

Introduction

- Despite city planners' strong support for mixed-use buildings and neighbourhoods, most buildings built in North America in the past were single-use buildings, and new ones are usually single-use as well.
- This is because developers find it difficult to procure financing for mixed-use buildings; usually, banks see them as riskier, even in municipalities that support mixed-use developments.
- Three research questions will be used to explore this subject matter and conduct this research. They are:

- 1) Do financing practices differ between different types of developments?
- 2) What criteria do lenders use to evaluate mixed-use developments for financing?
- 3) How do financing practices impact built form, and what are implications for planning practitioners?

Methods

- 5 lenders working in Winnipeg were interviewed. Interview questions were generated based on criteria that lenders use to evaluate mixed-use developments for financing in other jurisdictions. This information was found in the literature review.
- Content analysis was conducted on the interview transcripts. Codes were tabulated, frequencies were calculated, and new themes were created by combining codes.
- City of Winnipeg policy documents were examined to find policies relating to flexible buildings.
- ArcGIS; development review documents from the City of Winnipeg website; data from the government of Canada open data portal, the City of Winnipeg, and the Manitoba Land Initiative; and information from the Winnipeg Free Press were used to map urbanized areas in Winnipeg and mixed-use development locations in the city. These locations were compared to the locations of neighbourhoods that require more or less development permit documents for construction.

Results

- Regardless of the type of building that is being financed, lender criteria for financing is based on a building's ability to generate revenue to repay its debts. This is based on its net operating income and cap rate.
- When asked about financing criteria, lenders most often talked about a borrower's financial situation, the uses in the potential building, and economic market situations.
- Many lenders specifically mentioned that a borrower's ability to repay their loan was their most critical criteria. Despite this, 56% of coded responses in the interviews related to non-financial aspects of development financing.
- Four out of five lenders mentioned that building styles that can accommodate different tenants or uses were better financing opportunities than ones that can only have one tenant. Despite this preference, the City of Winnipeg's planning policies did not mention these types of buildings.
- Most mixed-use developments in Winnipeg and similar cities are built in existing built-up areas. Despite this information, interviewees mentioned that developers find it difficult to build in existing built-up areas because of various land regulations and government policies that apply in the city of Winnipeg.

Discussion

- Interviewee criteria for lending was the same as the criteria that lenders use in other jurisdictions. This other criteria was identified in the literature review.
- Success factors for mixed-use developments were identified in the literature review. Interview criteria were compared to these factors to determine whether their criteria would allow them to finance successful mixed-use developments. It was argued that the critical criteria used by the interviewees should lead them to finance successful mixed-use developments.
- Lenders reported that impact fees, high property taxes, and complicated development permit processes can make it difficult to build developments in Winnipeg, especially in the city's built-up areas. This makes it more costly and unpredictable (i.e. more risky) to build these developments. Consequently, this makes them less appealing financing opportunities for lenders in the region. This is not compatible with City policies, because City policies try to direct new developments in existing built-up areas as much as possible.
- These assertions were checked for validity. The map on the right side of this poster shows that neighbourhoods that have higher amounts of development documents that apply to them are the locations where mixed-use developments have been built or proposed in Winnipeg.



Report Conclusions

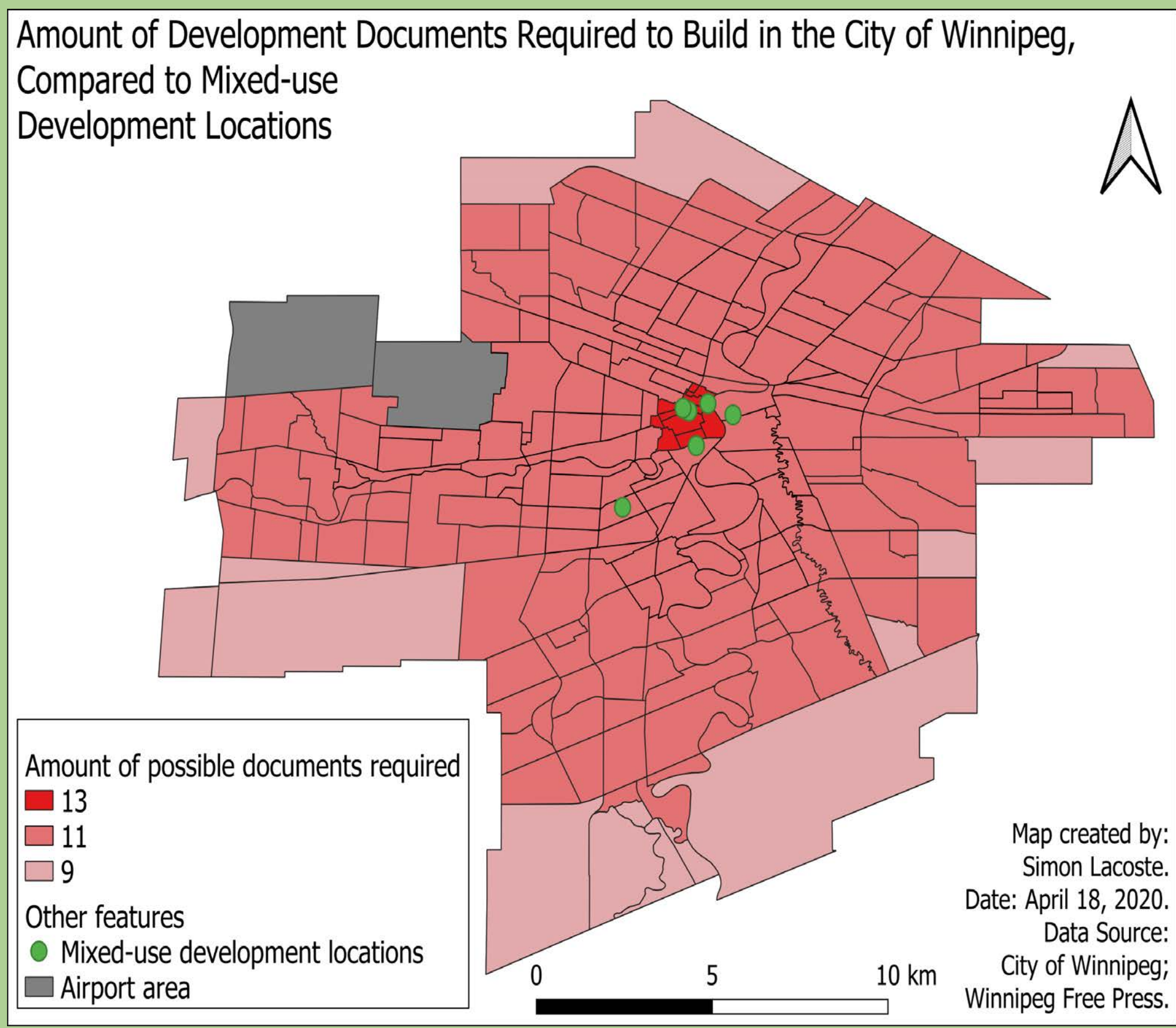
- Lenders use similar criteria to evaluate all types of buildings (including mixed-use) for financing. They only finance buildings that are likely to be able to pay back their loans.
- Lenders discussed market demand, a borrower's financial situation, and the type of building being financed more frequently than other criteria in their interviews.
- In their interviews, lenders themselves identified financial factors, building location, borrower experience, and borrower ability to repay loans as their critical criteria when they evaluate buildings for financing.
- Lenders prefer to finance flexible buildings that can accommodate different types of tenants or uses. For example, a strip mall can accommodate more tenants than a building for a car wash, which makes it a better investment opportunity for lenders.
- In Winnipeg, mixed-use developments have been built and proposed more often in areas with a higher number of applicable planning policies because they are more viable there. These numerous policies make it more complex for developers to build in these areas, which means that most of them prefer to build other less risky types of buildings instead. Financiers favour this approach too because they prefer to finance less risky projects.

Top 5 most frequent themes from the content analysis compared to percentage of coded responses that relate to it in each interview:

Code	Lender 1	Lender 2	Lender 4	Lender 5	Lender 3	ROW AVERAGE
Borrower financials	20%	12%	13%	11%	12%	14%
Building type	14%	11%	12%	14%	16%	13%
Community economics	13%	11%	14%	14%	10%	13%
Lender financials	9%	11%	8%	9%	9%	9%
Lender discretion	6%	14%	7%	8%	12%	9%

Lenders talked about the criteria they use to finance development projects. This table shows the percentage of coded responses that relate to these general themes in each interview:

Response Themes	Lender 1	Lender 2	Lender 4	Lender 5	Lender 3	ROW AVERAGE
Financial factors	48%	41%	45%	42%	43%	44%
Industrial Knowledge	26%	38%	27%	25%	30%	29%
Project design	26%	21%	28%	33%	27%	27%
COLUMN TOTAL	100%	100%	100%	100%	100%	100%



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References on back of poster.



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