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Canadian Mixed Model Development

IN RECENT YEARS MIXED MODEL DEVELOPMENT HAS BECOME THE MAIN APPROACH FOR DEVELOPING NEW AFFORDABLE HOUSING IN CANADA. THIS STUDY EXAMINES HOW 10 NON-PROFITS HAVE NAVIGATED THE CHALLENGES OF REDEVELOPING AND CREATING NEW HOUSING BY USING A RANGE OF INNOVATIVE METHODS.

INTRODUCTION & OVERVIEW

More than ever, quality affordable housing is seen as an essential platform for family stability, economic mobility and vibrant, inclusive neighbourhoods and cities. Through mixed model developments, market housing is combined with affordable housing to promote financial viability and reduce economic isolation. While some forms of income mixing have been deployed for several decades in Canada, mixed model strategies are a centerpiece of Canada's 2017 National Housing Strategy, generating a recent push for a broader mix of affordable and market development, as well as interest in greater intentionality about promoting social outcomes from the income mix.

In 2019, Housing Partnership Canada (HPC) commissioned the National Initiative on Mixed-Income Communities (NIMC) to conduct a comparative analysis of mixed model developments in Canada. The purpose of this research was to identify and demonstrate how various forms of Canadian mixed model development can be achieved and sustained, and to promote a broader understanding of the opportunities and challenges related to mixed model site development, financing, operations, and social outcomes.

This bulletin is based on research conducted by National Institute on Mixed Income Communities at Case Western Reserve University for Housing Partnership Canada.

The complete report, along with the first business transformation study, are available for download at <http://housingpartnership.ca>

For enquiries about this publication, contact Housing Partnership Canada (HPC) at info@housingpartnership.ca or



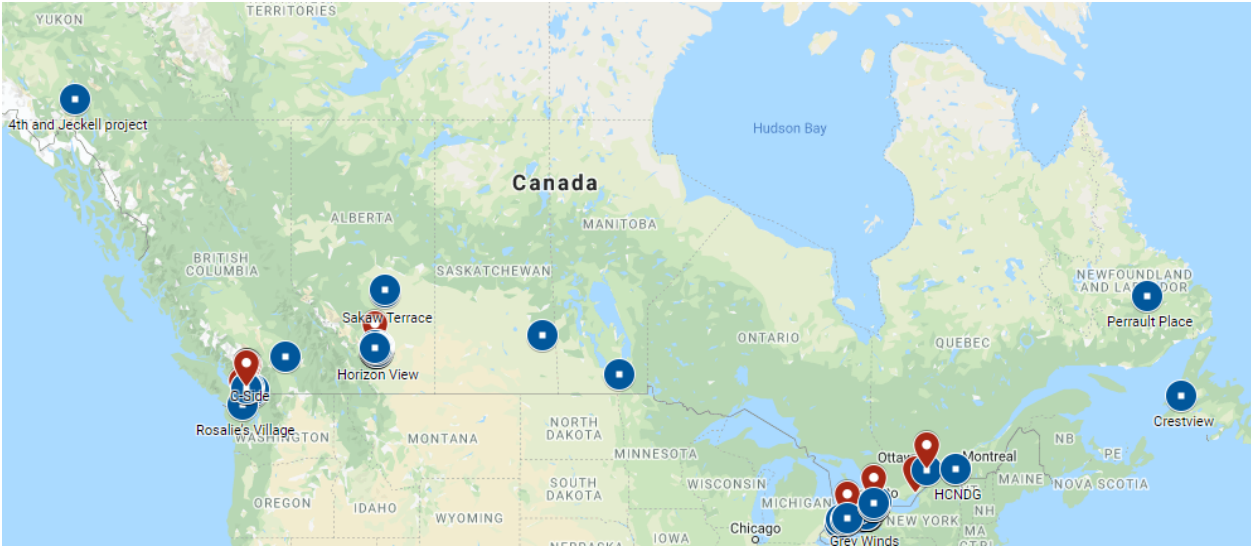
This research bulletin reviews key findings and insights from the study of ten mixed model projects across Canada in a variety of locations and market conditions. The study explored multiple facets of the mixed model developments, from the site goals and financial and partnership arrangements

to the unit mix, amenities, and common spaces, as well as the extent to which sites included supportive services, community building, and goals and tracking mechanisms for resident and community outcomes.

STUDY METHODOLOGY

For this study we first conducted a scan of mixed model developments across Canada, developing an initial pool of 188 mixed model developments, which was then narrowed down to ten sites based on project type, geographic area, and potential for replicability. Sites present different approaches to mixed model development. In-depth interviews with representatives from each of the ten sites were conducted to collect insights about the successes and challenges with different approaches to financing models, partnership arrangements, resident supports and community engagement. Short online surveys and data and document review were additional methodologies employed in this research. Figure 1 displays the geographic distribution of the mixed model developments identified in the scan (click here for an interactive map of the sites).

Figure 1: The Geographic Distribution of Mixed Model Properties Identified through the Initial Scan (N=188)



The maps in Figure 2, 3, and 4 below show the geographic distribution the sites identified in the initial scan of mixed model properties across Canada (blue markers), as well as the focal sites for this study (red markers).

Figure 2: Mixed Model Properties identified in the Vancouver Region

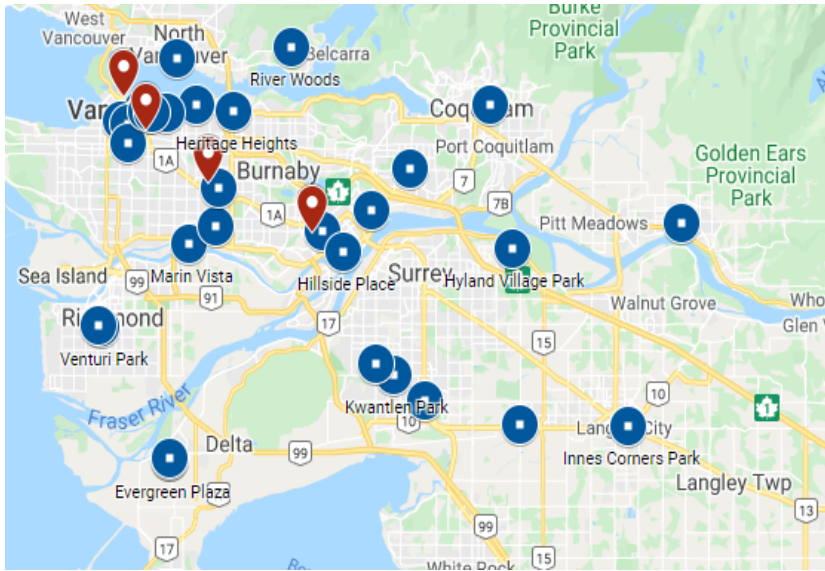


Figure 3: Mixed Model Properties identified in the Calgary Region

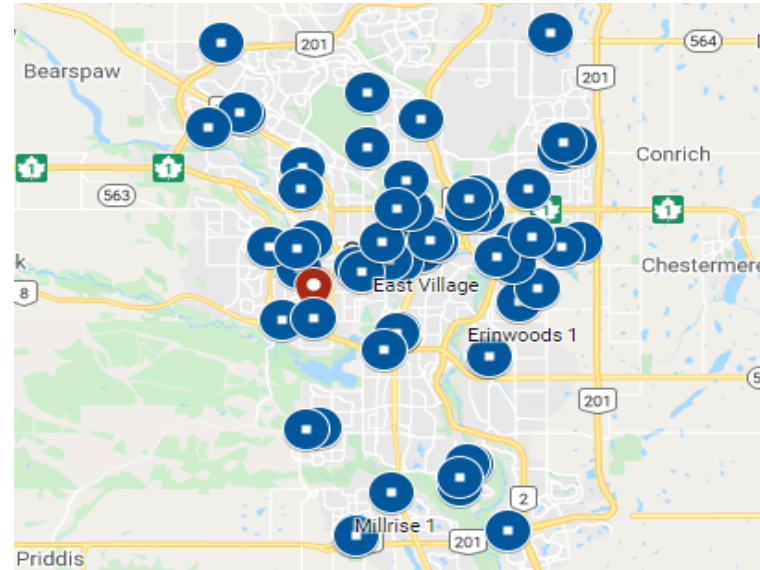


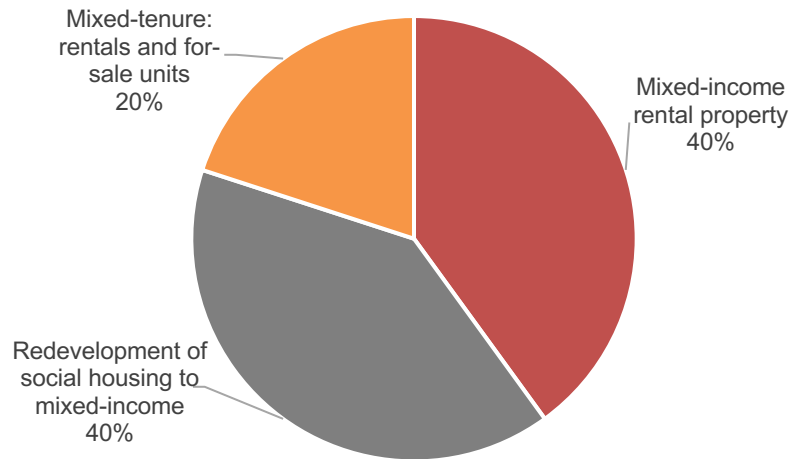
Figure 4: Mixed Model Properties identified in Southwestern Ontario



SAMPLE OVERVIEW

The study included different types of mixed model developments: mixed-income rental sites (4), mixed-tenure sites with rentals and for-sale units (2), and redevelopments of social housing to mixed-income communities (4). One site was dedicated entirely to providing housing to seniors, another was focused on housing for Indigenous peoples, and several others had set-aside units for other vulnerable populations, including those with mental health challenges and victims of domestic violence. One site is owned by a Community Land Trust and operates as a co-op and another site is owned entirely by the government.

Table 1: Mixed Model Study Sites (N=10)



KEY FINDINGS

Complex Financing

Establishing a financially feasible mixed model structure that includes a mix of affordable and market units is inherently complex.

- Sites had challenges finding low-risk financing such as long-term, fixed-rate

mortgages with minimal capital requirements.

- Careful negotiation and compromise were necessary to leverage land values, transfer ownership, layer funding mechanisms, and navigate regulatory guidelines.
- Funding sources typically included some combination of local, provincial,

or federal funding via subsidy programs and grants, in addition to distinct funding streams contributed by each partner involved in the project's construction and operations.

- Post-construction financial challenges that sites ran into included:
 - Costs associated with general property operations
 - Unexpected costs such as taxes and fees (e.g. higher than expected or increased over time)
 - Planning for future sustainability with pending expiring operating agreements, mortgages, or shifting policies (e.g., for land leases)

Challenges with Regulatory and Policy Frameworks

Regulatory and policy frameworks for mixed model development were the most widely discussed challenges among site representatives.

- Site representatives said regulations are “complex” and “financially constraining” due to their implications and specifications for allowable housing and tenancy, owner partnerships, property sales and donations, revenues and profits, use of surplus funds, and tax assessments.
- With the exception of developments owned by agencies with charitable status, most mixed model developments do not qualify for major tax exemptions due to the ownership status or partnership structures,

the inclusion of market units, and the unique financing models used to operate the properties.

- Charitable status has protected some organizations engaged in mixed model development from the financial strain experienced by others in this study.
- At the provincial and municipal level, a common regulatory challenge reported by sites was property taxes that did not account for the mixed model nature of the developments and the inclusion of affordable units. As a result, properties were assessed as if they provided 100% market housing, even though mixed model sites were not generating pure market revenue or profit.

Use of Strategic Partnerships

As the political and funding landscape has shifted in Canada, affordable housing developers increasingly turned towards partnerships that could provide needed resources - whether that be affordable land to purchase or lease, subsidies, or private sector financing that otherwise would have been unattainable.

- In contrast to development trends in the 1970s and 1980s when government supported affordable housing financing more broadly, multi-sector partnerships are necessary for funding affordable housing, and therefore mixed models, today.
- Public-private partnerships were formed in nine of the study sites; one was a government-owned and operated structure.

Leveraging Development Assets

The ability to leverage and combine each partner's existing capital and assets was a key strategy for developers aiming to enter and remain engaged in providing affordable quality housing. Study sites utilized a number of strategies to leverage existing assets, including:

- Increasing density by utilizing a high-rise structure
- Upgrading existing affordable units
- Using existing land assets to broker partnerships with private developers whose market units could provide a cross-subsidy mechanism

Varied Focus on Social Dynamics and Outcomes

Prior research has shown that the integration of housing units alone does not lead to inclusive mixed-income communities. In fact, without intentional operating practices (e.g., an inclusive "operating culture"¹) and resident engagement strategies that build familiarity, trust, and cohesion in the community, these settings may reproduce inequities and lead to the exclusion and isolation of historically marginalized groups ("incorporated exclusion").²

- Staff at study sites generally did not have a sense of resident experiences

with inclusion or exclusion in their developments.

- There were few intentional, focused approaches to the promotion of community inclusion among sites.
- No sites were collecting data on indicators important to assessing resident and community success, such as how residents experience social inclusion and exclusion in the development.

Resident Success and Tracking Outcomes

Sites have a unique opportunity to develop and implement a set of strategies to promote positive resident outcomes. Many sites are already well positioned and interested in pursuing these types of goals, but seem to lack guidance and in some cases resources to undertake widespread efforts.

- Sites goals were focused almost exclusively on financial sustainability for the site –and did not include positive resident or community outcomes.
- Most sites did not directly provide supportive services for residents. Several sites had partnerships with external agencies that help meet the needs of specific households in the community.

¹ Operating culture encompasses a site's approach to interactions, behaviors, expectations, norms, roles, policies, procedures, and communications. An inclusive operating culture balances goals of asset management, property management, and resident services to achieve

individual and community transformation, along with enabling operating efficiency at the property (Blackburn and Traynor, 2020).

² Chaskin and Joseph, 2015.

- None of the developments were tracking resident social outcomes beyond traditional management indicators (e.g., household income, rental payments)
- Many site staff are interested in knowing more about the extent to which their housing work has a positive impact on the quality of life and economic prospects of the lower-income households in the mixed model communities.
- Evaluation and tracking outcomes are essential to understanding mixed model impact.

IMPLICATIONS AND RECOMMENDATIONS

This study of Canadian mixed model housing development explored how various forms of mixed model development can be achieved and sustained. Below are several recommendations that are drawn from the findings and lessons learned from this study, as well as insights prior research and practice, for Canadian mixed model development policy and practice. It should be noted that these are suggestive and should be interpreted in the context of this study.

- Expand access to financing and incentives for mixed model development
 - Commit to an inclusive operating culture³
 - Incorporate and plan use for shared spaces
- Improve the regulatory and policy framework for mixed model development
 - Engage residents in decision-making processes in mixed model developments
 - Systematically track and assess resident well-being and outcomes
- Elevate goals, strategies, and resources for community inclusion and resident success
 - Incorporate intentional strategies to promote inclusion and engagement

ISSUES FOR FURTHER EXPLORATION

While providing a more nuanced picture of mixed model development in Canada, the findings from this study have raised additional questions and suggestions for further research and exploration.

³ Ibid.

Resident perspectives are a notable gap in the current research literature on mixed model communities. Understanding resident experiences in their communities is key to informing policy changes and efforts of affordable housing providers, government entities, and funding and regulatory agencies. It is important to point out that the limited in-depth resident perspectives in this study raise caution to interpreting findings where resident experiences should be front and centre—as with social dynamics and community inclusion.

- How might more information from resident perspectives on their lived experiences advance our understanding of mixed model development in Canada?
- Who are the residents living in Canadian mixed model developments? What is the range of diversity within and across developments in terms of household characteristics and demographics (e.g. race, ethnicity, language, country of origin, income, employment, education, household configuration)? To what extent are households residing in affordable units similar or different to those in market units in terms of household composition and demographics? Are there differences in feelings of belonging and perceptions of social cohesion across different demographic groups?
- Do mixed model sites with more intentional strategies for community inclusion, planned use of spaces, resident engagement and governance have greater social cohesion among residents, less turnover in units, and

fewer management problems?

- To what extent are property taxes a barrier to financial sustainability for other mixed model developments? The findings related to property taxes in this study warrant further inquiry into this issue with a broader set of mixed model developments.
- How has the Covid-19 pandemic impacted mixed model communities in Canada? What lessons were learned from the responses from housing providers, management companies, municipalities, and community groups? How did residents in mixed model developments fare through the early months of the pandemic, and over the longer term (compared to other residents in the city)? How has the pandemic, social distancing and other regulations changed the dynamics between residents? Between residents and staff?
- In what ways has the moment of racial reckoning in Canada, the U.S. and around the world been relevant and visible in mixed model developments in Canada? Has the elevated Black Lives Matter movement and greater attention to issues of police brutality and racial justice had ramifications in mixed model settings? Has the movement shifted onsite dynamics and dialogue, or generated discussions among residents or staff about race, power, systemic racism and discrimination in the

developments, broader communities, or the mixed model development field?⁴

- To what extent can supportive housing (e.g., for persons who have experienced long-term homelessness) be incorporated into mixed model housing?
- What types of tenant outcomes can be achieved in mixed model housing that cannot be achieved via other forms of social housing?
- What specific progress related to mixed model housing should be made in

Canada in order to advance the National Housing Strategy?

- What would it look like for a mixed model site to engage with a third-party evaluator, identify desired outcomes, develop a measurement approach, and then track progress against those outcomes? If this has already been successfully done in Canada, can it be showcased? If it has not been done, can such an initiative be funded and showcased for others to learn from?

REFERENCES

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Chaskin, Robert J. and Joseph, M.L. (2015). Integrating the Inner City: The Promise and Perils of Public Housing Transformation. University of Chicago Press.

⁴ In May 2020, an uprising of mass protests in the U.S. against police brutality and systemic racism and support for Black Lives Matter spread rapidly around the globe. This movement started in the U.S. in response to the videoed brutal murder of George Floyd, an unarmed black

man, by four on-duty police officers in Minneapolis, Minnesota.