

### A DEEPER LOOK AT THE DOWNTOWN COMMONS An Innovation in Mixed-Income Housing Development

Breda Vosters | In Collaboration with Marcella Poirier, MCIP, Senior Manager UWCRC With input from Jeremy Read, Linda Palmer and Sherman Kreiner (UWCRC)

### ABSTRACT

All across Canada there is an affordable housing crisis. The reality of the situation is that public sector investment in creating affordable housing has been declining since the federal government allocated social housing responsibility to the provinces in the 1980s (Gaetz et al, 2016). Private developers have not raced to fill the gap for affordable units because the profit margins are slim and the need to work with multiple levels of government and funders to achieve a balanced pro-forma is an intensive requirement. Across Canada, the private sector has resisted championing affordable housing for many reasons – primarily because it is understood as not profitable (Falvo 2007).

\*All images on the cover page are projects completed by the University of Winnipeg Community Renewal Corporation. Downtown Commons is featured in the center.



Under current circumstances in which the public sector cannot afford it, and the private sector will not build it because there is no profit to be made, is it even possible for affordable housing to be created in an economically viable way?

The University of Winnipeg Community Renewal Corporation (UWCRC) is a non-profit developer who, with the support of many project partners, has proven with their latest project that mixed-income housing can be attractive, sustainable, diverse and economically viable. Their most recent housing development, the Downtown Commons, is a mixed-income housing project in which 50% of the units are affordable. The project includes 102 rental units in total, cost approximately \$31 million dollars to create, and involved numerous partnerships that required innovation and perseverance to pull together. The processes and tools that they used to make this project work could set a precedent for a new kind of affordable housing development model in which the public and private sectors work together to create high quality, highly desirable rental units for people of all incomes, all in one place. This case-in-point provides an examination of these processes and tools, followed by an account of lessons learned for future housing development.



Retrieved from: https://ccednet-rcdec.ca/en/blog/2014/01/06/capturing-imagination-future-so-cial-entrepreneurs-robust

# COMPLETE COMMUNITIES



An OurWinnipeg<sup>®</sup> Direction Strategy FIGURE 2 | Complete Communities is part of the OurWinnipeg Direction Strategy, the primary guiding tool for development in Winnipeg

Retrieved from: http://www.winnipeg.ca/interhom/CityHall/OurWinnipeg/pdf/Complete-Communities.pdf



#### **Downtown Development**

Downtown Winnipeg has been identified by the City of Winnipeg in the Complete Communities Direction Strateqy as a transformative area. This means that it is one of the areas of the city that holds the "best opportunity for growth and change" (City of Winnipeg, 2011). This is a large reason why it is also an area that has seen massive investment in recent years. Building off of the success of the MTS Centre, the area now includes several condominium complexes, office buildings and the True North Square which is currently under construction. These buildings are now all considered part of the Sports, Hospitality and Entertainment District (SHED) which was established in 2010 (CenterPoint Winnipeg, 2017). These investments have drawn huge numbers of people back into the downtown for both recreational and residential purposes. However, affordable housing seems to have been left out of this major Downtown development boom, with the exception of the recent work by the UWCRC.

#### UWCRC

University of Winnipeg Community Renewal Corporation is a not-for-profit charity and the developer of new campus real estate projects at University of Winnipeg. They are governed by a volunteer board of directors that includes University of Winnipeg representatives as well as community representatives (UWCRC, 2017). Founded in 2005, the mandate of UWCRC is "to move beyond the traditional inward direction of universities to develop partnerships with community, private and public sector organizations to advance downtown development." Since their inception, they have developed over \$250 million to downtown projects (Personal communication. April 5, 2017). Projects include the Richardson College for the Environment and Science Complex, the Axworthy Health and Rec Plex, Buhler Centre, McFeetors Hall, and of course the subject of this case study, the Downtown Commons. The UWCRC has recently expanded their mandate to work with other non-profit, community, and First Nations groups that share goals for sustainability - environmental, social, cultural and economic - to help them undertake development projects that will benefit communities. These off-campus projects will be undertaken by the non-profit development arm, UWCRC 2.0. Currently, UWCRC 2.0 is already engaged in the pre-development process of additional mixed-income, mixed housing projects within Winnipeg. These efforts will help to meet the affordable housing needs in the Province of Manitoba.

#### **Mixed-income Housing**

Affordable housing, by the federal governments' definition, means that less than 30% of the occupants' total household income is spent on rent. There are several different forms of affordable housing including rooming houses, social housing, rent-geared-to-income housing and in this case, mixed-income housing. Mixed-income housing is the combination of market rate units with units that are targeted at lower-income tenants, in the same area or within the same building. One of the reasons to build mixed-income housing, as was the case with the Downtown Commons, said Jeremy Read (COO of UWCRC) is that the market rate units can help to finance the building (Personal communication, April 4, 2017). However, in a building with 50% affordable units there will still be a financing gap that must be filled by using other financing tools and partnerships.



FIGURE 3 | McFeetors Hall student dorms and affordable townhouses

3.0 PROCESS

#### Inspiration

Part of the initial inspiration for the Downtown Commons project was borne out of the basic need for more housing in the area, as well as the success of the UWCRCs previous McFeetors Hall development. McFeetors is a combination of 176 dorm style rooms for students and 25 townhouses, of which 19 are affordable. The idea behind the townhouses was largely to accommodate non-sequential students, especially those who are Indigenous or non-Canadian who tend to live in multigenerational households (Jeremy Read, personal communication, April 4, 2017). Downtown Commons builds off of this idea to incorporate its' own aspects of cultural inclusion with common spaces, a smudge room, and options for one, two, or three bedroom suites to accommodate students, single occupants and families. Along with inclusion comes diversity, which was another major driver for the project. Jeremy Read iterated this in saying "at the end of the day, the inspiration was to try to get some mixing of students and people from various incomes and backgrounds together to create a real community". This idea, says Read, came from the minds of the UWCRCs managing director, Sherman Kreiner, and Lloyd Axworthy (Personal communication, April 4, 2017).

#### **Collaboration & Integrated Project Delivery**

Most, if not all, affordable housing or social housing projects in Manitoba are funded by the Provincial Government through low interest loans to the Manitoba Housing Renewal Corporation. In order to finance this project, UWCRC initially approached the Province of Manitoba but found that despite their overall support for the concept, they did not have the Loan Act Authority at the time to make the project work. They were then encouraged to pursue financing through the private sector, an unprecedented feat in Manitoba. The search began and ended with the University of Winnipeg's bank, RBC who made the money available through their insurance company in the form of a 40 year loan with the stipulation that the Province provide a guarantee to back it. After some challenges getting everyone on board, the UWCRC successfully negotiated with both RBC and the Province to provide the major required capital. Other financial supports came from programs accessed at the municipal, provincial, and federal government levels and partnerships were also formed with community partners.

"IPD always involves key stakeholders, the developer, the architect, and the contractor who meet on a regular basis to talk about the construction schedule, the budget, to ensure that its all being delivered to owner requirements "

#### - Linda Palmer, Project Manager

After confirming the financing, the next step was to get the shovels in the ground. The development team for the Downtown Commons was led by the University of Winnipeg Community Renewal Corporation and included LM Architecture and Manshield Construction. Many construction projects of this capacity use what is called an integrated design process (IDP) which uses an "interdisciplinary team approach" that "enables participant input to be considered before critical design decisions are made" (Canada Mortgage and Housing Corporation 2013, p. 1). The UWCRC takes this process one step further to engage an Integrated Project Delivery (IPD) method. Essentially, IPD achieves a high level of cost assurance through a collaborative process of the developer, designer and builder working to achieve the project mandate and goals within budget and with minimal compromise or surprise during the construction process. IPD involves regular meetings with the project team throughout the entire design and building process to ensure the project charter is maintained.

The real benefit to this approach, says Marcella Poirier, is that everyone, architects, contractors, engineers, the developer, are all held to a high standard of accountability for the built form itself. It guarantees that all of the elements of the built form are delivered in the way they were agreed upon in the initial designs, on budget, and on time (Personal communication, April 4, 2017). This way you "end up with a building that meets form and function" stated Project Manager Linda Palmer (Personal communication, April 4, 2017).

#### Partnership & Funding Breakdown

The financing for this project came from the private sector as well as all three levels of government: municipal, provincial, and federal. The breakdown of this financing can be seen in Figure 4 below:

#### Figure 4



\*Serviced by Manitoba Housing operating subsidy grant and market rate revenue

Other essential community partnerships included:

- New Journey Housing for which 5 affordable units in the Commons have been set aside
- Peg City Car Co-op who provided A 5-year membership agreement to all residents in exchange for a one-time fee from UWCRC
- Plug-In Institute of Contemporary Art who is engaged in a joint venture with UWCRC to lease the land the Commons is developed on from the University of Winnipeg

# 4.0 DESIGN

#### **Truly Mixed Housing**

IPD is not the only unique feature of the Downtown Commons. The design also very likely makes this project the only one of its kind across the country. Mixed-income development in Canada dates back to the 1960s and 1970s, but many of those developments had a notable segregation of wealthy and low-income tenants because property managers did not focus on "social integration" (Chapin, 2014). Most notably in recent history, the Woodward's complex in Vancouver has been hailed by some as a great success in the pursuit of affordable housing provision as it provides 200 affordable housing units to an area of extreme need. Holding true to its mixed-income title, it is undeniable that Woodward's incorporates a variety of units at a variety of price points. But are they truly mixed? Woodward's features three separate towers with the social housing units isolated on floors 4-10 of one tower and 5-10 of another (Urban Land Institute 2017). It is arguable in this example that integration is not only not an aim of the project, but that segregation is actually encouraged through the separation of unit types. If done in a truly "mixed" fashion however, mixed-income housing can not only provide viable affordable housing options for those in need, but also a reduction of tensions between residents with different incomes (Duke 2009).



FIGURE 5 | Woodward's development in East Vancouver



FIGURE 6 | Downtown Commons rendering showing distribution of premium suites (with the balconies) throughout the building

#### **Promoting Social Integration**

Although the Downtown Commons is a newly finished project, many features of its design were put in place to ensure that this social integration does occur both within its walls, and with the outside community. Sherman Kreiner noted that "not only [are the units] mixed within the same building, they're also mixed up within the building". Additionally, with the exception of the 18 premium units in the complex, the other 84 units, whether they are affordable or market, are exactly the same. By challenging the "modesty standard" for affordable housing, suites can be interspersed through the development for a truly integrated model. They all use the same materials, the same designs, the same colours, finishes and features. Affordable units are therefore "not deemed affordable because of a poor set of finishes, but because their occupants are income eligible" (Sherman Kreiner, personal communication, April 4, 2017). This innovative style of housing in which there are no discernible differences between market and affordable units contributes to social sustainability by eliminating the stigma that comes along with financial segregation and "enables a dignity model" (Marcella Poirier, personal communication, April 4, 2017). Another benefit to this design is that the market rate and affordable units can be shuffled around over time. For example, if a student and their family occupy a three bedroom affordable suite while attending school and the student is later able to secure a stable job, perhaps after graduation, they can stay in that same suite, but the pricing is adjusted to that of a market rate unit. In order to remain at a 50% affordable threshold, the next market rate unit to become available will then be allocated to an incoming tenant requiring an affordable rate. The option to remain in ones' home despite changing economic circumstances creates a sense of stability and continuance which Marcella Poirier says are "the building blocks to a resilient neighbourhood, a complete community" (Personal communication, April 4, 2017).

# 5.0 **LESSONS LEARNED**

#### A Desirable Model

Many affordable housing projects that are overly concentrated, such as the projects in New York, have a culture of reinforcing negative stereotypes. The Downtown Commons on the other hand has a culture that doesn't do that, says Sherman Kreiner (Personal communication, April 4, 2017). Since opening for occupancy in August 2016, the Downtown Commons has undoubtedly been successfully received. The units were completely leased out within 90 days of opening. The first ones to be rented were the more expensive premium suites. What this shows is that there is a "real interest in having an integrated [housing] model" and that the truly mixed-income design of the project is desirable for even higher income earners (Marcella Poirier, personal communications, April 4, 2017).



FIGURE 7 | Inside one of the attractive Downtown Commons suites

The diversity of the Downtown Commons also helped to ensure that the development was a match to the housing needs in the area. To achieve this goal developers must work with other affordable housing stakeholders. At the Commons, this included New Journey Housing – a resource for newcomers in Manitoba – and University of Winnipeg Campus living. Future UWCRC projects will continue to meet housing needs by engaging with a range of stakeholders in need of affordable housing. Youth transitioning from care, adults with developmental delay, students, older adults and families comprise the diverse stakeholders in need of quality affordable housing. The design must be accessible, flexible and robust to meet housing needs over time.



include affordable housing. UWCRC sits on the steering committee for this project

#### **Inovative Financing**

The financing model used for the Downtown Commons came about in part because of limited provincial capital funding capacity. These capacity issues resulted in the UWCRC approaching the private sector for financing, a pathway that is rarely accessed for affordable housing projects. Thus a new model has been created in which the private sector provides the capital, and the public sector provides the financial backing along with funding through several programs stacked together. Creating this type of financial model is a challenging component to developing affordable housing, but is also an example of how a little bit of outside the box thinking can overcome the limitations of complete reliance on public sector financing. This model however is not necessarily appropriate for all developers as the management of multiple affordability supplements adds an increased level of complexity to any development.

#### **Implications for Future Development**

Even under conditions of limited available capital and transitioning governments, Sherman Kreiner believes that there is currently an "openness to creative solutions" to make affordable housing projects work. In some ways, he says, the Commons has laid the groundwork for private market solutions to mixed-income housing issues (Personal communications, April 4, 2017). Future housing developments of this type will likely not use identical financing structures, but can use the example set by the Downtown Commons to work out similar ones based on available supports. There is now a case of the private sector being a major player in the provision of mixed-income housing which is hopefully indicative of much needed further investments.

## RESOURCES

Canada Mortgage and Housing Corporation (2013). Equilibrium Communities InSight. Retrieved April 7, 2017 from https://www.cmhc-schl.gc.ca/odpub/pdf/67868.pdf?lang=en

CentrePoint Winnipeg (2017). Retrieved April 7, 2017 from http://centrepointwinnipeg.com/centrepoint/the-shed/

Chapin, A. (2014). How Mixed-Income Neighbourhoods Can Succeed. Ottawa Citizen. Retrieved April 6, 2017 from http://ottawacitizen.com/news/national/how-mixed-income-neighbourhoods-can-succeed

City of Winnipeg (2011). Complete Communities Direction Strategy. Retrieved April 6, 2017 from http://www.winnipeg.ca/inter-hom/CityHall/OurWinnipeg/pdf/CompleteCommunities.pdf

Duke, Joanna (2009). "Mixed income housing policy and public housing residents' 'right to the city'." Critical Social Policy, 29(1): 100-120. Retrieved April 6, 2017 from http://homelesshub.ca/sites/default/files/Mixed\_Income\_Housing\_0.pdf

Falvo, N. (2007). Rent Supplements Help, but Only if Landlords Cooperate. The Monitor (CCPA). Retrieved April 5, 2017 from https://www.policyalternatives.ca/publications/monitor/may-2007-canadas-lack-affordable-housing

Gaetz, S., Dej, E., Richter, T. & Redman, M. (2016). The State of Homelessness in Canada 2016. Toronto: Canadian Observatory on Homelessness Press. Retrieved April 5, 2017 from http://homelesshub.ca/sites/default/files/SOHC16\_final\_200ct2016.pdf

Urban Land Institute (2017). ULI Case Studies: Woodward's. Retrieved April 5, 2017 from https://casestudies.uli.org/woodwards/

UWCRC (2017). Retrieved April 8, 2017 from http://uwcrc.ca/about-us/board-of-directors

