CHRA Congress Session Series 2021

Building Mixed Model Housing: Experiences & Insights from Across Canada

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Building Mixed Model Housing: Experiences & Insights from Across Canada

THIS SUMMARY

This paper is a summary of the session, "Building Mixed Model Housing: Experiences and insights from across Canada" which took place virtually during the Canadian Housing and Renewal Association's Congress on April 28, 2021.

THANK YOU

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Canadian Housing and Renewal Association (CHRA) held its 53rd National Congress on Housing and Homelessness in April 2021. The session, Building Mixed Model Housing: Experiences and insights from across Canada, expanded on the report, Canadian Mixed Model Development: A comparative analysis of ten sites (2020).

In 2019, Housing Partnership Canada (HPC) commissioned the National Initiative on Mixed-Income Communities (NIMC) to conduct a comparative analysis of mixed model affordable housing developments across the country. The purpose was to identify and demonstrate how housing organizations can achieve and sustain this model of housing while highlighting both the opportunities and challenges associated with it. It explored lessons learned related to financing, operations, and social outcomes (Curley, Gress and McKinney 2020, 1).

CHRA's Congress session featured four panelists:

1. Claire Noble, Strategic Business Analyst at Calgary Housing Company and Chair of the HPC Working Group for the report;
2. Alexandra Curley, Research Assistant Professor, NIMC at Case Western Reserve University and one of the authors of the report;
3. Ray Sullivan, Executive Director of Centretown Citizens Ottawa Corporation (CCOC); and
4. Stephen Bennett, CEO of Affordable Housing Societies (AHS).

Developments managed by CCOC and AHS were included in HPC's 2020 report.

What is Mixed Model Housing?

The report broadly defines mixed model housing as a "housing community intentionally designed with a mix of units that vary in affordability for households with a range in income levels" (Curley, Gress and McKinney 2020, 3). Three definitions fall under the umbrella of mixed model housing development. Mixed-income developments are rental housing with varying levels of affordability, housing people with a range of incomes. Mixed-tenure also has varying levels of affordability for a range of incomes, but some units are rented while others are ownership. Redevelopment and transition refers to the "redevelopment of social housing or market housing to new mixed-income or mixed-tenure development" (Curley, Gress and McKinney 2020, 3).

Mixed model housing offers a financially viable way to create affordable housing. The market rents allow for affordable rents to be offered. As governments adjusted the funding and administration of housing, such as in 1995 when the Ontario government eliminated all government-subsidized housing construction projects and phased out rent controls, affordable housing developers have had to be innovative. Housing providers are stretched when trying to maintain operations and (re)develop properties. Without government subsidies, rent rates may be increased, requiring new partnerships to be created to balance the provision of affordable rents with costs. The mixed model can be part of an answer to, "how does one afford to operate buildings and (re)develop while relying on low rent revenues?"

In addition to financial viability, mixed model housing presents an opportunity to reduce economic isolation and social exclusion (Curley, Gress and McKinney 2020, ix). There are successful examples of mixed model housing across the world. The report explores how it has been done successfully in Canada.

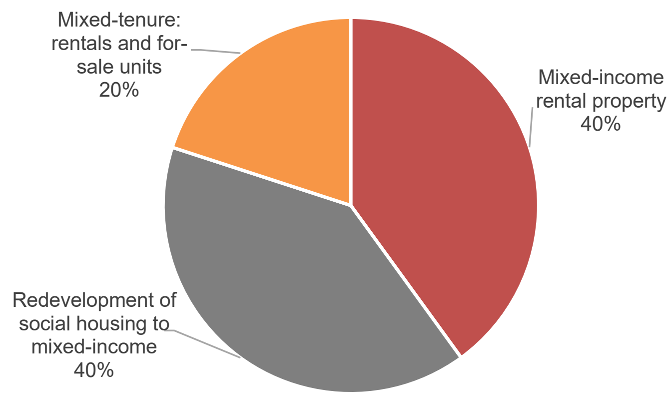
Ten Mixed Model Developments

The report investigates ten mixed model projects. Four sites are mixed-income; four are redevelopment projects, transitioning from social housing to mixed-income; and two are mixed-tenure that are also transitioning from social housing (Curley, Gress and McKinney 2020, 1). The authors began with a pool of more than 188 mixed model developments in 31 cities spanning ten provinces and territories (Curley, Gress and McKinney 2020, 4). The authors interviewed and surveyed representatives of each of the ten selected sites. There is a range in building types, unit mixes, and number of units, demonstrating that the building type is not determined by the model (Curley, Gress and McKinney 2020, 13).

The ten developments included in the report are:

1. 550 Goldstream (M'akola), Victoria
2. C-Side, Vancouver
3. 95 East 1st Avenue, Vancouver
4. Lions View, Vancouver
5. Cedar Place, Burnaby
6. Lincoln Park, Calgary
7. 770 Whetter Avenue, London
8. Allenbury Gardens, Toronto
9. 645 Brock Street, Kingston
10. Beaver Barracks, Ottawa

Table 1: Mixed Model Study Sites



Report Findings

Complex Financing

The most common challenge found across the projects was navigation of complex financial structures to create a financially feasible project. The report demonstrates this by stating, "Constant negotiation and compromises were necessary to leverage land values, transfer ownership, and layer multiple sources of financing from government and private entities … One might say developers achieved mixed models in spite of government, not because of government" (Curley, Gress and McKinney 2020, 39).

Some of the developments had unanticipated construction costs that depleted contingency funds. Post-construction, long-term sustainability was also sometimes threatened due to a lack of operating funding. Rent revenues must cover a number of operational costs, which include maintenance, utilities, property tax, and mortgages.

Regulatory & Policy Framework Challenges

Property taxes can be prohibitive for some providers. If a housing provider is not registered as a charitable organization, oftentimes it must pay full property tax fees as if it were a market landlord. The inclusion of market units, partnerships, and unique financing models often make providers ineligible for tax exemptions. Property taxes present a significant operating cost to the housing providers, threatening the viability of the projects.

Strategic Partnerships

The majority of the projects needed multi-sector collaborations to successfully fund construction. Private partners offered out-of-reach financing for non-profit and charitable developers and in return received access to land needed for market units. A downside of these types of partnerships is their complex nature of the partnerships, requiring a layering of financing from multiple programs and a high degree of cooperation.

Leveraging Development Assets

The developers had to use a variety of strategies to leverage existing assets, such as: "brokering affordable land leases and purchases; increasing site density on land assets; upgrading existing affordable units where possible instead of pursuing wholesale demolitions; and off-setting operating costs with the addition of new market units to existing buildings" (Curley, Gress and McKinney 2020, 42).

Varied Focus on Social Dynamics and Outcomes

Although a common goal of mixed model housing is to challenge social exclusion and provide inclusive communities, the report found that social goals were not being measured by the housing providers. While some groups included design aspects in their properties and others spoke openly about the mixed-income nature to all prospective tenants, there was a lack of on-site programming and/or data collection to measure how successful the providers were in achieving social inclusion. "Thus, there is no way of truly knowing whether mixed model housing in the sample is leading to positive social outcomes aside from ensuring residents have an affordable place to live" (Curley, Gress and McKinney 2020, 44).

Congress Session Q & A

Building upon the report findings, the CHRA Congress session opened with Claire and Alexandra offering a brief presentation of the report and Ray and Stephen providing background on their respective organizations, CCOC and AHS. The session then turned to a Question-and-Answer format.

The panelists were asked if they were concerned about communities becoming polarized due to the growing gaps between rent levels (real market rent to Average Market Rent (AMR) to deeper levels of affordability, including Rent-Geared-to-Income (RGI)). Panelists confirmed this was a concern. The increasing gaps make it hard to balance pro formas. It becomes uncomfortable when there are no "middle" rents, only market and deeper levels of affordability. It was noted there is a market-based accountability with mixed-income housing. CCOC's tenant satisfaction surveys demonstrated no discernable difference in satisfaction with services between the different income levels. That market tenants choose to stay is evidence that the housing provided is of quality for all tenants.

When asked what marketing strategies are used for new developments, Ray responded that CCOC is open and proud of its mixed-income model. CCOC does group lease signings that include all tenants. Stephen noted that it is in AHS's name, so the organization is also very open. Sometimes having 'Affordable' in its name is a challenge for AHS, particularly when market tenants have rent increases because it does not appear affordable. Claire noted Calgary Housing is open, but does not go to the extent of CCOC as offering the income mix as a selling point.

Panelists were asked about challenges encountered from working with private developers. Stephen had an example of when a private developer saved money by choosing lower quality finishes for the lower rent units that AHS was to purchase and operate. This was a lesson for AHS because ethically and practically, they wanted the same quality of units no matter the rent level. Claire noted Calgary Housing often chooses higher standards of quality because it needs to be durable and energy efficient. CCOC's principle is that the tenancy is subsidized, not the unit. All units are the same and allow for flexibility of people and subsidy moving as needed. CCOC wants their housing to be operated for 100+ years, so it also needs to be of high quality.

When asked about AHS's partnerships with supportive service providers, Stephen responded that some partnerships are formal while others are informal, dependent on the situation. Some service providers come to the units to offer services, such as those supporting people living with HIV/AIDS. Other groups focus on supporting refugees, or victims of domestic violence.

An audience member inquired whether it is fundamentally problematic to base rents on the market. Ray noted there is both a social and business model to mixed-income housing. On the business side, market rents are helping subsidize the below market rents. CCOC uses CMHC AMR to set their market rent rates. Therefore, the average market listed apartment rent rate is actually 20-30% higher than CCOC's. So, although it is called "market rent", is it still often lower than what is available from for-profit landlords. Offering 100% of units at RGI would exclude households with higher incomes and be nearly impossible to administer. Stephen added that AHS is operating to be self-sustaining with as little government funding as possible, therefore higher-level rents are necessary. The market is used as a guide in their pro formas to make viable projects.

A second audience member asked if we are giving up too much to make mixed model projects work.

Claire responded that Calgary Housing has noticed that if their new development only has 30% low rent units, they will need to build three times as much housing. Stephen said AHS's Board would not accept a redevelopment project that does not fully replace the low rent units. Therefore, AHS tries to leverage density to increase the number of units. His key takeaway is to "build, build, build" any type of affordable development.

When asked for tips to convert existing deeply affordable housing to mixed-income, Claire offered that if the development is in a good location, appealing, and well-maintained it will attract market rent tenants. Ray noted that the availability of government subsidies is important to create a mix as it is difficult for CCOC to subsidize units itself.

Alexandra asked the other panelists if the moment of racial reckoning seen in 2020 resulted in a shift in communities and/or organizations. Claire said Calgary Housing only collects data necessary to provide the unit, therefore they do not collect data on race unless supports are needed for the unit. They are in the early stages of their anti-racism journey. CCOC also sees racism as a housing issu, CCOC staff and volunteers began an organizational anti-racism change process in 2019. Both Calgary Housing and CCOC's anonymous tenant surveys collect information about racial identity.

The session ended by asking for key elements of mixed model housing that would convince the government to support the model. The panelists responded with five points:

1. It is less expensive for government;
2. There are statistics that demonstrate cost savings;
3. The government can play a smaller, less active role;
4. Mixed models are effective at contributing to positive outcomes for residents; and
5. It offers stable housing by de-linking the unit subsidy from the tenancy.

Conclusion

Final takeaways from the report and discussion are:

- Mixed model housing balances higher and lower level rents in the same building, contributing to the financial viability;
- The model offers potential to contribute to positive social outcomes;
- All units should be developed with the same design and quality standards;
- More data should be collected to measure social outcomes;
- Some properties owned by non-profit housing providers have property tax comparable to for-profit properties, making projects less viable;
- Partnerships are key to success, but bring complexity;
- The National Housing Strategy (2017) pushes for more mixed model housing; and
- Canada's housing sector is in the early stages of its mixed model journey.

References

Curley, Alexandra, Taryn Gress, and Sherise McKinney. "Canadian Mixed Model Development: A comparative analysis of ten sites." *Housing Partnership Canada* (2020). https://www.housingpartnership.ca/s/CanadianMixedModelDevelopmentComparitiveAnalysis_FinalReport_0129.pdf