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Keeping Winnipeg Affordable

Exploring the Potential for
Inclusionary Housing in a
Slow-Growth City



By Lissie Rappaport

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**Keeping Winnipeg Affordable:
Exploring the Potential for Inclusionary Housing
in a Slow-Growth City**

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Lissie's Master's Thesis, *Incremental Inclusion: Exploring Inclusionary Zoning in Winnipeg, Canada*, explored additional perspectives on inclusionary zoning from local city planners, politicians, and housing advocates. The document is available on the University of Manitoba's MSpace at <http://hdl.handle.net/1993/33367>.

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Executive Summary

Introduction

In Winnipeg, there is a need for more affordable housing, as 21 percent of households (64,065 households) are living in unaffordable housing — according to CMHC’s definition of spending more than 30 percent of income on shelter.¹ Additionally, there are approximately 1,500 people experiencing homelessness in the city.² While affordable housing has traditionally been provided by federal or provincial governments, municipalities have a range of tools to respond to need and are most connected to the local housing market. Inclusionary housing (IH) is a one tool available to cities and was recently enabled by the Province of Manitoba.

This research informs the potential for IH in Winnipeg. Through examining existing literature and case studies in two American cities, learnings from how the policy is used elsewhere are summarized. Interviews with IH experts and those involved in local development help contextualize these learnings from elsewhere and inform key considerations for the local context. As IH is most commonly used in fast-growing municipalities, this research explores how inclusionary housing could be implemented in Winnipeg,

a city long considered to be slow-growth with a stable housing market.

What Is Inclusionary Housing?

Inclusionary housing (IH) mandates or incentivizes private developers to include a certain percentage (often 6–20 percent) of units in new residential developments as affordable housing. Cost-offsets or incentives are often provided to help fill the gap between the costs of providing the housing and what the market can bear.³ These can include density bonuses, zoning variances, fee waivers or reductions.⁴ Policies can apply to developments of a certain size, type, or geographic location.⁵

IH policies are used in over 800 jurisdictions across the United States, and have been identified as “the most prevalent of the regulatory initiatives used by US municipalities to stimulate the creation of affordable housing.”⁶ They have also been used, to a certain extent, in some Canadian cities, though on a more voluntary or case-by-case basis.⁷ While often used in fast-growing municipalities, more and more cities with moderate and mixed markets are exploring inclusionary policies to respond to growing unaffordability.⁸

Key Considerations for Winnipeg

This research explored IH literature, situated with case studies in two municipalities in the US (Baltimore, MD and Boulder, CO). After exploring both cities, consultations with IH experts, and input from the local development industry, a number of key considerations for Winnipeg have emerged and are outlined below. These take into account recommendations on implementing IH in slower growing cities, and specific considerations in the local Winnipeg context.

I. Engage Stakeholders — Early and Ongoing

This research has only scratched the surface in consulting local stakeholders, and further engagement will inform a consideration of IH in Winnipeg. Local developers have an intimate understanding of the development process, and while some may not be in favour of IH, they must be a part of the conversation, providing insight to why, or how, the program could — or could not — work in Winnipeg. Similarly, local affordable housing providers, developers, and advocates must be consulted to understand current needs and how an IH policy can effectively respond to them. With the City's Housing Policy up for review, the time is ripe for engagement, and following the process for the recently implemented impact fees, ongoing dialogue is required. This also warrants developers willing to come to the table and share their expertise to inform a policy.

II. Conduct an Economic Feasibility Study

Once the City, developers, and affordable housing consultants are at the table, an economic feasibility study can help address the question of whether IH is possible in the local market, where it might work, and what kind of incentives or offsets might be needed.

This can explore what barriers and challenges exist to residential development in Winnipeg and help the City better understand development — with or without affordable housing. Additionally, the study can explore what affordable

housing percentages, and at what level, might be feasible in the market. Finally, this must be informed by the City of Winnipeg's Housing Needs Assessment which will hopefully identify what types of affordable housing are needed. This feasibility study follows what many other mixed-market or slow growth cities like Detroit, Pittsburgh, and Nashville recently conducted to inform their policies.

III. Explore a Phased-In or Geographic Application

Depending on the feasibility study, there is the potential for a phased-in policy, allowing Winnipeg to get ahead of growing unaffordability, and test a policy in the local market.

This could start with a low inclusion requirement, such as 5 percent, or apply only in certain geographic zones, such as neighbourhoods with stronger markets, tied to transit-oriented development, or certainly on government-owned lands or funded projects. All these aspects can be informed by the feasibility study, and must involve researching infrastructure capacity in existing neighbourhoods, and exploring longer affordability terms.

IV. Implement a Wider Municipal Housing Strategy

An IH policy will always just be one piece of a municipal response to housing, and may not be the best — or only — tool to respond to housing needs. Integrating this response with local tools, such as Tax-Increment Financing (TIF), partnerships with higher levels of government and non-profits, as well as exploring other tools can inform a Winnipeg policy. A committed housing strategy would outline what the City's goals are when it comes to housing, look at all existing programs, and tools within municipal jurisdiction that can respond to them, along with dedicated resources. The City's current Housing Needs Assessment will hopefully identify needs and help guide policy responses.

Introduction

The Government of Canada and provinces play a lead role in addressing housing supply to ensure all Canadians, regardless of socio-economic status, are adequately housed (Maes Nino & Ring, 2015). However, municipalities have a vested interest and range of tools available to respond to local need (Maes Nino & Ring, 2015). Municipalities are also most connected to the local housing market and affect both supply and demand. They enact zoning by-laws that dictate what type of housing can be built where, and what new communities will look like, influencing housing supply and choice. They provide a

range of services to neighbourhoods, ultimately influencing demand and prices.

In Winnipeg, there is a need for more affordable housing, as 21 percent of households (64,065 households) are living in unaffordable housing — according to the Canada Mortgage and Housing Corporation’s (CMHC) definition of spending more than 30 percent of household income on shelter costs (Statistics Canada, 2017). The incidence of unaffordability is higher for renters, as 39.5 percent of renters are spending more than 30 percent of their income on housing. There are also, at least, 1,500 people expe-

A Note on Terminology

In the literature, the terms *inclusionary housing*, *inclusionary policies*, and *inclusionary zoning* are often used interchangeably, yet there are differences. *Inclusionary zoning* most commonly refers to programs implemented through a municipality’s zoning regulations, and often apply across the whole city. *Inclusionary housing* or *policies* more often refer to programs that might be neighbourhood-based or implemented on a case-by-case basis through negotiations or incentives (Drdla, 2016; Gladki & Pomeroy, 2007; Mah, 2009). In 2013, Manitoba became the first province in Canada that passed legislation that would explicitly enable municipalities to develop *inclusionary zoning* by-laws — while Ontario has since followed suit (Barth, 2018). *Inclusionary housing* policies have been used in some Canadian cities, including Montreal, Toronto, and Metro Vancouver (Drdla, 2016; Mah, 2009). In this paper I will explore both types of programs but use the term *inclusionary housing* (IH) throughout, to encompass a broader array of options.

riencing homelessness in our city (Winnipeg Street Census, 2018).

Inclusionary housing is one tool available to municipalities to respond to the issue of affordable housing. Inclusionary housing policies mandate or incentivize private developers to include a certain percentage of affordable units in new residential developments. These policies are used

most often in large, growing metropolitan areas, with strong housing markets. This research explores if, and how, inclusionary housing could be implemented in Winnipeg, a city long considered to be slow-growth, and one of the most stable — and affordable — housing markets in Canada (CMHC, 2018a; Leo & Anderson, 2008; Rollason, 2018).

Purpose and Methodology

This research informs the potential implementation of Inclusionary Housing (IH) in Winnipeg. I have examined existing literature on IH, and explored in more depth how two cities in the United States use the policies. As IH is tied to the local housing market, exploring cities similar to Winnipeg was important. IH is most commonly used in fast-growing cities with hot housing markets, so it was difficult to identify slower-growth cities to study — but this suggests the need for a study in slower-growth cities. As such, I explored a city similar, and one dissimilar, to Winnipeg, and spoke with IH experts and Winnipeg stakeholders about applying learnings in a slower-growth, stable-market, city.

The two cities researched were Boulder, Colorado and Baltimore, Maryland. Boulder has a long history with IH and has rewritten its policy many times. However, the city has a very different development context than Winnipeg, driven by lack of available land and high housing prices. Baltimore is more similar to Winnipeg and has had an *unsuccessful* policy for a number of years, illustrating that the simple existence of a policy is not the be all, end all. Semi-structured interviews were conducted with stakeholders in each city, including private and non-profit devel-

opers, housing advocates, professors, researchers, or city staff to explore learnings.

Interviews with three IH experts and consultants in both Canada and the US helped situate the literature and identify considerations that might be relevant to slower-growth cities. Finally, conversations with four actors in the Winnipeg's private development industry (planners, developers, consultants) helped explore the local context and key considerations for this city. A complete list of interviewees is included in Appendix I.

A caution with this research is that I have only connected to one sector in Winnipeg: the private development industry. Consulting these stakeholders in the development of a potential policy is important now, in Winnipeg, given the recently implemented impact fees. The City of Winnipeg has phased-in fees on new developments to pay for City infrastructure, and is now facing a legal challenge against them (City of Winnipeg, 2018a; Keele, 2016). Whether this legal challenge could have been avoided with further consultation is unknown, but points to a lack of trust between the City and development industry, who are calling for a more collaborative and engaged process with the City (MNP,

2016). Engaging perspectives from the development industry on IH, now, also helps prepare advocates and the City for concerns that might be discussed if an IH policy is pursued.

To this end, this research shares thoughts from the development industry on IH — thoughts that must be contextualized within a broader perspective, given the profit-driven nature of this sector. The private sector's role is to produce housing as the market demands it, and what is economically feasible. In contrast, there is a more *public* interest in ensuring *all* Winnipeg-

gers have housing they can live in and afford. Understanding the perspective of City administration, political leaders, and affordable housing advocates are crucial to continually exploring the potential of IH locally.⁹

Finally, this research is just the first step in informing a potential policy, a kind of 'temperature reading' on IH in this city. All sources inform key considerations for Winnipeg, along with identifying future research needs, and the potential for additional affordable housing strategies in Winnipeg.

Winnipeg: Housing and Growth

As IH is most successful in cities with growing and hot housing markets, this research explores what an IH policy might look like in a slower-growth city, beginning with a brief outline of Winnipeg's housing and development context.

Winnipeg's population is growing and is expected to continue to grow at an average of 1.2 percent between 2015 and 2040 (Bougas, 2015 p.1). This is *slightly* higher than the growth the city experienced over the last two decades — on average 0.8 percent annually between 1999 and 2015 — but still within what most consider to be a slow growing city (Bougas, 2015, p. 3; Leo & Anderson, 2006). Winnipeg's housing market is also growing. In 2017, the number of new housing units being constructed increased by almost 50 percent over the previous year, approximately 5,000 units that year, according to the most recent numbers. This rise is, in part, predicted to have come from projects being pushed through in 2017 before the City's impact fees came into effect (CMHC, 2017). As such, this growth in housing starts is expected to wane slightly in 2018, but grow again in 2019, with approximately 4,000 new units predicted annually (CMHC, 2017).

The cost of purchasing a home has been growing steadily over the last two decades and is ex-

pected to continue to increase (CMHC, 2017). In 2016, the average selling price for an existing home was \$284,610 (CMHC, 2017). With new mortgage requirements at the federal level, a household would need to earn approximately \$74,500 annually to be approved for a mortgage at that home price (Assiniboine Credit Union, 2018).¹⁰ In 2016, the median household income in Winnipeg was \$68,402, while median income for individuals was \$34,964 (Statistics Canada, 2017). Given there are houses that sell below the average selling price, some Winnipeggers can afford to purchase a home. But, home ownership is still out of reach for many, and the city's traditional affordability may no longer be a major defining characteristic. In 2016, 21 percent of residents (64,375 households) reported living in unaffordable housing, according to CMHC's definition of spending more than 30 percent of household income on shelter (Statistics Canada, 2017).

For renters, the incidence of unaffordability is much higher, as 39.5 percent of renters are spending more than 30 percent of their income on housing (compared to 12 percent of homeowners) (Statistics Canada, 2017). As of 2017, the rental vacancy rate in Winnipeg is relatively stable at 2.8 percent, but rents continue to rise — the aver-

age two-bedroom now renting for approximately \$1,068/month (CMHC, 2017). In larger unit sizes (3 bedrooms or more), particularly at lower rents, vacancy rates are close to zero (CMHC, 2017b). The demographic make-up of the city is also changing, with the largest growth in populations most in need of lower-income housing, including single-parent households, Indigenous people, and newcomers to Canada (Brandon, 2015). Additionally, at least 1,500 people are experiencing homelessness in the city (Winnipeg Street Census, 2018). It has been predicted approximately 1,330 to 3,860 units of housing are needed, over seven years, just to providing housing those experiencing homelessness — not to mention the 64,000 households currently in unaffordable housing (Kotyk, 2018). Others have suggested approximately 7,500 affordable units would be needed over the decade — though lack of adequate data has been unable to confirm this number (Brandon, 2015, p.33). In 2016, 2,513 families and individuals were on the waiting list to get into social housing in Winnipeg (Glowacki, 2017).

The City of Winnipeg has indicated its commitment to keeping Winnipeg affordable. *Our Winnipeg*, the City's official development plan, specifically indicates a commitment to ensuring that the city "remains livable, desirable, *and affordable* in the future" (City of Winnipeg, 2011, p.25, emphasis added). The plan commits to supporting diverse housing options and encouraging safe, affordable housing throughout the city. This includes a commitment to establish partnerships with private and not-for-profit actors, as well as other levels of government to "encourage new and infill development, as well as the redevelopment of existing properties to incorporate affordable housing that is integrated with market housing" (p. 56). The City's Housing Policy has a stated objective of establishing "a sufficient supply of affordable, adequate and suitable housing throughout the city that meets the needs of the population of Winnipeg" (City of Winnipeg, 2013, p. 2). While the policy was

released in 2013, no new resources have followed to *implement* the policy (CCPA, 2018).

Winnipeg's Housing Policy outlines two different definitions for affordable housing — one for ownership and one for rental housing. Ownership is defined as affordable if total shelter costs are 30 percent or less for the top of the second income quintile; median market rent is used for the definition of affordable rental housing (City of Winnipeg, 2013, p.2). A lack of understanding of current housing needs has led the City to undertake a Comprehensive Housing Needs Assessment, set to be released sometime in the next year (City of Winnipeg, 2017).

Over the years, we have seen a small number of programs incentivizing affordable housing in Winnipeg. The Downtown Rental Development Grant Program, through Tax Increment Financing (TIF), essentially provides a grant to rental projects in the Downtown that include a minimum of 10 percent affordable units for at least five years (City of Winnipeg, 2014). The Province of Manitoba also offers a tax credit for new rental housing if 10 percent of units are affordable (Province of Manitoba, n.d.). Through both programs, the city has likely seen a small increase in affordable housing (though numbers were not found for this research). The City also commits funding to its Housing Rehabilitation Investment Reserve Fund, which distributes funds to organizations in neighbourhoods designated as Housing Improvement Zones (HIZs). The Winnipeg Housing Rehabilitation Corporation (WHRC) also operates at arms-length from the City, supporting the development and management of affordable housing (WHRC, 2011). These programs constitute the City's current roles in the provision of affordable housing.

Housing is also, of course, supported through higher levels of government, and much of the affordable and social housing produced in Winnipeg is done so by the Province. Manitoba Housing invested in approximately 1,700 new units of social housing in Manitoba between 2009 and

2016 (Brandon, 2018, p.5). Despite this investment, total supply has actually *decreased*, because as new units are constructed, hundreds more are lost to expiring agreements (Brandon, 2018). The Province also provides Rent Assist, a financial benefit directly to lower-income individuals to support them in renting in the private market (Government of Manitoba, 2018). Manitoba has indicated it is shifting priorities towards mixed income projects, in partnership with municipalities and the private sector (Government of Manitoba, 2017; Glowacki, 2017). Similarly, with the announcement of a National Housing Strategy, “the federal government is re-engaging in affordable housing and bringing together the public, private and non-profit sectors to ensure more Canadians have a place to call home” (Government of Canada, 2018).

Exploring new partnerships between the City of Winnipeg, different levels of government, and across the private and non-profit sectors would

maximize resources and impact. While the private market has historically provided housing to most Winnipeggers, there is a growing gap between what the market will provide and what Winnipeggers can afford. Recent studies have identified the City of Winnipeg can, and should, do more to stimulate affordable housing crea-

Recent studies have identified the City of Winnipeg can, and should, do more to stimulate affordable housing creation and follow the lead of other similar Canadian cities.

tion and follow the lead of other similar Canadian cities (CCPA, 2018; Make Poverty History Manitoba, 2018). IH is one tool that municipalities can use to respond to this market failure and support the development of housing geared to families in need. This research explores the potential for IH in Winnipeg.

Inclusionary Housing

What is Inclusionary Housing?

IH offers a tool to municipalities to play an active role in the provision of affordable housing, while remaining within their regulatory jurisdiction. IH mandates or incentivizes developers to include a certain percentage of units in new residential developments as affordable housing. Cost-offsets or incentives are often provided to “fill the affordability gap —the difference between what it costs to provide housing

and what lower income households can afford” (Calavita & Mallach, 2009, p. 19). These can include regulatory adjustments that reduce costs or increase profits of the project, as well as tax incentives or subsidies.

IH is used in over 800 jurisdictions across the United States and the policy has been identified as “the most prevalent of the regulatory initiatives used by US municipalities to stimulate the creation of affordable housing” (Starr & Pacini, 2001, p.24). IH policies have also been used in Europe, and to a certain extent, in some Canadian cities — though not across cities as a whole, but on a case-by-case basis (Calavita & Mallach, 2010; Mah, 2009; Mah & Hackworth, 2011; Tsenkova & Witwer, 2011).

IH has the benefit of producing mixed-income neighbourhoods and differs greatly from other conventional means of producing affordable housing in Canada (Drdla, 2016; Gladki & Pomeroy, 2007; Mah, 2009). Because the affordable units created through IH programs are ‘paid for’ through the cost-offsets in development projects, they are most successful at producing housing for moderate-to-lower income populations, not extremely low-income populations. In this way, it often produces *affordable* housing,

Definitions: Social and Affordable Housing

Social housing is subsidized housing when rents are geared to income. Tenants approximately 25–30% of their income on rent. This is called rent-geared-to-income (RGI), and is targeted towards households with low incomes. The 2018 social housing rental program income limits are \$25,500 for households in bachelor apartments to \$57,500 for households in 4-bedroom plus apartments (Government of Manitoba 2018).

Affordable housing is targeted towards lower-moderate income households. The 2018 affordable housing rental program income limits are \$56,694 for households without children and \$75,592 for a family household (Government of Manitoba 2018).

not *social* housing—but can also be combined with other programs and funding from higher levels of government to buy down units for those most in need (Mah, 2009; Mah & Hackworth, 2011). In Canada, some municipalities have used inclusionary policies as a tool to dedicate land in the development of large sites to produce social housing, partnering with higher levels of government to fund the units (Drdla, 2016; Mah, 2009; Mah & Hackworth, 2011).

Inclusionary Housing Used Elsewhere

IH was originally developed in the 1970s in the US, as a way to “open up the suburbs” for lower-income individuals and provide housing choice, access to education, jobs, and amenities (Calavita & Grimes, 1998). Since the 1970s, IH has been used by suburban areas, as well as large cities experiencing high housing costs and growth, such as Washington, Boston, San Francisco, and Chicago (Calavita & Mallach, 2009; Hauswald, 2017). Now, more and more cities with moderate and mixed markets are exploring IH policies to respond to growing unaffordability (Hauswald, 2017). These are cities similar to Winnipeg, such as Baltimore, Detroit, and Pittsburgh, that have “traditionally been able to offer affordable homeownership opportunities to their blue-collar resident base without any special policies” (Hauswald, 2017, p.37). Now, with decreasing affordability, even these municipalities are exploring ways to support affordable housing construction.

The most recent comprehensive study in the US found IH policies were used in 886 jurisdictions across the country (Thaden & Wang, 2017). While data on the programs are not very well tracked, it is estimated these policies have created 173,707 units of housing, and raised an additional \$1.7 billion through fees collected in lieu of building units (which has been used to create or preserve *additional* affordable units). Thaden & Wang (2017) predict this is a substantial underestimate

of the impact of inclusionary policies across the US. Their study shows the most *common* way of implementing IH is through a mandatory policy which applies across the entire jurisdiction, and to both rental and ownership housing development (p.40). Common incentives include density bonuses (used in 78 percent of programs examined), zoning variances (44 percent), or fee waivers or reductions (37 percent) (p.39). Most policies (90 percent) required developers to build the housing units on-site, while about half also allowed developers to provide units off-site, or pay a fee-in-lieu of building units (p.42). Approximately half of policies have mechanisms in place to keep housing affordable for 30 years (43 percent of for-sale projects, and 46 percent of rental), while 27 percent of policies kept housing affordable in perpetuity, or for the life of the building (p.44).

Despite these being the most *common* ways of implementing IH, this study, and others (Drdla, 2010; Hickey et. al, 2014) have shown the variety of ways the policy can be implemented. Cities with slower markets and growth may implement the tool differently than large, growing cities, as will be discussed later in this paper. The flexibility of the tool allows it to respond to unique local needs, but also means implementation can be complicated. There are a number of key issues to consider in-depth before developing any kind of policy. These are outlined below and shown how connected they are in Figure 1.

Definitions:

Density Bonus and Zoning Variance

A **density bonus** is when developers are allowed to build greater densities than the zoning normally allows, often in exchange for providing or supporting a public good or amenity, such as affordable housing.

A **zoning variance** occurs when a developer is approved to adjust another aspect of the zoning code, such as a reduction in required parking spots.

Considerations for Inclusionary Policies

I. Mandatory or Voluntary

In a mandatory program, all residential developments of a certain size must include a certain percentage of affordable units. In mandatory programs, developers can be provided with cost-offsets to ensure the viability of projects. In a voluntary program, a range of incentives are offered to encourage the inclusion of affordable units (Gladki & Pomeroy, 2007; Mah, 2009; Thaden & Wang, 2017). There are also mandatory programs that apply only in specific areas, such as those requiring rezoning (e.g., former industrial lands, subdivisions), aiming to recapture the increase in land value that comes with rezoning, to achieve a social benefit (Calavita & Mallach, 2009).

II. Program Applicability

A minimum size of development to which the by-law applies, such as 10 units or more, must be set. Additionally, a municipality can decide if IH applies to rental or ownership projects, or both (Mah, 2009; Thaden & Wang, 2017). Some programs may also only apply in specific areas, such as publicly-owned lands or publicly-funded projects, or in specific neighbourhoods, capitalizing on where the housing market is strongest (Grounded Solutions Network, 2018; Thaden & Wang, 2017; Reyes, 2018).

III. Incentives and Cost-Offsets

Almost all programs offer developer incentives (voluntary) or cost-offsets (mandatory) to ensure the profitability and viability of development projects. Those most commonly offered include: density bonusing, zoning variances (e.g. reduction in required parking spots), reducing or waiving development fees, expediting permitting, direct subsidy, TIFs or tax abatement (Thaden & Wang, 2017). The incentives developed by a municipality are crucial to the success of the program and must work in the local market, not just in theory (Armstrong et. al, 2008). For example, if develop-

ment in a city is not building up to the allowed density currently, a density bonus will likely not attract or interest developers.

IV. Set-Aside Percentage & Applicability

The minimum percentage of housing required to be set aside for affordable units is key to the economics and feasibility of developments, in addition to how much affordable housing will actually be built. Typically, US programs have focused on including 6–20 percent of housing units as affordable (Thaden & Wang, 2017).

V. Alternatives to On-Site Construction

Some programs offer an option to pay a fee in-lieu of building units on-site, or allow for off-site development in cases where on-site development would not be ideal (due to low transit services, lack of space, etc.). Off-site development has challenges in securing additional land and facing neighbourhood resistance to affordable housing in their area (meanwhile another area is receiving new market-rate units). Setting in-lieu fees is a complicated process, but can offer more flexibility, and different fees can be set for different geographic areas or types of construction (Grounded Solutions Network, 2018). But, there are also criticisms of whether enough cash-in-lieu is ever collected to actually build affordable units, and cash-in-lieu may be perceived as a “loophole” (Grounded Solutions Network, 2018). When units are included on-site, many costs are already covered by the market-rate development, making affordable units more feasible. Alternatively, some cities (as Boulder, discussed below) find they can build more affordable housing, and for lower income households, using fees collected in lieu, by capitalizing on other funding sources or programs.

When an in-lieu fee is offered, many developers will opt to pay it, for ease and convenience — especially if the fee is less than the cost of including units. Setting in-lieu fees high enough to actually encourage building units, or at a rate

FIGURE 1 Interconnected Considerations for Inclusionary Housing



SOURCE: Rappaport, 2018, p.30

that can raise enough money to build units is an important and complicated process. When in-lieu fees are collected, they are often kept in an affordable housing trust fund and may only be as successful as a city's commitment to monitoring the fund and drawing on other financing or funding sources to develop affordable housing (Grounded Solutions Network, 2018).

VI. Affordability Definition & Term

A municipality must set its own goals and definitions of affordability to meet local need. Most programs set the affordability requirements in

order to produce housing that would be affordable to households earning a certain percentage of the area's median income (AMI) — targeting households earning anywhere from 50 percent to 120 percent AMI. Most IH programs produce housing for low- or moderate-income households, not extremely-low income. Cities often draw on The Department of Housing & Urban Development's (HUD) income definitions and area median incomes (AMI) for each city. According to HUD, low-income refers to households earning less than 80 percent AMI; Very low refers to those earning less than 50 percent

AMI; Extremely low refers to those earning less than 30 percent AMI (HUD, n.d.).

Setting terms for how long units stay affordable help ensure long-term affordability, or risk losing units as soon as they transition into market-rate. Most programs have set affordability terms somewhere between 30–99 years, or in perpetuity (Hickey et. al, 2014; Schwartz et.al, 2012; Thaden & Wang, 2017). As mentioned, Thaden & Wang (2017) found that the majority of US programs (90 percent) keep housing affordable for at least 30 years (p.44).

VII. Administration

Successful administration of a program is necessary to ensure the production and pricing of units, selection process for tenants/owners, resale, and financing. This administrative body could be a department of a municipality, arms-length entity (land trust or housing corporation), or independent organization. This body also helps for building trust and open communication with developers throughout the process. Administration is often an overlooked aspect of policy development, but crucial to success (Mah, 2009; Schwartz et. al, 2012).

Inclusionary Housing in Slower-Growth Cities

While IH has the benefit of producing mixed-income neighbourhoods whenever housing development occurs, it *relies* on the private market for creating units, therefore, is most successful in cities with strong growth and housing markets (Drdla, 2016; Tsenkova & Witwer, 2011). Additionally, development in stronger, and more expensive, housing markets can more easily bear the cost of providing affordable housing than those with tighter markets (Drdla, 2016; Tsenkova & Witwer, 2011).

Cities that have historically been able to deliver on the American dream of homeownership are now faced with the fact that, “for the first

time in memory — are unaffordable for ‘regular people’” (Hauswald, 2017, p.37). These cities are now exploring how IH might work for their local markets. Often, they are implementing IH policies in specific districts within the city, or with more subsidies than other cities provide (Reyes, 2018; Grounded Solutions Network, 2018).

Key to exploring the potential of IH in these slower growth cities has been to conduct a feasibility study. Cities, like Pittsburgh and Nashville, recently completed studies about where, and how, IH could be implemented without negatively affecting the local market (City of Pittsburgh Affordable Housing Task Force, 2016; Fraser, 2016). Nashville’s robust study explored various development scenarios (single-family up to 20-storey buildings for rental and ownership) and concluded that an IH policy would work better in rental rather than for-sale projects because the delta that would need to be filled by incentives was too great in most ownership projects. This recommendation concluded the economic incentive in rental projects “may actually be substantial enough to motivate developers even to voluntarily comply with an inclusionary zoning requirement” (Fraser, 2016, p. 10).

The Urban Land Institute recently released a paper on how IH can be successful in more moderate growth cities, “provided the city or county contributes the optimal levels and combinations of development incentives” (Williams, 2016, p. 19). A recent study in Detroit — infamous for lack of growth — explored different markets in the city to see what was feasible. Detroit ultimately adopted a policy that applied only on government-owned lands and government-funded projects, as even market-rate development in some of its strongest markets required public financial support (HR&A, et. al, 2016).

Criticisms of Inclusionary Housing

There are also criticisms of IH, mainly grounded in the question of who actually pays for the af-

fordable housing produced. There are concerns that the costs of providing affordable housing is paid by developers or passed on to those buying or renting the new, market-rate homes (Altus Clayton, 2008; Armstrong et. al, 2008; Calavita & Mallach, 2009; Wiener & Brandy, 2007). However, most of the literature is in agreement: in the long-term, most costs will be passed backward to the land sellers (Calavita & Mallach, 2009). This assertion is based on the fact that most developers already charge the highest price for housing that the market will bear, to adequately cover costs and maximize profits. When considering the costs of development for a project, either the price of the land will have to go down or profits go down. While some may reduce profits, most will seek a reduction in land prices (p. 17).

This is also tied to the idea of land value recapture; it is “widely argued that increases in land values do not generally result from the owner’s unaided efforts, but rather from public investments and government decisions” (Calavita & Mallach, 2009). Therefore, it is acknowledged that planning regulations and government intervention will always affect market development, whether positively or negatively, and IH is no different (Gladki & Pomeroy, 2007; Tsenkova & Witwer, 2011). Increases (or decreases) in land values can often be a result of many policy decisions, such as rezoning. For example, greenfield subdivisions or former industrial lands that are rezoned for residential development can instantly increase the potential revenue and value of land. Incorporating inclusionary policy into planning decisions means it can “become an instrument to recapture the land value increment associat-

ed with the government action of rezoning or land use changes” (Calavita & Mallach, 2009). Ultimately, a policy that will not have adverse effects on the market relies on the need to design a policy *properly* — to meet local need, and within the local housing market. It is crucial to design incentives or cost-offsets that will have a neutral — or even positive — impact on development (Calavita & Mallach, 2009).

In studies where IH has been correlated with a slight increase in home prices, the rise is modest and has been identified as more likely correlated with the design and effectiveness of cost offsets, rather than IH, in and of itself (Armstrong et. al, 2008). It has also been found that areas which experienced a small effect on the housing market were also areas known to have highly restrictive regulatory environments for housing production, and IH is only one policy that may have affected

Ultimately, “the most highly regarded empirical research suggests that inclusionary housing programs can produce affordable housing and do not lead to significant declines in overall housing production or to increases in market-rate prices” (Sturtevant, 2016, p.1).

prices (Schuetz et al., 2011). Ultimately, “the most highly regarded empirical research suggests that inclusionary housing programs can produce affordable housing and do not lead to significant declines in overall housing production or to increases in market-rate prices” (Sturtevant, 2016, p.1). The effect, and success, of a policy depends specifically on how the policy is designed for the local context and market (Sturtevant, 2016; Calavita & Mallach, 2009).

Findings From Other Cities

The literature explored above outlines the most common ways IH is implemented, in addition to the variety of ways to implement it. In this research, I also explored two IH policies in two different US municipalities in more depth: Boulder, CO and Baltimore, MD. Interviews with IH experts from across North America and local developers, then help contextualize learnings from these cities relative to the Winnipeg context. As previously mentioned, this research has only scratched the surface in exploring IH, and only spoke to those in the private development sector, not city staff, politicians, or affordable housing advocates.¹¹

As discussed, IH is most successfully and commonly used in high-growth areas, and finding a city of study more similar to Winnipeg, with a history of IH was difficult. Ultimately, I explored one city different from Winnipeg but with a long history of IH (Boulder), and another with a less successful experience, but more similar to Winnipeg (Baltimore). Both cities can be seen at different ends of the spectrum of IH — Boulder has had a successful policy, in a hot housing market, but provides no cost-offsets to developers. Baltimore has had an unsuccessful policy, in a city with a challenging housing market, with inten-

tions to fund the full cost of including units. Ultimately the overview of both cities, bring light to considerations of IH policy design, discussed in the previous section. Below, I briefly outline the policies used in these two cities and learnings from each.

Boulder

Boulder is a small city in Colorado, home to a University of Colorado campus with a large student population. The City of Boulder practices strict planning and development controls through an urban growth boundary, low density targets, and planning that maximizes open space (Boulder City Staff). While this has maintained Boulder's feeling of quaintness, it has also resulted in development pressures and rising home prices. Household incomes in Boulder have not kept up with rising rents and home prices, which now make it difficult for a growing number of low- and middle-income families to live there (City of Boulder, 2017a). So, while the context for development in Boulder might be more similar to a city like Vancouver, than Winnipeg, it provides lessons about the intricacies of how IH policies play out, and what to consider in design.

TABLE 1 Overview of Boulder and Baltimore Inclusionary Housing Policies

	Boulder	Baltimore
Mandatory or Voluntary	Mandatory	Mandatory, but the policy requires the City to fund the full cost of providing the affordable units. If the City does not have the funds, the project becomes exempt.
Incentives and cost-offsets	Does not provide cost-offsets or incentives to developers.	The City of Baltimore pays a cash subsidy to cover the full cost of providing the units.
Applicability of policy	Applies to all residential developments.	Applies to all residential projects of 30 or more units.
Percentage requirements	<ul style="list-style-type: none"> For projects 1–4 units in size: 20% required (may include one unit on-site or other options). For projects 5+units: 25% affordable required (20% geared to low/moderate income and 5% to middle-income households) (City of Boulder, 2018). 	<ul style="list-style-type: none"> Residential projects receiving any kind of public funds must include 20% affordable housing for ‘extremely low’ or ‘very low’ incomes; Projects requiring major rezoning must include 10% for ‘low’ incomes. All other projects must include 10% for ‘moderate’ incomes.
Definitions of affordability	Low/moderate income refers to those earning less than 80% AMI; Middle-income housing is geared to three tiers: those earning 81, 100% and 120% AMI (City of Boulder, 2017b).	<ul style="list-style-type: none"> ‘Extremely low’ income refers to those earning less than 30% AMI; ‘Very low’ refers to greater than 30%, less than 60% AMI; ‘Low’ refers to greater than 60%, less than 80% AMI; and ‘moderate’ income refers to greater than 80%, less than 120% AMI (Baltimore City Department of Legislative Reference, 2016, p.35).
Length of affordability term	Permanently affordable through a covenant on properties — ensuring ongoing rents and resale restrictions.	The legislation does not identify how long housing must remain affordable.
Alternatives to on-site construction	<ul style="list-style-type: none"> For-sale developments are required to comply by providing at least half of units on site, while the other half may be provided off-site, through land dedication, or cash-in-lieu (City of Boulder, 2018). If more housing is provided on site, negotiations to adjust the percentage requirements may occur (City of Boulder, 2018). Rental developments do not have an on-site requirement, and can comply through off-site development, cash-in-lieu or land dedication. 	None.
Other information	Affordable dwellings must be “comparable in quality, design, and general appearance to market units” and proportionate in the number of bedrooms to market-rate units” (Boulder, 2017b).	
Housing produced	Between 2000 and 2017, the policy produced or preserved over 2,000 affordable housing units (City of Boulder, 2017a).	Between 2007 and 2016, the policy created 37 units of affordable housing (CPHA, 2016).

FIGURE 2 New Mixed-Income Housing Development



FIGURE 3 New Housing Development



FIGURE 4 Mixed-Income Housing Near Transit



Boulder had a voluntary inclusionary program, introduced in 1980, that was rewritten in 1991, both of which produced very little housing. Developers found the voluntary policy “cumbersome” and when choosing “between embracing the unknown and sticking with the familiar, they chose to ‘play it safe’ and not take part” (Benson, 2010, p. 768). In 2000, as a result of advocacy and research from a citizens’ strategy group, City Council passed a mandatory IH ordinance, which has been very successful. Between 2000 and 2017, the policy only required 20 percent of new housing to be affordable, but saw 24 percent of all new housing created as affordable, resulting in the production, or preservation, of over 2,000 permanently affordable units (City of Boulder, 2017a). Part of the success of the policy is the extremely hot housing market, but Boulder also provides lessons about the importance of engaging the development community and designing policies to unique local context.

Boulder has had to reconsider various aspects of its policy over the years, as a result of market changes and other obstacles brought on by Colorado State, including legislation that prohibits rent control. Boulder has learned the importance of having a program that can adjust to local changes, as needed. Because the City cannot, legally, set affordability limits on private rental, almost all rental projects pay cash-in-lieu instead of actually building units (unless they partner with a non-profit). This challenge has actually worked to Boulder’s advantage, as they can leverage cash-in-lieu with federal programs, and partnerships with non-profits, to achieve more affordable housing. They have been able to leverage funds primarily through the Federal Low-Income Housing Tax Credit (LIHTC)¹² and “get about 50 percent more units through the cash-in-lieu than we would have gotten on-site” (Boulder City Staff).

Cash-in-lieu has also allowed the City to focus on additional affordable housing goals, be-

yond what would have been produced through the market and IH:

“not only does [IH] follow development, it mirrors development, right? So, if you’re trying to get housing for families, and a development community, like we are here, [are] only building studios and one-bedrooms...[then] inclusionary housing produces that...” (Boulder City Staff).

Because Boulder’s policy does not offer any incentives, they offer a wide array of options to comply with the ordinance. This has precipitated the need for open communication and trust between the City and developers:

“...you know what contributes to the success of an inclusionary housing ordinance? I think that the makeup of the staff is really important... they need to wear two hats, they need to wear a regulator hat which is really important to make sure that developers comply, but they also need to, kind of, have a dealmaker hat. And that usually can’t be the same person. And I think that that’s a really good check and balance is that there’s one person, sort of like you know, dotting the i’s and crossing the t’s and making sure that you know every dollar is collected that’s owed. But then, there kind of needs to be another person out there that is seeing what’s going on in the marketplace, is really friendly towards the developers, and ensures that those creative solutions get done” (Boulder Developer).

Finally, Boulder has recognized the need not only for political support, but public support for the policy. It aimed to have its affordable housing program supported through residential development, but also through a sales tax, as well as a commercial excise tax — to ensure all people in Boulder ‘buy-in’ to the program. They call this their “three-legged stool” to support affordable housing (Boulder City Staff).

Boulder’s experience highlights the need to tailor a program to the local context, and to lo-

cal developers through open communication. Finally, getting the public on board is crucial to their success in achieving ambitious affordable housing goals.

Baltimore

Baltimore has long been identified as a “haven for low-income households due to its low cost of living and median house cost” (Mazie, 2015, p. 20). Meanwhile, more than half (57 percent) of Baltimore’s renters live in housing they cannot afford (Garboden, 2016 p.1). For a long time, Baltimore had been a struggling and shrinking city, but in the early 2000s began seeing employment figures and average incomes rising, entering a mini-boom (Vey, 2012). This economic change was part of the push for the initial adoption of the IH ordinance in 2007, as one Baltimore-based professor notes:

“Baltimore has been kind of struggling to find it’s, you know, economic future and in the early 2000’s, leading up to the crash [in 2008], things were looking really promising and there was a lot of building going on. So, the thought was, if this city turns around, we will have ended up building a place where the people who were here the longest, and saw it through its darkest hours, would be displaced. So, it was kind of a way to look ahead and say that you know as we’re building these new communities let’s not build them as exclusive affluent enclaves, let’s provide space for people of low and moderate incomes so that we can have a variety of people.” (Baltimore Professor)

The IH policy, adopted in 2007, mandates including at least 10 percent affordable units in all new developments over 30 units in size, for extremely-low up to moderate-income households (see Table I above). The policy is different from almost all other inclusionary policies, as it states that the City of Baltimore will pay the full cost of providing the affordable units. The City

FIGURE 5 Baltimore: Typical Row Housing



FIGURE 6 Baltimore: Tents Set Up for Temporary Housing



FIGURE 7 Baltimore: Waterfront Development



uses IH as a way for publicly-subsidized housing to be included in new developments. The IH policy “is not intended to impose additional financial burdens on a developer or a residential project. Rather, the intent of this subtitle is that the cost offset and other incentives authorized under it will fully offset any financial impact...” (Baltimore City Department of Legislative Reference, 2016, p.37). Baltimore stakeholders indicated the bill was gutted at the last minute to add these clauses, and the original intent of the ordinance was removed. When the City of Baltimore is unable to pay for the units, the project becomes exempt from the policy, and the City “does not have sufficient funds to fund any IH at this time” (IHB, 2014). So, while technically a mandatory ordinance, Baltimore’s policy has only been applied to four projects since its adoption (IHB, 2014).

While intended to move Baltimore into better times, the ordinance is just not working, and has only resulted in 37 units over the last decade

(CPHA, 2016). In 2014, the board overseeing the policy released a report which indicated they are “very concerned about the inability of the Ordinance to provide an effective means to create more affordable housing” (IHB, 2014). Part of the challenge with Baltimore’s ordinance is the lack of political will and commitment to it. In 2016, as the City looked to re-examine the bill, but there was an additional lack of patience, or willingness, to consult with developers and advocates, including designing offsets that would work within the local context:

“And we kept saying, well there’s facts, and there’s experts, and there’s a guy from DC that we know, from ULI [Urban Land Institute], that can come help us and let’s really look at other cities and let’s try to understand our demographics, our market condition versus others. And I said I’ll bring a pro forma on a project so you can see where, how it works. There was no interest in that. It was just a

narrative of ‘developer bad and rich, poor people getting the shaft.’” (Baltimore Developer)

Now, all sides in Baltimore are pushing the City to fund a feasibility study to see if IH can be a relevant tool in Baltimore’s market. Part of this conversation includes discussing Baltimore’s housing needs and the best use of public funds to respond to that, as was raised by a Baltimore Developer:

“Would you rather take 10 townhouses and put new kitchens, and baths, and roofs on them, or would you rather have one person or two people

living down by the water [in new suites]?” (Baltimore Developer)

Given that Baltimore subsidizes IH through public funds, this quote exemplifies a concern about the best use of these scarce funds — is it to support a certain number of people to live in newer suites or maintain existing affordable housing in need of repairs? Overall, Baltimore has shown having a policy on the books is not enough, in and of itself. It illustrates the importance of political commitment, setting goals for a policy, ample time for consultation and research, and designing a policy for the local context.

Inclusionary Housing in Winnipeg

Thoughts from the Local Development Industry

Learnings from Baltimore and Boulder help highlight what has been found in the literature, outlining lessons about the importance of sound political processes, public support, and communication with the development industry. After exploring both cities' use of IH, I conducted interviews with people working in Winnipeg's private development industry, and IH consultants. Findings from local interviews are summarized below, while expert opinions helped inform these conversations, as well as considerations for Winnipeg, discussed in the following section.

It must be noted, again, that this research only connected with one local sector, the private development industry. From researching other cities, this was highlighted as an essential piece in designing a policy, and will be critical for Winnipeg moving forward. But, there are many other sectors that must be engaged, and who will offer other dimensions to consider. Most particularly, this will involve an understanding of affordable housing need — understood most intimately by those that live in, or are in need of, affordable housing, and those that work with them. It has also been identified previously the “only barrier

to inclusionary zoning in Winnipeg is political will” (Maes Nino & Ring, 2015, p.172). This certainly still exists as a barrier, and an understanding of the local political context is crucial.¹³

It is important, then, to frame these thoughts from the development industry in the context of the sector they represent. As the private sector is profit-driven, the presence of profit is crucial for the feasibility of projects, and in all cities where IH is explored, the development industry sees IH as an obstacle to this (Tsenkova & Witwer, 2011). This research illuminates perspectives from the local development sector that will be important to understand if, or when, a policy is pursued locally. As these concerns will likely present obstacles to the development of a policy in Winnipeg, understanding their perspectives can inform processes. It is ultimately, up to the City to consider a response to these perspectives and develop a policy that works locally to create affordable housing options to all Winnipeggers.

It has been interesting that in this small sample from Winnipeg's development industry, all discussed broad concerns for a potential program, beyond what the direct effect on their profit margins might be. These ranged from understanding the local market and housing need, to ensuring

a policy was in line with stated objectives and rationale. While some did speak against a mandatory policy, others simply spoke to the need for adequate research and consultation to explore if IH is the best policy to achieve whatever the City's objectives might be. A summary of some thoughts and concerns from Winnipeg's development industry are outlined below.

I. The Need for More Research

All those I spoke with from the development industry identified the need for more research in a number of areas before an IH policy is developed. All mentioned the concern that they did not currently know what the affordable housing need is in our city. Interviewees understood that IH is most successful at producing affordable housing for moderate incomes, but were unconvinced if this is a major need in Winnipeg, or if this population was sufficiently served by existing housing supply.

The need for affordable housing in Winnipeg is well reported on and 21 percent of Winnipeggers (64,065 households), reported living in unaffordable housing (Statistics Canada, 2017; Brandon & Silver 2015; Kotyk, 2018; Glowacki, 2017; Winnipeg Street Census, 2018). While interviewees may be unaware of this data, there is a lack of consistent knowledge as to what types of housing, and for which household types are needed in the city. The Housing Needs Assessment commissioned by the City of Winnipeg will hopefully provide this information and inform a potential IH policy.

Another concern from developers was around unintended consequences of IH, particularly in a slow-growth market like Winnipeg. A couple interviewees mentioned Winnipeg's housing market is sensitive to changes, and that there is a lack of understanding the impacts of government actions in the housing market. All were concerned an IH policy would increase market-rate home prices or decrease quality of those homes. This concern is often brought up

by development in other cities, despite research showing IH has little to no effect on market-rate house prices (Armstrong, et. al, 2008; Calavita & Mallach, 2009; Scheutz et. al, 2011). In Winnipeg, people pointed out these studies have been done in cities with stronger markets, not a market like Winnipeg's. There were a number of people who were concerned about not setting ourselves up for failure:

"So, we just need to be really careful that we're not actually shooting ourselves in the foot by creating affordable housing in one pocket or integrating it in one area, but overall across the city reducing general affordability for others, right? Just more look and appreciation of recognition of the economics at play. So maybe that's some of the other research that needs to be done, a sort of economic analysis of the housing market in relation to any proposed inclusionary zoning policy initiative. But I think other than that, it's great. I think it's a noble effort, I think it's something that's desperately needed in Winnipeg, and it needs to be done right." (Winnipeg Senior Development Staff).

Finally, some mentioned additional unknowns in Winnipeg, most particularly what the infrastructure capacity is in existing neighbourhoods, and therefore where development is actually possible. As many older neighbourhoods in Winnipeg are served by combined sewers, there is a lack of knowledge of how much increased capacity, or density, these neighbourhoods can accommodate:

"In many of the older neighbourhoods, it's not a question of, "Do I want these people in my neighbourhood or not?" It's a question of, the infrastructure is so old that adding 80 units and 200 people would cause the pipes to burst." (Winnipeg Industry Consultant).

This point illustrates larger considerations around infill development in Winnipeg — whether affordable housing is included or not. It has been identified that Winnipeg has not sufficiently in-

vested in infrastructure and further research is needed on where upgrades are necessary — and how to pay for them (City of Winnipeg, 2018b, p. 3; MNP, 2016; Hemson Consulting Ltd., 2016). Coordinating infrastructure upgrades with planning processes can help capitalize on public sector investments in these areas, and make an economic case for private development — with affordable housing potentially included.

II. Political & Public Support is Essential

All interviewees noted the need for broad public support for a policy. Having the development industry on board is just one piece, while residents, home-builders, financiers, as well as City Council, need to be consulted and educated to gain support. People emphasized it cannot be just the developer's responsibility:

“I think, when we're looking at getting people into home ownership, that is not a developer's responsibility, it's not a builder's responsibility, it's not the neighbours' responsibility, it's all of our responsibility. And so, to just say, “Well, we're going to force the developer to do x, y, z or the builder x, y, z, I think that's unfair, unjust and will never work.” (Winnipeg Industry Consultant)

This points to the need for the City of Winnipeg to take the lead on developing an affordable housing strategy that emphasizes how, and by whom, certain goals will be met. This strategy would outline specific policies, regulations, or incentives, and direct what role there is for developers — and others — to play.

Almost all mentioned that one of the major obstacles to development in existing neighbourhoods is NIMBY (Not-In-My-Back-Yard) resistance. Interviewees mentioned the need for public education to help dispel resistance, explore what's possible in these neighbourhoods, and ultimately, for political support:

“We're talking one of the NIMBY capitals of Canada here. From a development standpoint,

I don't think there is a concern as to which area [but] I would venture to guess that you'd have 15 Councillors that would disagree... And infill multi-family, if you raise in certain areas of the city that are established single-family neighbourhood and dare to come forward with the suggestion that, well let's just take three or four vacant lots, knock them down and build multi-family, I've not found a Councillor, yet, that agreed with that in their area.” (Winnipeg Industry Consultant)

Local resistance to infill development is clearly a barrier — with or without affordable housing — but proper processes that involve neighbours from the beginning can help with these challenges. It has been identified that engaging residents earlier in the process is one of the most important considerations for successful infill projects (City of Winnipeg, 2018b, p.3). Proper, and timely, consultation can assuage resistance to affordable housing projects and increase political support for approvals.

III. The Need for Adequate Incentives & A Predictable Development Process

While responding to a potential IH policy and possible incentives in the local context, all interviewees indicated the need for adequate incentives to make the policy work:

“Obviously, if it was a mandated thing that didn't have incentives attached to it, because land development and home building is obviously market driven, costs would have to be cut, or prices of market housing would have to go up to compensate for the provision of inclusionary zoning units.” (Winnipeg Senior Development Staff).

All interviewees mentioned our market is not as strong as other cities with IH, and so ensuring the economic feasibility through incentives or cost-offsets is crucial. Of the common types of cost-offsets offered in IH, all said density bo-

nuses and parking reductions would not work. Most developments are already not building to maximum allowed densities, and reductions in parking are often already granted. There was some interest from the development sector in waiving development fees (including the new impact fees, building permit fees, etc.), and expediting permits. But mentioned that, while expediting permits would be helpful, assurance on the timeline for approvals was more important. A more predictable, consistent, and transparent process was also highlighted as a major theme in a recent consultation on residential infill projects (City of Winnipeg, 2018b). Having a more predictable process, can save developers money — and potentially financing costs because of reduced risk — as indicated by development staff:

“Quite often, and the City’s getting more sophisticated, I shouldn’t say sophisticated, more complicated, in their design requirements for multi-family buildings in suburban neighbourhoods, so they don’t have any approved residential design guidelines, it’s kind of off-the-cuff, so they’ll say we don’t like this, we don’t like that. They’re piling more and more onto this and it’s like, well, if you’re making the building more expensive through these design considerations, how are we supposed to provide affordable housing, do you know what I mean?”
(Winnipeg Senior Development Staff)

Through cost savings from a more predictable development process, the case for including affordable housing is strengthened. A predictable development process must involve a careful balance with previously mentioned resident consultation. All of this necessitates a more nuanced examination of the current development process, challenges faced by developers, and the effect of projects on existing residents. This kind of analysis could inform changes to the development process that, at the same time, add inclusion requirements, potentially resulting in a positive, or at least net zero, effect on the costs of a project.

The importance of predictability & reliability within an IH policy, itself, was also emphasized:

“When you do your pro forma analysis, I’ve got to include inclusionary zoning or affordable housing units, I’ve got to do these [costs] for the sidewalk, the streets, the trees, this and that... So the nice thing is that it will be reliable and predictable, you know what those costs are, there’s no surprises, and that’s an important thing to developers too, is predictability, reliability and time.” (Winnipeg Senior Development Staff)

Existing literature has also supported that developers prefer “a planning regime which is characterized by certainty, or more correctly that they do not like a regime with uncertainty” (Gladki & Pomeroy, 2007, p.17). Balancing predictability, certainty, and a supportive public consultation process is necessary for a successful IH policy.

Finally, there was also the mention of the land dedication process, which requires new developments to dedicate 10 percent of land for parks and open spaces, or pay cash-in-lieu of land dedication. Some suggested exploring an adjustment of that policy to support other public purposes, such as affordable housing.

IV. Policy Application: Where to Include Affordable Housing

Perhaps unsurprisingly, all those I spoke with did not support an outright adoption of an IH policy across the city. But beyond that, there was some varying opinions of if, and how, an IH policy could work. Ultimately, no one was in favour of something without further research to support the need for it, and without consultation with development industry to explore how it might function.

Interviewees identified the importance of locating affordable housing near transit and services, and emphasized the benefit of integrating affordable housing, particularly where services are under-capacity:

“...in existing established areas that really could use some more people coming in, taking advantage of community centres, schools, all that good stuff, and breathe some life back into the areas. I think they would actually add vibrancy and when you talk to some of the residents they’d be like, ‘Holy smokes, it would be great to see more kids around, it would be great to see the corner grocery store thriving again.’” (Winnipeg Senior Development Staff)

Drawing, from consultation with experts, interviewees were asked about where a policy might be applied, and asked specifically about the potential to include affordable housing in new transit-oriented developments (TODs). The literature has identified the importance of incorporating affordable housing along rapid transit corridors, to counteract gentrification that has been found to follow “state-endorsed transit-oriented development” (Jones & Ley, 2016, p.10). As demand and land values are shown to increase as a result of mass transit investments, integrating affordable housing allows cities to achieve a public good, as a result of increasing land values (Dawkins & Moeckel, 2016; Jones & Ley, 2016). Experts, in this research, have similarly identified that connecting these two investments can support a more nuanced inclusionary policy that could work in slower-growth cities. In Winnipeg, with a commitment to six rapid transit corridors, and a stated goal of Transit Oriented Development (TOD) at station areas, there is a huge opportunity to pair transit goals with affordable housing production and capitalize on investments (City of Winnipeg, 2011b, p. 52).

Despite recognizing the importance of being near transit, some were concerned that Winnipeg’s market for TOD is just not there yet. Some noted that the small amount of TOD we have seen has not been as successful as predicted, given demand has not followed as was hoped. Further research into the potential of IH and affordable housing at TOD, locally, is needed.

Many identified the potential for including affordable housing in infill and multi-family developments, especially in neighbourhoods where there is market-demand. Despite the aforementioned challenge of a predictable approval process and neighbourhood resistance and consultation, infill development was identified as a good fit for a potential IH policy. A couple were concerned that greenfield suburban developments would be too complicated as there are many actors and builders who would all need to be able to capitalize on an incentive:

“Let’s say we create an incentive for the developer, well that’s really only a land incentive. Do we then have to incent the builder? And then do we have to incent all the builders’ suppliers, because only one part of making the unit affordable is the actual preparation of the land.” (Winnipeg Industry Consultant)

Many also commented that these new suburban areas are slower to implement services, particularly transit, making them not ideal locations. Additionally, some made note that many new neighbourhoods, currently under development, are denser than older subdivisions in Winnipeg. They pointed out that these multi-family options in new developments already increase housing choice, and thus varying levels of affordability. It should be noted, though, that while new areas offer more housing choice than some older suburban areas, these areas are also home to some of the highest rents in the city, and new construction will always yield higher home prices (CMHC, 2017b). While the market and City guidelines for multi-family are increasing housing options, the private market, alone, will not provide the affordability needed for many Winnipeggers.

Conclusion

Input from local developers emphasizes that a potential IH policy needs more research and consultation. Part of this involves an increased understanding of the housing market, need for

affordable housing by household type, and how to simplify development processes to help offset costs of including affordable units. Implementing a policy that can achieve identified goals without damaging the development industry was important to these stakeholders, as has been supported by IH literature. Whether the City of Winnipeg has the foresight to explore all these moving parts as part of a consideration for IH, or any affordable housing policy, has yet to be seen, but will be crucial to the success of any policy.

Key Considerations for Inclusionary Housing in Winnipeg

Based on the research on how other cities have worked with IH, consultations with IH experts, and input from the local development industry, a number of key considerations for Winnipeg have emerged and are outlined below. These take into account recommendations on implementing IH in slower growing cities, and specific considerations in the local Winnipeg context. Most are grounded in the need for additional research in key areas to inform a potential policy adoption.

I. Engage Stakeholders — Early, and Ongoing.

As identified in this research, engaging developers in the production, or exploration, of an IH policy is of utmost importance to a successful policy. Similarly, engaging affordable housing advocates is needed to better understand the current needs in terms of housing affordability. Finally, as suggested by local developers, public and political support, generally, will be crucial for any policy adoption to have community buy-in. This research has just scratched the surface in consulting local stakeholders, and this work must be continued. Additionally, this research did not consult affordable housing advocates, City staff, politicians, or other levels of government — all of whom will be key stakeholders in what a policy might look like in Winnipeg's context.¹⁴

Local developers have an intimate understanding of the development process, and while some may not be in favour of IH, they must be a part of the conversation, providing insight to why, or how, the program could, or could not, work in Winnipeg. This emerged as an important learning from both Baltimore and Boulder.

“So, I would say the opposition doesn't come from the developers unless they think it's not fair or they think that the program could be better or different. So, you really want to listen to them. And you want to develop the program, with their help, holding their hand... it will never work to develop a program and impose it on your development community.” (Boulder City Staff).

Affordable housing advocates are also pushing for the City to play a greater role in housing provision (Make Poverty History Manitoba, 2018). Finally, the City's Housing Policy should be up for review, being five years old, so the time is ripe for engagement. Consulting stakeholders in the development of a potential policy is especially important now, in Winnipeg, given the recently implemented impact fees and the lack of consultation with development in their implementation (Keele, 2016). Ongoing dialogue also warrants developers to come to the table, willing to share their expertise to inform a policy.

II. Conduct a Feasibility Study

Once the City, developers, and affordable housing consultants, are at the table, conducting a feasibility study can help address the question of whether IH is possible in the local market, where it might work, and what kind of incentives or offsets might be needed. This involves a quantitative economic study, but also qualitative engagement with developers:

“There are things that exist right now, in Winnipeg, that are barriers to development. Identifying those, is, kind of, identifying

potential cost offsetting measures, but it's also a way of providing quote unquote cost offsetting measures that don't actually cost a municipality anything, because it's like removing something that already exists." (Sasha Hauswald, Grounded Solutions Network).

Winnipeg developers similarly pointed to the need for more research, in addition to outlining a number of current challenges facing development in Winnipeg. Exploring in more detail what barriers and challenges exist to residential development in Winnipeg can help the City better understand development — with or without affordable housing.

Once a greater understanding of development is explored, an economic feasibility study can explore what affordable housing percentages, and at what level, might be feasible in the market. This includes responding to barriers to development and what offsets — if any — are needed to fill the gap. Conducting a feasibility study follows what many other mixed-market or slow growth cities like Detroit, Pittsburgh, and Nashville, recently conducted to inform their policies. The economic study would help inform, or design, a program that could work in Winnipeg and maintain a neutral, or even positive, impact on development (Calavita & Mallach, 2009; Sturtevant, 2016; Williams, 2016). This involves further examination of what types of affordable housing are needed and what is not currently being provided by the private market or other levels of government. Hopefully the City of Winnipeg's Housing Needs Assessment will provide this information.

III. Explore a Phased-In or Geographic Application

There is also the less-often mentioned benefit of Winnipeg's slower growth and the potential this offers to explore a phased-in inclusionary policy. Exploring an IH policy now, provides an opportunity to get ahead of growing unaffordability, as suggested by Detroit consultants:

"So, there is always that debate, where it's suggested that unnecessary regulations shouldn't be put in place because we [in Detroit] are not there yet, we are not at a point where we need to start passing policies like a much stronger market city might have. But I think the fact that we did it, is really important. I mean, if we can look at any other city and predict that if we don't have something like this in place, we will have to have something like it in place in five years, and so why not put it in place earlier and kind of try to test it out? (Detroit Community Development Professional).

A pilot or phased-in program, can test what works in the market, develop necessary administrative supports, and evaluate a made-in-Winnipeg policy. This could start with a low inclusion requirement, such as 5 percent, or apply only in certain geographic zones before moving to others. All of these aspects would need to be informed by the feasibility study.

Mixed markets cities, like Winnipeg, are exploring a geographic policy, applying only in specific zones:

"I think in a slow-growth community you may need to re-think [city-wide] and apply it to more areas specifically... for example, you could pick out government lands as a potential place where you could be applying inclusionary zoning. There's no reason why government, in selling surplus lands, cannot, and should not, require itself to provide affordable housing on those lands... [And] are there any transit proposals in the city regarding to higher-speed or fixed-rail or whatever transit proposals? If there are, they should be identifying around stations, you should be making sure that there is inclusionary programs in place so that there's affordable housing built around all the stations." (Richard Drdla, Affordable Housing & Inclusionary Zoning Consultant)

Drawing on this advice, local developers were asked about this potential. As discussed, in-

Affordability: Housing Plus Transportation

Integrating affordable housing near transit also corresponds with organizations, like The Center for Transit Oriented Development (CTOD) who are rethinking a definition of affordability that includes housing plus transportation costs, as transportation is often families' second highest expenditure. The average American family spends 32% of their budget on housing, while they spend 19% on transportation (CTOD, 2009). And for every dollar saved on housing in 2005, the average American family spent an extra 77 cents on transportation (CTOD, 2009, p.5). In Canada, it is estimated that a two-car family could save approximately \$10,000 a year if they could down-size to one vehicle (Burda et. al, 2016, p.9).

Integrating affordable housing in TOD is often touted as a logical step to connect housing and transit, while also building in ridership for new transit investments. A couple local stakeholders were concerned if market demand for TOD was strong enough in Winnipeg, so this needs to be explored locally.

There may also be other areas where demand is stronger, and where inclusionary requirements can be applied:

“The other thing that I would say about mixed-markets is that it’s pretty common to start off with a policy that only applies to the hotter-market part of town, so that would be a consideration, is to just do an inclusionary housing overlay-zone, or geographically-defined boundary that is just applicable to the hot market... It’s challenging because drawing those boundaries is an inherently sloppy process...”
(Sasha Hauswald, Grounded Solutions Network).

Again, the economic feasibility study can explore where there is market demand and the economics of including affordable housing in these projects.

Finally, government-owned lands or funded projects, such as those receiving tax increment financing (TIF), could easily include an affordability requirement. This is similar to what was done in the Downtown Rental TIF Program which required 10 percent affordable housing for five years (City of Winnipeg, 2014). Exploring an expansion of this program outside the Downtown

could be explored. Ultimately, ensuring the affordability definitions meet local need, and extending the requirement beyond the current five years, should also be considered:

“[If] the affordability requirements are far too short, it’s a waste of time. You’re not going to get the units for any reasonable period of time.” (Richard Drdla, Affordable Housing & Inclusionary Zoning Consultant).

With the City developing the Market Lands — a large development in a desirable Downtown location which must remain public — there is the potential to pilot a large inclusion project that could showcase what success might look like (Centre Venture, 2018).

A feasibility study can explore different areas, but ensuring there is adequate data and rationale for a geographic application will be necessary for gaining public support, as well as support from developers. Finally, exploring inclusion requirements in areas where housing is actually being produced is obviously necessary if the policy will actually produce any affordable units.

IV. Implement a Wider Municipal Housing Strategy

Having the political will to explore, and potentially develop, an IH policy will always just be one piece of a municipal response to housing. An IH policy is not the be all, end all, and may not be the best — or only — tool to respond to need. This was brought up by almost all inter-

viewees in Baltimore and Boulder, as well as expert consultants:

“Well the benefits are its another tool in the toolkit to create affordable housing. I think some of the obvious drawbacks are it really is just that — it’s one tool in the larger set of things that should be used to deal with the fact the private housing market is not going to create affordable housing for everyone...” (Baltimore Housing Specialist).

Many cities introducing IH policies are also exploring Affordable Housing Trust Funds, Community Land Trusts, and partnerships with other levels of government to deliver on need. In Winnipeg, there is the potential to

expand partnerships with Manitoba Housing (and new funding through the National Housing Strategy), Winnipeg Housing and Renewal Corporation, or expanding the TIF program, all in coordinated effort to respond to affordable housing need. A committed housing strategy would outline what the City’s goals are when it comes to housing, look at all existing programs, and tools within municipal jurisdiction that can respond to them. The City’s current Housing Needs Assessment will hopefully identify needs and help guide policy responses. Ensuring a coordinated effort, that all stakeholders in housing, and the larger community, buy-into is necessary for success.

Conclusion

This research has explored the potential for IH in Winnipeg, by examining existing literature, how the policy is used elsewhere, and through consultations with experts and local housing development stakeholders. Further research in a number of key areas is needed to understand how IH could work in Winnipeg. A feasibility study is needed to look at IH in targeted areas or city-wide. Such a study would test the inclusion of mandated affordable housing in different zones with TOD, potential for reducing core housing need, and effect on development.

A preliminary look at the literature and local context shows there is potential for IH in some capacity in Winnipeg — whether it is in certain zones or on government-owned lands or projects with public funding, presenting a phased-in approach to the policy. IH can be complimented with other municipal incentives to deliver on needed affordable and social housing in Winnipeg.

This research has also pointed to the need for consultation with housing stakeholders and the economic study, in relation to the Housing

Needs Assessment, to inform a policy tailored to the local Winnipeg context. These efforts would increase an understanding of development and the housing market in Winnipeg currently, having a positive effect on the whole city, beyond considerations for an affordable housing policy. Further research is also needed to understand Winnipeg's housing needs, the infrastructure capacity in the city, and current barriers to the residential development process.

Finally, there are programs right here in Winnipeg, such as the Downtown TIF program, that can inform a wider municipal response to housing, drawing from the experience of an incentive-based approach. Ongoing partnerships between the City of Winnipeg, the development industry, the Province, affordable housing advocates, and non-profits, can inform a municipal housing strategy that supports the creation of new affordable and social housing. All of this necessitates political will and commitment to ensuring our Winnipeg remains livable, desirable, and affordable into the future.

Appendix I: List of Interviewees

Baltimore Developer	Community Development Professional (Detroit)
Baltimore Housing Specialist	Sasha Hauswald, Director of State & Local Policy, Grounded Solutions Network
Baltimore Professor	Richard Drdla, Affordable Housing & Inclusionary Zoning Consultant
Baltimore Community Engagement Officer	Winnipeg Planner
Boulder City Staff	Winnipeg Industry Consultant
Boulder Developer	Winnipeg Developer
Boulder Non-profit Developer	Winnipeg Senior Development Staff
Boulder Housing Researchers (group interview)	

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Endnotes

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- 9** For further considerations on the policy from these perspectives, see my Master's in City Planning Thesis from the University of Manitoba (Rappaport, 2018). This project engaged housing advocates, city planners, politicians, and staff, to further contextualize considerations for inclusionary housing in Winnipeg. Findings are generally congruent to this research but highlight further concerns and considerations from differing perspectives.
- 10** Assuming purchase price of \$286,408, with \$15,000 down-payment, and 25-year amortization at 5% interest.
- 11** See Rappaport (2018) for expanded considerations from local politicians, planners, and housing advocates on IH.
- 12** LIHTC offers tax incentives to private developers to create affordable housing in the U.S. To receive credits, developers, generally, must include 20 percent of units to households earning less than 50 percent area median income (AMI), or 40 percent of units for those earning 60% AMI (NHLP, 2017).

¹³ My thesis explored some additional considerations around IH (Rappaport, 2018). These findings show the concept of incrementalism will inform Winnipeg’s implementation of the policy, drawing on how other slower-growth cities implement the tool and considering Winnipeg’s political environment. Additionally, this research outlined the importance of housing created through a policy actually meets local needs, including a potential redefinition of

what “affordable” means, and that housing created would be kept affordable for a reasonable amount of time—at least 20 years (Rappaport, 2018). Finally, an evaluation of Winnipeg’s use of Tax Increment Financing (TIF) is needed, as it was identified as a potential incentive for a local IH policy.

¹⁴ See Rappaport (2018) for additional considerations from these stakeholders.



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