

Housing

Housing, and the need for affordable housing in cities and towns across Canada, has finally caught the attention of politicians. After a quarter century of urging from housing advocates, there is finally some meaningful housing policy and funding action. The federal government released a National Housing Strategy, guaranteeing its leadership in housing for the next decade. Significantly, in order for provincial and municipal government to access the funds, they will have to partner with the federal government.

Unlike some cities, Winnipeg has no direct role in managing or developing social housing, but that does not mean it has no responsibility when it comes to housing. The city has authority over planning and land use and therefore a number of tools at its disposal to encourage, incent, or even require the development of affordable housing.

Most of the city's recent affordable housing activity has been through an annual investment ranging between \$1M and \$1.9M in the Housing Rehabilitation Investment Reserve (HRIR).¹ This funds some housing activities, primarily the housing improvement programs, of some of the community-based Neighbourhood Renewal Corporations located in inner-city neighbourhoods. But the HRIR's size, scope, and purpose is not adequate to address other community priorities and needs, such as providing access to tenant supports. The administrative costs of these programs have been low, and the improvements to inner-city neighbourhoods include increased housing values and significant reductions in vacant and boarded properties.

The city has also used Tax Increment Financing (TIF) in the downtown to support some residential rental projects, a portion of which includes some affordable housing, with developers provided an up-front grant equal to the increased property taxes to that flow from the heightened value of the property. Currently, the city is looking at expanding the TIF program outside of

downtown. These are important initiatives, but the city has access to many more tools to help lower the cost and speed of developing affordable and social housing options.

Currently, a large portion of Winnipeg's capital budget supports regional infrastructure for new developments, effectively subsidizing the development of new, market-priced homes. The city has an ability — which it has generally chosen not to employ — to make those capital investments conditional on developers including other types of housing in new communities. There is provincial legislation that allows for inclusionary zoning, giving the city powers to regulate development or raise money for affordable housing.

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In 2013, Winnipeg developed a renewed housing policy, and a housing policy implementation plan was finalized in 2014.² Over the past three years, however, progress on implementation has been extremely slow, with no new resources dedicated towards implementing the policy. Winnipeg had to hire an external consultant to undertake a housing needs assessment, one that will take 18 months to complete, because it does not have the internal resources to analyze data and housing markets. This needs assessment will be a useful document, but the city needs staff who can analyze trends, implement policy and programs, measure their success, and make continuous improvements if we are to take advantage of the funding for housing soon to be released.

While more capacity to do research on policy options and results is necessary, the need for affordable and social housing in Winnipeg is clear. Across Winnipeg, almost 30 per cent of all rent-

ers are in core housing need, meaning they live in inadequate, unsuitable housing and/or spend more than 30 per cent of their income on housing.³ Just over 8 per cent of Winnipeggers live in homes in need of major repairs; for Indigenous Winnipeggers it is over 15 per cent.⁴

Most cities across Canada have recognized that leaving the housing market solely to developers and real estate investors has not met the housing needs of their populations, and the resulting gaps negatively impact on multiple aspects of a city's development. As examples of cities recognizing the importance of housing on urban dynamics, The City of Edmonton has a department of Housing and Economic Sustainability and cities like Regina, Vancouver, and Toronto have Mayoral-led task forces on housing. Though Winnipeg's Mayor and Council have endorsed the 10-Year Plan to End Homelessness, they have shown little support for the provision of city resources to create the affordable and social housing needed to achieve that plan.

As discussed in "Winnipeg Without Poverty: Calling on the City to Lead",⁵ 2018 are many things a city can do outside its budget to facilitate housing development and maintain existing affordable housing. Options include land donations, regulatory measures, and capacity building with community agencies. Budgets, however, are an indicator of a city's tangible commitment. As can be seen in Winnipeg's 2018 budget, at this historic time with significant federal resources on the table, our city has chosen to reduce its capacity to engage in partnership and facilitation of affordable housing development over time.

Current Housing Funding Compared with Alternative Budget Housing Funding **Housing Renewal and Development**

Current: \$1.929m in Housing Rehabilitation Investment Reserve Funding (HRIR). This was reduced by 51.7% in 2014,⁶ apparently due to reductions in debt charges, but also because a

number of housing grant programs ended. It was increased in 2016, but is still below 2013 levels. The Housing Rehabilitation Investment Reserve funds Neighbourhood Renewal Corporations to administer housing improvement grants (exterior fix-up grants, minimum home repair funds) in 5 inner city neighbourhoods, and supports a small amount of affordable housing development in these communities.

Alternative Budget: We propose that this fund be increased by \$5.5m, for a total of \$7.249m. Of this increase, \$1m should come from an inclusionary zoning opt-out fee, discussed below.

New Expenditure:

- Increase HRIR Fund: \$5.5M

Winnipeg's housing renewal initiatives, with neighbourhood-based housing coordination and renovation grants in targeted areas, is arguably the most successful of its existing housing initiatives. The administrative costs of these programs have been low, and the improvements to inner city neighbourhoods are evident. These include increased housing values and significant reductions in vacant and boarded properties. They have also improved a number of affordable properties, including rental properties that would otherwise have been torn down or sold because the costs to maintain them were prohibitive.

Support of the housing renewal initiatives has not, however, been as great as was anticipated by community organizations. The first Neighbourhood Housing Plans, most of them developed about 10 years ago, planned for new developments and programs which would have required increases to funding over time. This funding was never provided, and many of the larger initiatives, especially affordable housing developments, could not be realized. Funding for neighbourhood renewal should continue and be increased, as inner-city communities have shown major improvements through minor investments.

The recommended HRIR will include:

- \$3.5M to be dedicated to housing improvement in inner city neighbourhoods, including rooming houses, affordable rental properties, and homes owned by low income residents. This funding should continue to be administered by Neighbourhood Renewal Corporations, who know the neighbourhoods best and have an ability to ensure funding goes to the priorities of residents. A portion of these funds (\$1.5m) should target energy efficiency, as low income Winnipeggers in older homes will suffer from increased Manitoba Hydro rates.
- \$3.749M to be dedicated to new affordable and social housing development. Financial incentives for affordable housing developments are a critical form of support provided by a majority of cities in Canada. The City of Winnipeg should increase the amount it currently provides to housing development, and make it contingent on the housing filling an identified affordable housing gap. Provided as a \$40,000 per unit grant aligned with any new provincial and federal grant, this would support about 100 units of affordable housing in Winnipeg in the first year.

Facilitation and Leadership

Current: \$180,000 operational funding for the Winnipeg Housing and Rehabilitation Corporation. This was reduced by 11% in 2013 and has remained at that level.

Alternative Budget: We propose an increase of funding to the Winnipeg Housing and Rehabilitation Corporation of \$320,000 for a total budget of \$500,000.

New Expenditure:

- Increase funding for WHRC: \$320,000

The city needs to bring all of its potential tools to bear on leveraging housing investments to

the greatest extent possible. This includes direct funding, through mechanisms like the HRIR, as well as planning and regulatory tools. The city should also ensure policies are in place to support the use of regulatory tools that reduce the cost of development, through waiving development fees or requirements, or accelerating the development approval process. These can increase the viability of affordable and social housing developments.

The city needs an entity with the capacity to ensure non-profit housing developers can access these and other regulatory tools to increase the number of affordable and social housing units built in Winnipeg. An Affordable Housing Development Corporation, with a mandate from city council to develop, or support the development, of affordable housing throughout the city could make substantial progress on reducing Winnipeg's affordable housing crisis. It would be possible to do this through the already established Winnipeg Housing Rehabilitation Corporation (WHRC), if provided with increased resources and a mandate to bring multiple levels of government together to initiate and coordinate the funding of new affordable and social housing. We are suggesting an increase of existing operating funding, to \$500,000 per year. This would allow the WHRC to develop a comprehensive affordable housing plan and provide the financial resources to implement it.

New Expenditure:

- Increase of operating funding for affordable housing development: \$500,000

Increase Options to Fund Housing Activities

In order to support affordable housing development at the scale required to improve the housing situation, more funds are required. Inclusionary zoning is an under-utilized tool that municipalities in Manitoba have to increase affordable

housing. This would require that a portion of all new development include affordable housing, ideally defined to align with the federal definition of ‘affordable’ — 80% of median market. While inclusionary zoning in other jurisdictions has been most effective at increasing the amount of affordable home ownership in new, large scale developments, it can also be used to raise funds that are distributed to non-profit housing developers. In the hands of non-profits, the funding can then be used to fill specific housing gaps, such as supportive and rent-geared-to-income rental housing.

With an inclusionary zoning policy, ideally developers must build affordable housing themselves so that the affordable units are included across all communities and do not appear different from the market units. With a 10% affordable housing requirement, based on 2017’s residential building permits (approximately 5,000 new units), Winnipeggers would benefit from about 500 new affordable homes each year.

For developments under 10 units, or in areas that are proven to be inappropriate for affordable housing, however, an opt-out fee could be charged. Residential building permits for developments under 10 units in 2017 were valued at about \$25.9m. It should be noted that there were more residential permits than usual in 2017 due to developers trying to get approvals ahead of the new Impact Fee, but also that residential permits tend to undervalue the properties being developed. With these assumptions in place, a 3.5% opt-out fee would bring in approximately \$1m in additional revenue.

It should be noted that there are risks associated with permitting an opt-out fee, as developers may prefer a simpler fee option, in which case the revenue raised through the fee may not compensate for the loss of potential affordable units. Should the City of Winnipeg implement inclusionary zoning, an opt-out fee should be applied conservatively and with caution.

New Revenue:

- Inclusionary zoning opt-out fee: \$1M

There are other changes to the housing market through technological innovations that may lead to additional revenue to off-set their negative impact on the housing market. With the advent of “home sharing” through sites such as Airbnb and Vacation Rentals by Owner, those who own property can avoid both residential tenancy laws and accommodation taxes/regulations. In addition to unfair tax avoidance, a number of cities have become increasingly concerned with the impact of short term rentals on the housing market. With an already limited supply of affordable rental properties, the city should study options for regulating and taxing short-term rentals, focusing on protecting tenants and affordable housing. Such a study would be conducted by city employees internally, but will have some minor additional costs for consultations and research. Therefore, we propose a \$30,000 budget increase for the short term accommodation review.

New Expenditure:

- Review of short-term accommodation: \$30,000

Conclusion

For the first time in a generation, there is political will at the national level to address Canada’s housing crisis. Without matching will at a municipal level, and the resources dedicated to be a decision-maker in implementing the housing strategy, Winnipeg will miss this opportunity. With small increases to the budget, and the will to implement strong policies, Winnipeg can demonstrate its commitment to creating complete communities where all residents can afford a home.

Total New Expenditures:

- Housing Rehabilitation and Investment Reserve: \$5.5M

- Winnipeg Housing and Renewal Corporation funding to implement affordable housing strategy: \$320,000
 - Increase of operating funding for affordable housing development: \$500,000
 - Short term accommodation tax and regulation review: \$ 30,000
- Total: **\$6.35M**
- Total New Revenue:***
- Inclusionary zoning opt-out fee: \$1M
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¹ http://www.winnipeg.ca/finance/files/2018PreliminaryBudget_Volume2.pdf Page 48.

² City of Winnipeg (2013). Housing policy. http://www.winnipeg.ca/ppd/pdf_files/housing_policy.pdf
 The implementation plan: City of Winnipeg (2014). Housing policy implementation plan. http://www.winnipeg.ca/ppd/pdf_files/HousingPolicyImplementationPlan.pdf

³ Canada Mortgage and Housing Corporation, 2011. Canadian housing observer: Characteristics of households in core housing need. Retrieved from: <https://www.cmhc-schl.gc.ca/en/hoficlincl/homain/stda/data/upload/Characteristics-of-Households-in-Core-Housing-Need-Winnipeg-2001-2006-2011.xls>

⁴ Statistics Canada, 2011. Target group profile of the Aboriginal identity population, National Household Survey.

⁵ <https://www.policyalternatives.ca/publications/reports/winnipeg-without-poverty>

⁶ http://www.winnipeg.ca/finance/files/2018PreliminaryBudget_Volume2.pdf Page 48.