It allowed the most economically stable low-income tenants to purchase their units. Hundreds of thousands of tenants have purchased social housing units over the past 30 years. Many

of them have benefited, but many others lost their homes, unable to afford the operating costs.

The good fortunes of some have come at great cost for the hundreds of thousands of low-income households who now have fewer, not more, housing options. Waiting lists for social housing units continue to grow with people waiting years for a home. According to the housing and homelessness advocates at England's 'Shelter' organization, the number of households requiring subsidized housing is increasing by around 48,000 per year in England. Units that come available are allocated to those in most dire need, resulting in the segregation of households with extremely complex social, economic and health issues.

Studies show that there are fundamental problems with privatizing public housing, especially when it results in for-profit delivery. One comprehensive study of social housing policy in Europe showed that the reduction in subsidies to units weakens governments' leverage over social housing providers. They concluded that if social housing is to assist in the delivery of its policy objectives, some political influence on allocation policies is a minimum requirement. This is particularly important in a very tight rental market such as Manitoba's.



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Turning to the US, privatization of public housing has evolved through the HOPE VI program. The objective of the program was to demolish the most “severely distressed” public housing units and to provide public housing authorities and their private partners grants to create new units. The initial promise was that there would be no net loss in units. Residents would simply move out of decaying buildings, many would be provided with housing vouchers that would give them ‘choice’ to move into new units or other available private sector units. The idea sounded appealing and it was initially widely embraced. But the promise to replace units one-for-one has not materialized and many tens of thousands of residents have been displaced.

While the ‘problem’ is presented by the Frontier Institute as one that can be resolved by government getting out of the way, in fact the problem has become worse because governments *have* gotten out of the way. The problem is three fold. One, the existing stock has been neglected as government budgets for its maintenance have not kept pace with the needs of the aging stock. Two, we don’t have enough of it. Governments decided in the 1990s that the market was the way to go. The market has not come through and there is now a housing crisis across Canada. The neglect of governments has led to long waiting lists for existing stock and the segregation of the most vulnerable families into housing that has been left to crumble. Three, vacancy rates are at an all time low. Private development of new rental supply has been slow as developers make higher profits in other markets. Developers point to rent regulations as the problem but this is simply not the case: Recent changes to Manitoba rent regulations offer many exemptions to encourage new development and renovation of the existing supply.

The policies that have brought us to our current state are strikingly similar to those in the

US and the UK. In all three countries, the process of privatization began long ago. It started with disinvestment-- reducing the number of units available, decreasing on-site support staff, allowing the remaining supply to deteriorate and reducing its appeal and availability for anyone but the most desperate. The result is housing of last resort that stigmatizes and segregates. The next step is to tear it down or sell it off at fire-sale prices, justifying doing so on the basis of the very conditions that those in favour of privatization have themselves created.

Canadians have an opportunity to look beyond the shiny new rental units in the US and the freshly painted white picket fences in England to see what the outcome has been for the individuals and families that are directly affected.

Selling off the supply and attaching subsidies to individuals rather than units is supposed to give tenants the freedom to choose where they live. However, in a tight rental market such as ours, it is the landlord that has the choice, not the tenant. In the US, for example, private landlords choose tenants that pose the least risk, leaving many low-income households out of luck. And if history is any indication, the likelihood that social assistance allowances and rent subsidies will be increased to rates that make private sector stock affordable, is highly unlikely. And since the public stock will be gone, the unlucky ones will have no choice.

We must be cautious of simplistic models that place private sector interests ahead of the public good. If adopted, the model would surely please many private property management firms. But this is not the aim of social housing and the proposed model is not good public policy.

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