Financing Mixed-use Developments in Winnipeg | Simon Lacoste | Capstone Project | University of Manitoba | April 2020

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 the 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 tagged, 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.