

HOME FOR WHOM?
A SOCIO-POLITICAL EXAMINATION OF MONTREAL'S BYLAW FOR A DIVERSE
METROPOLIS

Andrew Faber

Submitted in partial fulfillment of the degree
Master of Urban Planning

Supervised by Professor Nik Luka

School of Urban Planning
McGill University

(August 2021)

ABSTRACT AND RÉSUMÉ

Montreal has long been lauded for its relative housing affordability among major Canadian cities, but this has been steadily changing over the last several years. Average rent is accelerating at a rapid rate, vacancy rates are low, and homeownership is also becoming increasingly difficult. These factors are contributing to an erosion of Montreal's historically resilient and robust housing market. In an attempt to fill the unmet housing need and preserve the city's social mixity, Montreal's city council has introduced an inclusionary zoning bylaw (Bylaw for a Diverse Metropolis) which mandates minimum thresholds for social, affordable and family housing within new residential construction projects larger than 450 m². While having been met with some excitement, this bylaw has also given rise to numerous critiques about its effectiveness and pertinence. This paper therefore examines the extent to which the bylaw might achieve equitable outcomes for housing affordability and the extent to which municipalities can successfully use market-based interventions to maintain housing affordability in increasingly expensive real estate markets. Using primary source research interviews and an online survey, this paper finds that while the bylaw will have some positive impacts in terms of generating equity, the bylaw's rootedness in the market prevents the City from fully addressing the deeper factors of financialization that contribute to housing unaffordability. To this end the paper will argue that municipalities can only intervene successfully in 'hot' housing markets insofar as they acknowledge the existence of, and work around, the profit-driven financial attitude that pervades housing production today.

On a souvent été impressionné par l'abordabilité du logement à Montréal par rapport à d'autres grandes villes canadiennes, mais cela est en train de changer depuis les dernières années. Le loyer moyen s'accélère à un rythme rapide, les taux d'inoccupation sont faibles et l'accès à la propriété devient également de plus en plus difficile. Ces facteurs contribuent à une érosion du marché immobilier montréalais qui est historiquement résilient et robuste. Dans le but de combler les besoins de logements non comblés et de préserver la mixité sociale de la ville, le conseil municipal de Montréal a mis en place un règlement de zonage inclusif (Règlement pour une métropole mixte) qui impose des seuils minimaux pour les logements sociaux, abordables et familiaux dans les nouveaux projets de construction résidentielle de plus de 450 m². Bien qu'il a suscité un certain engouement, ce règlement a également suscité de nombreuses critiques quant à son efficacité et sa pertinence. Cette dissertation examine donc dans quelle mesure le règlement municipal pourrait atteindre des résultats équitables en matière d'abordabilité du logement et dans quelle mesure les municipalités peuvent utiliser avec succès des interventions sur le marché pour maintenir l'abordabilité du logement sur des marchés immobiliers de plus en plus chers. À l'aide d'entrevues de recherche et d'un sondage en ligne, cette dissertation constate que, même si le règlement aura des effets positifs en termes de création d'équité, le fait qu'il s'appuie sur les forces du marché empêche la Ville de s'attaquer pleinement aux facteurs plus profonds de la financiarisation qui contribuent à l'inabordabilité du logement. À cette fin, la dissertation soutiendra que les municipalités ne peuvent intervenir avec succès sur les marchés du logement « chauds » que dans la mesure où elles reconnaissent l'existence et contournent l'attitude financière axée sur le profit qui imprègne actuellement la production de logements.

ACKNOWLEDGEMENTS

This project has proven to be a profoundly formative endeavour for me, and I could not have completed it without the support of my supervisor, Professor Nik Luka. Nik, I very much appreciate how involved you have been in my learning process over the last two years. You have empowered me to delve into my own ideas, you have intellectually stimulated me by teaching me new concepts when I needed them, and you have enhanced my graduate school experience by providing me with engaging extracurricular opportunities to help complement my research. I look back fondly on our conversations and shared experiences, and I am incredibly grateful that I had you looking out for my best interests.

I am also thankful to the rest of the faculty at the School of Urban Planning. The School's approach struck an excellent balance between theory and practice, which made for a truly rewarding educational experience. In particular, I would like to highlight Professor Richard Shearmur's real estate and planning course for unlocking my interest in housing and finance, as well as Professor Anna Kramer's course on Rethinking Zoning for inspiring me to discover the intricacies of community-based housing. I would also like to thank Professor Madhav Badami for his unrivaled wisdom on policy implementation and his extremely kind words of support.

On that note, I would be remiss not to acknowledge the School's incredible administrators, Gladys Chan and Paula Domingues. The work you do is all too often overlooked, but it is absolutely indispensable. You have made our experience at the School seamless, and you have brightened up our hallways with a ray of sunshine. Thank you for all that you do.

I would also like to thank all of those who participated in my research interviews and survey. I know that each of you are busy and that your time is valuable, so the fact that you volunteered your energy for my project is highly appreciated. Your insights taught me a great deal, and this project would not have been possible without you.

Finally, I would like to acknowledge my colleagues, my close friends and my family. You have each been instrumental in this process. Whether it was by letting me bounce ideas off you, proofreading my work, or simply providing me the love and support needed to complete a master's degree, I cannot overstate how much you mean to me. This project, and indeed my entire graduate school experience, is better for having had you involved. Thank you for everything.

TABLE OF CONTENTS

Chapter 1: A Changing Landscape	1
Introduction	1
Methodology, Evaluation Framework and Structure	3
Chapter 2: How do you Make a Lever?	7
A Matter of Supply and Demand?	8
The Shortfalls of Market-Based Solutions	10
Is This Even a Planning Issue?	13
Situating Inclusionary Zoning: Where to Place the Fulcrum?	14
Chapter 3: Montreal’s History and the Bylaw for a Diverse Metropolis	17
Preserving an Identity	17
The Inclusionary Housing Strategy (2005-2021)	19
The Bylaw for a Diverse Metropolis (April 2021 – Present)	20
Chapter 4: Findings	25
It’s the Thought That Counts?	25
More Bang for the Buck	28
The Problem With Affordability	30
Digging Deeper: The Mechanics of Social Housing	32
Chapter 5: Analysis and Conclusions	34
Equity Analysis	34
The Financialization of Housing	35
Toward De-financialization	37
List of Interviewees	39
Bibliography	40

LIST OF FIGURES

Figure 1: Equity-focused evaluative framework template	5
Figure 2: The territories on which the Bylaw for a Diverse Metropolis will be applied, and the sectors of application, as defined by the City	22
Figure 3: The amount of compensation received by developers for transferring social housing units and/or land to the City, by metre squared	22
Figure 4: The amount of compensation owed by developers if choosing to fulfill its obligations through cash compensation, by metre squared	22
Figure 5: Equity-focused evaluation	34

CHAPTER 1: A CHANGING LANDSCAPE

Introduction

Montreal has long been lauded for its relative housing affordability among major Canadian cities. Thanks in part to community mobilization, the province of Quebec's long history of tenant protections and multiple non-profit housing options, Montrealers have experienced much more reasonable housing prices relative to other major urban centres in Canada. Even in today's hot real estate market, where average rent in Vancouver and Toronto grew to over \$1,500 per month in 2020, Montreal saw an average monthly rent of just under \$900 (Canada Mortgage and Housing Corporation, 2021). Similarly, while average home prices in Vancouver and Toronto have ballooned to over \$1 million, Montreal has maintained an average sold price of just under \$515,000 (Wowa, 2021). On the surface then, it seems that Montrealers have not been too badly affected by the ongoing housing affordability crisis. This, however, is not the full story. For one, the city saw its average rent increase by 4.2% in 2020, its highest increase since 2003 (Canada Mortgage and Housing Corporation, 2021). Furthermore, Montreal's rental market is quite tight, with the vacancy rate at just 2.7% (ibid). While still rather low, this rate actually represents an increase from pre-COVID-19 times, when the city was experiencing a 15-year low of 1.5% vacancy (D'Amours, 2020)¹. On the ownership side, average Montreal homeowners spend 44.6% of their income on homeownership costs (Hogue, 2021). Although this is markedly lower than levels seen in Vancouver and Toronto, the percentage nonetheless represents an increase from historical Montreal rates and is well over the recognized 30% stress threshold. Housing in Montreal therefore presents some disconcerting trends, especially for a jurisdiction which has been a stronghold of attainable housing for so long. Gone are the days when two-bedroom apartments in artsy neighbourhoods could be had easily for only \$500 per month.

The reasons for growing unaffordability are numerous: increased financialization of housing (August, 2020; Aalbers, 2016, August & Walks, 2018), a market catch-up effect (Gaudreau & Johnson, 2018), renovictions (Mancini & Common, 2019; Gaudreau & Johnson, 2019), high prevalence of short-term rental units (Barron et al., 2020; Wachsmuth & Weisler, 2018), and a lack of new social housing are but a few factors. Irrespective of the reasons, there

¹ The pandemic led to a sharp decrease in the amount of international migration in Montreal, as well as a decrease in the number of students in the city. Given that these demographics normally constitute a significant segment of Montreal's rental market, the vacancy rate rose with their departure. It can be expected, however, that the vacancy rate might soon fall as pandemic-related travel restrictions begin to ease and in-person university classes resume.

exists a fear that the changes to the housing market will undermine the city's social mixity. The concern is that the city will become unattainable to lower- and even middle-income households, thereby driving these demographics away and hollowing out the city. Given that there is already a trend of families moving off-island, a loss of lower- and medium-income households would further reduce Montreal's heterogeneity and erode one of the principal qualities that makes Montreal so resilient and robust.

In an attempt to fill the unmet housing need and preserve the city's social mixity, Montreal's city council has introduced an inclusionary zoning bylaw which mandates minimum thresholds for social, affordable and family housing within new residential construction projects larger than 450 m². The Bylaw for a Diverse Metropolis came into force in April 2021, and is supposed to "maintain diversified neighbourhoods and ensure a balanced residential supply" (Ville de Montréal, 2020). The hope is that, by mandating these three specific types of housing in all future residential developments, the private sector will produce dwellings that are more well-suited to Montreal's diverse population, thereby preserving economic and social mixity within the city. Like in other jurisdictions that have introduced inclusionary zoning, however, there are some fears that this bylaw may not have the intended impacts. For example, some actors in the development community have suggested that this bylaw could increase development costs and thus drive investment away from the city. There are others who maintain that, while the principles of the bylaw are sound, its execution is lacking and ineffective. There are also some people who contend that this bylaw does not do enough to address the root causes of housing inaccessibility. While the validity of the above criticisms will be examined in subsequent sections of this paper, their very existence highlights the difficulty municipal administrations face when intervening in a housing crisis. There are multiple market, political and ideological forces at play whose satisfaction requires a delicate balance.

While it is still too early to determine quantitatively whether the bylaw has struck that balance, the bylaw nonetheless warrants examination from socio-political, equity and financial frameworks. As much as the bylaw may create impacts on housing affordability, this piece of legislation also reflects larger societal debates about wealth redistribution and the extent to which society has failed to provide real opportunities for prosperity and stability to certain demographics. To this end, questions like 'will the bylaw help reduce economic disparity?', 'is the inclusionary strategy financially appropriate for Montreal's real estate market?', 'is the political timing right

for such a policy?’ and ‘how does the bylaw compare to alternative policy options?’ are particularly relevant. This is especially true given that other jurisdictions, both within Canada and beyond, are increasingly looking to address housing accessibility, wealth disparity, and social inequality. Therefore, this paper sets out to answer two principle questions, the first being specific to the bylaw and the second looking more broadly at policy solutions for urban accessibility:

- i) To what extent has the City of Montreal’s ‘Bylaw for a Diverse Metropolis’ struck an appropriate contextual and political balance so as to achieve equitable outcomes for housing affordability; and
- ii) To what extent can municipalities successfully use market-based interventions to maintain housing affordability in increasingly expensive real estate markets?

Through interviews and questionnaires of actors involved in the production and regulation of housing in Montreal, we find that, while the bylaw will have some positive impacts in terms of increasing equity, namely in the form of increased social housing, a lack of clarity around the ‘affordable’ housing portion of the bylaw creates several issues. We also find that the bylaw’s rootedness in the market prevents the City from fully addressing the deeper factors of financialization that contribute to housing unaffordability. To this end, the paper will argue that cities can only intervene successfully in ‘hot’ housing markets insofar as they acknowledge the existence of, and work around, the profit-driven financial attitude that pervades housing production today.

Methodology, Evaluation Framework and Structure

The primary data for this paper were obtained through both key informant interviews and an online survey. Participants consisted of actors involved in the production and/or regulation of housing in Montreal. These actors included current and retired for-profit developers, non-profit developers, City of Montreal housing officials and representatives for policy-focused urban planning organizations. We conducted a total of five interviews, focusing mainly on the anticipated impacts of the new bylaw at both the broad Montreal level and at the individual organizational level. The participants were asked to comment on how housing policy has changed over time in Montreal, and how the new bylaw compares to past municipal housing policies and programmes. The questions also tried to get a sense of participants’ confidence level in the legislation, and whether other policy options could be more or less pertinent for the Montreal context. Interviews

were conducted in both English and French, depending on the preference of the respondent. To encourage robust responses and to protect against reputational harm, all interviewees were accorded full confidentiality. Accordingly, they will not be personally identified anywhere in this paper, and they will be referred to only by their broad job titles.

To complement the interview responses, a survey was sent to other individuals involved in the production and regulation of housing in Montreal. This survey was then propagated using snowball sampling. The survey questions were very similar in nature to those of the interviews and provided respondents the opportunity to comment on the perceived strengths and weaknesses of the new bylaw, the organizational impacts the bylaw have had and the general sentiment around the legislation. A total of ten responses were received, and all responses are anonymous.

Once all the data had been received and broad trends started to emerge, we needed to assess what the views expressed by our study's participants meant for our research questions. Given that the Montreal housing landscape seems to be trending away from equitable outcomes, and because we have an interest in the ongoing debates about wealth redistribution, we wanted to frame this assessment within a social equity lens. Accordingly, we created an equity-focused evaluative framework to get a sense of whether our research participants feel the bylaw will succeed in creating equitable development in the city. We created this framework based on the notion that truly equitable development will accurately reflect prevailing economic and social conditions (Alexander von Hoffman and the Joint Center for Housing Studies of Harvard University, 2019). This notion is perhaps best exemplified by the Kounkuey Design Initiative (KDI), an interdisciplinary firm focused on creating equitable and participatory communities. This firm has developed a three-pillar equity evaluation framework which classifies the potential outcomes of various urban development initiatives into economic, social and physical categories ("Approach," n.d.). By breaking equity down into these three components, the framework evaluates the overall equity of a given development initiative in a holistic way, all while helping the framework's users organize predicted outcomes around overarching themes.

Considering this, we used the KDI's framework as inspiration for our own evaluative tool to help us predict the economic, social and physical outcomes of Montreal's bylaw-era development. Specifically, we established three categories – one for each component of equity as defined by the KDI – and subsequently placed the bylaw's main objectives (as extrapolated from Ville de Montréal, 2020) within that framework in the form of Likert-scale questions ranging from

‘yes’ to ‘no’. We then judged where on this Likert-scale the bylaw’s predicted outcomes can be said to fall, based on what our research participants communicated to us in broad, discursive terms. In other words, we assigned a more objective Likert-scale value to the respondents’ subjective interview and survey responses. This helped us systematize the data and understand what components of equitable development may or may not be encouraged by the bylaw. In other words, we used the framework as somewhat of a data-processing machine, where the raw responses from research participants were processed into statements that were more usable for the equity aspects of our paper. A table summarizing our framework can be seen in Figure 1.

Figure 1: Equity-focused evaluative framework template

	Objective	Yes (5)	Likely (4)	Perhaps (3)	Unlikely (2)	No (1)
Economic	Will housing become and remain more attainable for the most vulnerable segments of society? (x2)					
	Will housing become and remain more attainable for moderate income-earners?					
	Will the pace of residential development in the city remain relatively constant?					
Social	Will the amount of mixity in the city be increased?					
	Will gentrification-induced displacement be avoided?					
	Will all areas of the region experience similar benefits?					
Physical	Will newly produced housing be in locations well-served by public services?					
	Will dwellings’ design be reflective of the population’s needs?					

If the participants’ responses are classified as a ‘yes’ on our Likert-scale, it means that we predict that the bylaw will fully achieve the given equity-based objective. Meanwhile, a categorization of ‘no’ means the we predict the bylaw will in no way achieve the goal. This means that as more ‘yes’ responses are achieved, the bylaw moves closer to achieving equitable outcomes. We can thus assign a score of five to each ‘yes’ response, a score of four to each ‘likely’ response, three for each ‘perhaps’, two for each ‘unlikely, and one for each ‘no’. Note that we have multiplied the category on creating better opportunities for the most vulnerable segments of society by two, given its disproportional importance on driving equity. This means that, if the bylaw is deemed to produce equity by every single metric, it will score 45, while a bylaw that is deemed to have no

equitable contribution by any metric will score nine. This evaluative framework forms the basis for our equity analysis and helps us answer our first research question more objectively.

The paper begins by reviewing the literature on housing policy, with a particular focus on how zoning and development can affect affordability. We then present Montreal-specific development history and context, as well as specific details about the Bylaw for a Diverse Metropolis. The fourth chapter reveals the broad trends we found in our data and chapter five brings everything together by assessing the bylaw's anticipated impact and by expressing lessons we can learn for housing affordability moving forward.

CHAPTER 2: HOW DO YOU MAKE A LEVER?

In order to fully evaluate the Bylaw for a Diverse Metropolis, it is important to understand the contemporary debates surrounding housing affordability. Namely, we need to grasp the policies that have been presented as a way of addressing the matter, and the ways in which these policies converge and diverge. Policies like Barcelona’s plan to seize vacant apartments for social redistribution, Minneapolis’ decision to abolish single-detached (R1) zoning and Montreal’s new inclusionary zoning bylaw have garnered many headlines, but these represent just a few of the policy options at cities’ disposal. In reality, cities could choose any combination of unique policies ranging from expropriation, to zoning system overhauls, to new land-use designations, to development incentivization policies, to development restriction policies, to conditional development policies, to something else entirely. That there exist so many different intervention options is both promising and challenging. The options provide decision-makers with much needed flexibility, but this flexibility also sets the stage for fierce, and sometimes counterproductive, political battles. Indeed, there is an acute awareness that the policy levers used by cities – or “city rules” – have a great deal of potential to affect the urban form of future cities (Talen, 2012). It follows that, as cities begin to rethink zoning and the other regulations at their disposal, the debates surrounding the implementation of new rules has the potential to become quite politicized. And as the housing market becomes increasingly financialized (August, 2020; Aalbers, 2016; Fields, 2017; Baxamusa, 2020; among others), the amount of money to be won – and lost – increases dramatically. It is no wonder, then, that the debates about how to address the rising prices in the real estate market have been polarizing; everyone wants a chance to position the fulcrum of the city’s policy lever.

The debates can be split broadly into three non-mutually exclusive categories: The perspective that argues for the stimulation of private housing development through the removal of certain regulations, the facet that argues in favour of anti-displacement measures to counteract the challenges of market-based housing and the perspective that highlights the limitations of “city rules” in solving housing affordability issues. This chapter examines the academic literature on each of these three facets with the aim of situating the political and academic context of Montreal’s new bylaw. We hope that, by understanding the present philosophies on inclusionary zoning (IZ) and its alternatives, we might better comprehend what the Bylaw for a Diverse Metropolis may and may not succeed in achieving.

A Matter of Supply and Demand?

There are several academics and other groups who maintain that the affordability crisis is a problem of land scarcity and insufficient housing supply, and thus that the most acceptable solution is to eliminate overly restrictive building regulations by replacing them with clear, development-friendly guidelines. The contention is that the elimination of so-called red tape will incentivize development, thereby increasing the supply of housing which will, in turn, ease demand, and drive down prices. Many proponents of this theory argue that one of the most important factors preventing this increase in supply from occurring more quickly is the very foundation of urban planning in North America: The current use-based zoning system. This system is used as a way of insuring property owners against having undesirable developments built too near to their own. While this has advantages in terms of preventing harmful industries from being built too near residential areas, the definition of ‘undesirable developments’ has not been strictly limited to harmful industries. For example, it is well-documented that zoning has been used as a means of excluding African Americans and other non-white demographics from certain neighbourhoods (see the work of Rothstein, 2017 as one example). Similarly, the Not In My Backyard (NIMBY) phenomenon has often cited higher-density development proposals as being ‘undesirable’ with varying degrees of success. Perhaps, then, a more accurate way of characterizing the current zoning system is as one which protects high land values for comparatively well-off landowners (Fischel, 2004; Baxamusa, 2020). In this light, it is unsurprising that there has been such difficulty for younger and low-income demographics to break into the housing market. The system inherently empowers existing landowners to sell their property for equal or greater value than the price for which it was purchased, thereby putting pressure on prospective buyers to acquire a usually out-of-reach amount of capital as a precondition to buying a dwelling.

The widespread practice of zoning large swaths of urban areas exclusively for low-density, single-detached houses has exacerbated this phenomenon. Known as R1 zones, these areas are generally seen as quite exclusionary. They are already a haven for some of the country’s most expensive properties, and, as Sonia Hirt has shown, the fact that these zones have become physically larger over the years has made R1 dwellers increasingly reliant on expensive vehicles (2015). There are thus significant barriers in terms of accessibility to these zones, and because the zoning system legally prevents anything that is not a single-detached house from being built within

them, such areas have effectively become off-limits to anyone seeking cheaper or more economically efficient housing options (Manville et al. 2020). Furthermore, because these zones take up such a significant proportion of North American cities, the land on which other, and perhaps cheaper, forms of housing can be built has become relatively limited. Put differently, the existence of R1 and other low-density zones has created a sort of artificial land scarcity by reducing the amount of land available for denser, more accessible housing (Glaeser & Gyourko, 2003). It makes sense, then, that R1 zoning has been identified as one of the principal sources of exclusion within the current regulatory framework and that many calls have been made for its removal (Manville et al., 2020; Wegmann, 2020; City of Minneapolis; among others).

As David Imbroscio explains, however, the calls for reduced regulation do not stop there. Any regulation that can slow development is generally viewed as being part of a broader system of exclusion:

The term *exclusionary zoning* is a catchall term for (usually local) land-use (and related) regulations, and the political processes in which they are administrated, many of which do not involve “zoning” per se. In accordance, the target of Anti-EZ Project also extends beyond “zoning” in the narrow sense. Key to this Project is the idea that these local regulations and processes are largely unnecessary and overly cumbersome, and result in (artificially) limiting the supply of housing the (undistorted) market would otherwise provide. These supply limits, in turn, increase housing’s overall per-unit price, making it less affordable to those with low or moderate incomes. The result is the exclusion of [the people] who desire to move to a given community or jurisdiction but cannot afford to because of the price-increasing effects of EZ (2019, p. 2).

This means that there are two separate (but related) forces at play driving this supply-based argument: A questioning of the modern relevance of low-density zoning on the one hand, and a general skepticism regarding local housing regulations on the other.

These driving forces have manifested themselves perhaps most clearly through the emergence of Yes In My Backyardism (YIMBYism). Branding themselves as a response to NIMBYism, YIMBYs suggest that increased residential development will act as a grand equalizer for housing. Indeed, following his interviews with various YIMBY groups², Max Holleran synthesized the groups’ overarching mission statement:

YIMBYs advocate for new construction at any price point in, primarily, wealthy neighbourhoods. Each local YIMBY group differs in what percentage of affordable

² YIMBY groups are emerging throughout North America. By way of example, see Yimby Toronto, and California Yimby. While they differ slightly in branding, their goal is generally the same: Make the production of housing easier by reducing regulations that may dissuade development.

housing needs to be included in new buildings but most feel that even if the amount is zero, new apartment buildings help take pressure off booming real estate markets (2020, p. 7).

Their thought is that, by implementing more permissive housing regulations, be that through upzoning low-density areas, reducing red tape, eliminating stringent affordability requirements or something else entirely, it will become easier and more attractive for private developers to produce accessible housing in the previously “off-limits” zones, and the market will thus be able to meet the demand more easily, all while being less exclusionary. In other words, these groups are in favour of most anything that will reduce the obstacles to the market production of housing.

This was Glaeser and Gyourko’s contention when their study (somewhat questionably) determined that increased government regulation leads to higher housing prices in high-cost areas (2003). And while there have been very pertinent critiques of this conclusion (Peck, 2016; Hackworth, 2016), there are nonetheless some indications that the implementation of pro-development processes can lead to greater affordability under specific circumstances (Granath Hansson, 2019). Accordingly, for YIMBYs – as well as for anyone who finds themselves concerned more broadly with issues of supply – regulation reduction and simplification remain the goal. It is almost certain, therefore, that as municipalities begin to engage more directly in the housing crisis, they will feel pressure to position their metaphorical policy levers in the way of the market deregulation and/or incentivization.

The Shortfalls of Market-Based Solutions

An important critique of the supply-side debate is that if the focus on softening regulations can indeed lead to affordability, it will probably do so only for those who are already in relatively stable financial situations – not for those who find themselves in more desperate circumstances. More specifically, this critique holds that while an increased housing supply may benefit those who are looking to purchase a house, the increased supply does very little to help those who are renting, with the assumption here being that those who are renting are in more difficult financial situations than those who are able to buy. The logic for this argument is that, even if the increased supply advocated for by YIMBYs and others comes in the form of cheaper dwellings, the people that are most vulnerable to the housing crisis will still not be able to afford these cheaper dwellings. Take, for instance, the case of the builder in Austin, Texas who was able to develop six family-sized units on two adjacent lots, instead of the normally expected single-detached houses: The denser units were able to sell for roughly \$450,000 each, a price that was almost \$200,000 below

average for the area (Andra Lim, 2016, as cited by Wegmann, 2020). While this may be a good initiative for moderate income-earners, Wegmann himself points out that a \$450,000 dwelling will do very little to help low-income households; the property remains relatively inaccessible to those with relatively few resources (Chakraborty, 2020).

Supporters of development-incentivizing policy may nonetheless argue that this Austin example is, in fact, a piece of good news for low-income earners, citing filtering theory as justification. This theory suggests that as new housing stock is generated, higher-income households will move into the newly constructed dwellings thus leaving their former dwelling – which is now older and hopefully more affordable – available for someone who needs it, whether as a rental unit or as a cheaper purchasing option (Ratcliff, 1949, p. 321-322). Modern-day evidence shows that filtering does indeed have the capacity to generate low-income housing and that owner-occupied dwellings do tend to transform into rental options over time (Rosenthal, 2014). As such, there is some hope that the dwellings vacated by the purchasers of the new \$450,000 dwellings in the Austin example would become available to a lower income household. Having said this, there are several limitations to filtering. For one, filtering is not limited to the downward direction discussed above, but rather, it can occur in both directions. In other words, older dwellings can eventually be purchased by higher income people and experience reinvestment (Bourne & Bunting, 1993). Indeed, evidence has shown that the filtering rate is significantly slower in jurisdictions with strong housing inflation, and that, after a long enough period, filtering happens in reverse – that is, older dwellings tend to be purchased by higher income people (Rosenthal, 2014). This casts doubt on the ability of market filtering to generate greater affordability for well-established markets that are already experiencing affordability crises – like Montreal, for example. What is more, there is an important demographic limitation to filtering: “Since the distribution of household incomes tends towards a pyramidal shape, building new houses for those high up the pyramid will simply not release enough houses for those further down where the pyramid is wider” (Boddy & Gray, 1979, p. 46). And this is to say nothing of the fact that filtering relegates low-income households to the dwellings that have become unwanted, and generally, under repaired (ibid). Indeed, Bobby & Gray summarize the rather perverse effects of filtering theory quite eloquently:

At the specific level of housing policy, [filtering] legitimates the persistence of gross inequalities in housing provision, and of substandard housing, and justifies allocation of resources and subsidies to those already well-off and well-housed directing support *away*

from those in greatest need. Household turnover and mobility are important processes in the housing system. But to generalize from these observed processes on a limited scale, to a general model of filtering embracing the entire housing stock is clearly illegitimate and any policy conclusions from this problem are inappropriate as a means of meeting housing need (1979, p. 50-51).

Clearly, then, the notion that increased market housing supply will necessarily lead to more accessible housing is misleading.

Does this mean that policy leaders should avoid incentivizing the production of housing all together? Surely it would not be a bad idea to cut red tape and incentivize development, so long as this is done in tandem with measures that are more targeted at low-income households. The answer to this question is not so straightforward. The literature suggests the need to act with caution, particularly when it comes to removing regulations. Yonah Freemark, for example, has shown that, at least in the short term, upzoning certain areas of Chicago increased the property values without leading to the construction of new dwellings (2020). Beyond this, there is also the question of participatory planning. For example, Davison et al. caution against streamlining development processes because, even though the feared impacts of affordable housing tend to be greater than the actual lived impacts by neighbouring residents, such streamlining could cause important participatory issues (2017). The divide between NIMBYs and YIMBYs is already significant (Holleran, 2020), so removing regulation and undermining democratic mechanisms risks causing further divisions and, in so doing, takes the focus off the needs of the most vulnerable.

Perhaps most concerningly of all, there is also an argument to be made that the pro-growth attitude of YIMBYism, not dissimilarly from NIMBYism, is ignorant of its own racist influences:

As YIMBYs advocate for up-zoning across the city, they mistakenly argue that redlining and segregation are the result of low-density housing policies rather than those predicated upon technologies of speculation and dispossession (Clark 2016; Florida 2017; Lens and Monkkonen 2016). YIMBYism's demands for up-zoning liberalization as a remedy to contemporary urban segregation neglect these racialized histories, failing to acknowledge how capitalist urbanization has created crises for communities of color in every iteration. By projecting NIMBYism onto these histories, YIMBYism disavows its inherent racism (McElroy & Szeto, 2017, p. 14).

Accordingly, any solution that advocates for growth at all costs must somehow acknowledge and address the exclusionary racial impacts that it is likely to exacerbate.

Given all of these market shortfalls, there is a clear and defensible argument to be made that real advancement on the housing file will not come from the market, but rather from public investment and community involvement (Madden & Marcuse, 2016; Imbroscio, 2019; among

others). And while there may be some room for limited incentivization of affordable housing production for moderate income-earners, proponents of this broader critique would most probably want to ensure that housing is not overly deregulated and argue that anti-displacement and other targeted measures are the real priority right now. Such measures would address the housing *crisis* instead of simply housing.

Is This Even a Planning Issue?

Beyond the debates of supply and demand, a separate but related argument can be made that housing unaffordability is but a symptom of financialized development processes, growing poverty and income inequality and thus that the housing crisis is, in fact, a problem that cannot be solved (exclusively) by city rules. To fully understand this argument, one must first have some understanding of how large-scale development is funded. Nathan S. Collier et al. offer a good overview:

An investor provides the equity capital necessary for actual construction. The developer usually provides the seed equity necessary to get to the point of construction. Investors can be individuals of high net worth, insurance companies, pension plans, investment banks or [Real Estate Investment Trusts] REITS (2008, p. 88).

This is important because it shows the extent to which urban development hinges on the money of (profit-driven) investors. Indeed, without these actors, development, at least in its current form, would be unlikely to happen, as developers would be unable to foot the bill of construction costs on their own. And while there is certainly nothing illegal about private investors making a profit on their investments, the reality is that most housing investors of this magnitude tend to want a larger return on investment than they could otherwise achieve through government bonds, mutual funds, stocks or other financial tools. The result is that, as a condition for loaning money to a developer, investors will often require the developer to produce a roughly 15% return on any potential project. This being the case, even if they wanted to produce affordable housing, developers are somewhat captive to the demands of their funders.

Aside from the (artificially) high housing costs, there are also massive employment pressures facing modest income-earning individuals and families. Indeed, growth in housing costs have far outpaced growth in wages since the 1960s (Tekin, 2020) and low-wage workers find it extremely difficult to secure the necessary funds for even temporary housing (see Ehrenreich, 2001 for a good ethnographic study of this). Clearly, then, these issues are broader and more structural than simply expensive housing. This raises significant doubts about whether zoning changes,

development incentivization, affordability requirements, rental protections and other municipally led initiatives can really solve the housing crisis. And while there exist some possible proposed solutions (Baxamusa, 2020, particularly chapter seven), these will take a great deal of effort and political will to effectively coordinate, beyond the capacity of municipal housing departments.

Situating Inclusionary Zoning: Where to Place the Fulcrum?

It is in this context that Montreal has introduced its inclusionary zoning bylaw. In so doing, the City's political and policy leaders have tried to find a balance between all of the competing perspectives in housing, be they the development-incentivization side, the market-skeptical side, and even, to a lesser extent, the side that points out that this issue needs to be addressed by more than just municipal housing policies. To better anticipate what Montreal might expect as a result of this bylaw, it is useful to examine inclusionary zoning in areas where it has already been implemented.

The empirical returns on IZ have thus far been sporadic and mixed. For example, Bento et al. concluded that cities in California which adopted IZ programs faced, on average, an increase in housing prices by 2-3% and a decrease in housing size by approximately 48 square feet (2009). Somewhat similarly, Schuetz et al., found that IZ programs in Boston and San Francisco produced only modest levels of affordable housing and that the presence of IZ had actually contributed to increased regional housing prices in certain circumstances (2010). These two studies would suggest that IZ can have the unintended consequence of pushing increased development costs onto prospective buyers. Having said this, Dawkins et al. showed that Montgomery County (Maryland)'s IZ program produced a significant number of affordable units that were able to provide owners with relative stability during economic downturn (2017). Clearly, then, IZ has the potential to be successful if its implementation is done in a thoughtful manner.

Indeed, the notion that success is contingent upon context-specific implementation recurs throughout the literature. For example, based on data from two surveys, Calavita & Grimes found that inclusionary housing programs in California generated generally positive outcomes thanks, at least partly, to development incentives and program flexibility (1998). Somewhat similarly, theoretical modelling done by Huguen & Read found that IZ may be effective, but that it generally needs to be implemented in strong markets and complemented by density bonusing (2014). This is an interesting element because density bonusing, wherein developers are given higher density as a reward for greater production of affordably-priced units, can produce important spatial

impacts. While such bonusing can be risky in terms of producing buildings that are not at a human scale, it can also create a critical mass of people such that public transit and other public infrastructure projects become more financially viable. This could increase access to amenities for lower-income populations, something which is meaningful for the mixity and social integration that the City of Montreal is trying to achieve. On that note, Constantine Kontokosta, found that IZ programs in Montgomery County and Suffolk County (New York) had produced, on aggregate, racial and income integration, but that the success was dependent on the socioeconomic and housing markets before implementation (2014). Kontokosta also noted that issues surrounding the allocation of inclusionary housing units, as well as the spatial dispersion of inclusionary housing units had the potential to undermine the benefits of the programs (ibid).

Other, more specific studies have further emphasized the need for thoughtful program implementation. In a review of 307 American programs, Hickey et al. found that, for some sort of perpetual or long-term unit affordability to occur – i.e., perennity, a notable concern within the Montreal context – programs need to be buttressed by “strong legal mechanisms, carefully designed resale restrictions, pre-purchase and post-purchase stewardship practices and strategic partnerships” (2014, Executive summary, para. 5). Meanwhile, other authors point to the fact that IZ can be subject to various legal challenges and other controversies (Talbert & Costa, 2005; Wiener & Barton, 2014; see also the section on developer opposition in the conclusion of Calavita & Grimes, 1998).

Accordingly, IZ does not come without its critiques. Some lament the program’s legitimization of market-based housing solutions, with Filip Stabrowski going as far as to say that certain IZ programs contribute to “the emergence of a general consensus in which real estate-led development is regarded not as a cause of gentrification but as its solution, and more radical measures to de-commoditize housing are foreclosed” (2015, p. 1122). More generally, authors point out the fact that production of IZ units is dependent on a thriving housing market more broadly, and that in times of economic and/or housing downturn, the production of new inclusionary housing units will be minimal (Wiener & Barton, 2014). It is therefore evident throughout the literature that IZ is inherently difficult to balance, and at times, even contradictory: on one hand the programs are said to be insufficient in terms of targeting very low-income households (Calavita & Grimes, 1998; Stabrowski, 2015; many others), but, on the other hand, there is often concern about making programs too rigid such that developers are scared away from

developing in a given area (Hughen & Read, 2014; Calavita & Grimes, 1998). All of this suggests that when it comes to IZ policies, it can be rather difficult to properly balance all of the competing forces or, stated differently, to properly position the policy lever's fulcrum.

After examining many case studies, Lisa Sturtevant synthesized her findings to provide five general lessons about effective IZ programs: i) IZ works best in strong markets; ii) Mandatory programs tend to work better than voluntary ones; iii) Successful programs tend to include incentives for developers; iv) Predictability and clarity are key; and v) Successful programs provide flexible compliance options (2016). August & Tolfo share many of these same perspectives but speak more pointedly on equity, saying that IZ can, in fact, be exclusionary if implemented incorrectly, concluding that it is “a necessary but not sufficient tool in an affordable housing toolbox” (2018, p. 11). The next section will discuss how Montreal's new bylaw performs against these general lessons, but in the meantime, the major takeaway from the IZ literature is that municipal policy leaders should temper their expectations in terms of IZ's ability to address the housing crisis. Perhaps more importantly, policy-makers must carefully and systematically position their policy levers to ensure that IZ will not have perverse or unintended consequences.

CHAPTER 3: MONTREAL'S HISTORY AND THE BYLAW FOR A DIVERSE METROPOLIS

Preserving an Identity

Montrealers have a history with housing unlike the residents of nearly every other Canadian city. Often referred to as the city of renters, many households rent by choice. This is partly because of the cost effectiveness of renting, and partly because of the large number of students and other more transient populations who spend time in the city. As Tracy Lindeman points out, however, these are not the only reasons (2020). Indeed, the city has a long history of being home to modest income-earning labourers who relied on modestly-priced lodging. Consequently, much of the city was built expressly for renting. To this end, a rental culture has been deeply engrained both within Montreal's physical housing fabric, as well as within the residents' collective consciousness. Furthermore, the city is also home to numerous captive renters. Practically speaking, this has meant that Montrealers have been very keen to fight for tenant protections and rental supports. This willingness to fight is perhaps one of the central factors explaining why the provincial government adopted strong rental protections, including automatically renewing leases, strict maximums on rent increases and the ability for tenants to stay in their apartments even after the building has been sold, among other protections. The willingness to fight also explains how the one of the largest non-profit community land trusts in the country came into existence in downtown Montreal: Back in the 1970s, the residents of the city's Milton Parc neighbourhood fought hard against a proposed private megadevelopment until the federal government at the time finally agreed to facilitate the creation of a community-run, non-profit land trust. This cooperative is still active and has resulted in numerous affordable and community-oriented dwellings in a prime location. Simply put, Montrealers have a long history of fighting for accessible housing, and it has paid off in numerous different ways.

Bolstering these efforts in solidarity are the province's notable number of cooperative and non-profit affordable housing organizations which focus explicitly on building social and/or affordable housing. To do so, they contact social enterprise consultants known as Groupes de ressources techniques (GRTs), who then liaise between the non-profit group and various levels of government. This opens up sizeable government subsidies for the non-profit, referred to as AccèsLogis. This program can cover up to 50% of admissible project costs, which is obviously quite useful to the non-profit in terms of seeing the project through to completion. Similar

processes used to be commonplace in Canada, but that changed in 1994 when the federal government essentially stopped funding the housing file. Quebec, however, managed to keep its department in place and it remains an essential mechanism for producing affordable, community-oriented dwellings. Therefore, as housing in Montreal becomes increasingly expensive, AccèsLogis and the GRTs are being looked to as very promising mechanisms through which to produce and protect affordable housing.

Unfortunately, however, in spite of the best efforts of the GRTs and Montrealers more generally, as discussed in the first section of this chapter, Montreal has not been immune to the housing difficulties experienced elsewhere in the country. As Lindeman notes, increased speculation, increased prevalence of short-term rental units, new high-paying tech jobs, an unawareness of tenant protections and increasingly arduous legal battles against corporate landlords have put significant pressure on Montreal's rental market (2020). This has been compounded by a lack of new social housing in the city in spite of extremely strong demand; to this end, the waiting list for social housing can be up to five years long. For many Montrealers, these difficulties have resulted in extremely precarious housing situations. What is more, as pointed out by Lindeman, these difficulties challenge the city's identity as a bastion of accessible housing:

Montrealers don't trust The Man to protect their interests. Instead, they've always believed they can band together, whether at street rallies, over drinks or in Facebook groups, to defend the fabric of the city. This is probably why in other cities, too, blooming rent crises may not feel like such a bitter heartbreak. Montrealers built their proud legacy of affordable housing over the decades. Low rent is not just a quirk of the city; it is a consequence of its character and history. That's why, to many locals, this isn't just a shift in the real estate market, but a cultural collapse, a system collapse. For the first time, citizens and government are both fighting their hardest to preserve the city they know, but—for what also feels like the first time—it hasn't been enough (2020).

This passage very eloquently shows how the ongoing housing situation in Montreal is more than just a question of affordability. Rather, it challenges the preservation of an entire tradition of mixity and accessibility to the city. In this light, it is easy to understand the importance of the objectives that underpin the Bylaw for a Diverse Metropolis. The City's goals of encouraging mixity and balanced housing supply are perhaps as much about ensuring equity as they are about preserving a collective identity which is currently under threat from external forces.

The Inclusionary Housing Strategy (2005 – 2021)

The City of Montreal's efforts to ensure this mixity have been ongoing for many years. In fact, the precursor to the current bylaw was a non-mandatory inclusion strategy which was introduced in 2005. The goal of the strategy was to have all new large-scale residential developments deliver a minimum of 30% affordable units, with 15% of a given project's units being delivered as social or community housing, and the other 15% of units being affordable housing (Ville de Montréal, 2005). Because the provincial legal framework at the time did not allow the City to oblige developers to participate – this has since changed – the idea was that the strategy would be somewhat of a negotiation between the City and developer when the developer required zoning changes and/or public investment in infrastructure or environmental improvements (Wellesley Institute, 2009). In other words, the City would grant the zoning change or the funding on the condition that the inclusionary targets were met. In terms of the strategy's application, it was applied only to projects of 200 or more units until 2015, at which point the threshold was reduced to 100 units (Ville de Montréal, 2015); according to one of our interviewees who worked in the municipal housing department at the time of the strategy's implementation, the prevailing thought at the time of implementation was that, if this strategy were applied to small projects, the costs would outweigh the benefits (P5).

Ultimately, the strategy represented a municipal response to the stagnation of federal investment in housing and an apparent undervaluation of social housing, as well as an effort to deconcentrate social housing (P5). To this end, the strategy did have some very positive, if imperfect results. Perhaps most crucially, the program had produced \$23 million in financial contributions to social housing, 3,600 units of social housing and at least 2,700 affordable units by the end of 2018 (Ville de Montréal, 2020). While the development director of a non-profit housing organization we interviewed felt that these numbers were underwhelming as compared to the number of market-rate units developed in the city during the time (P2), the interviewee who worked in the municipal housing department was very proud of this number, saying that the amount of social housing that was produced was one of the greatest successes of the program (P5). Furthermore, this person pointed out that many of these social housing units were well-integrated within the community and were well-served by services and infrastructure (ibid); this was a welcome change from some of the poverty-concentrating developments that had been produced in the past.

The strategy was not without its challenges, however. For one, our interview with the non-profit housing developer pointed out that the affordable units were generally not rental units and were thus inaccessible to a great deal of Montrealers (P2). The former municipal housing employee we interviewed also pointed out that it was very difficult to ensure perennial affordability within this segment of affordable dwellings, namely because such dwellings were privately held and therefore difficult to track over time (P5). This issue has manifested itself perhaps most clearly with foreign investors and other relatively well-off individuals obtaining affordable units for themselves (Brousseau-Pouliot, 2021). Beyond this, there was also the question of bureaucratic transparency and clarity. Indeed, because of the negotiatory nature of the strategy, it was not clear from the outset of the development process how much density would be provided by the City. This left some uncertainties with developers about what was expected of them (P5). On that note, the non-profit housing developer lamented the fact that areas heavily influenced by the strategy – like former industrial areas along the Lachine canal, for example – now have very sporadic zoning norms and built forms (P2). Further compounding this issue was the fact that it was up to each borough to apply the strategy independently, which sometimes led to uneven results. We interviewed a housing coordinator for a firm concentrating on urban issues who pointed to the patchy development of Griffintown as a good example of how the strategy had been unevenly applied (P3). On the whole, then, we can conclude that the strategy represented a good attempt to produce accessible units for the city’s more vulnerable populations, but that it also created some other planning challenges due to its patchwork application and practical constraints.

The Bylaw for a Diverse Metropolis (April 2021 – present)

Enter the Bylaw for a Diverse Metropolis. Following Quebec provincial laws 121 and 122 passed in 2017, municipalities in Quebec were granted the legal authority to move from optional, incentive-based inclusionary programmes to binding, regulatory approaches. The City of Montreal took this opportunity to update its optional inclusion strategy by transforming it into a mandatory bylaw. In so doing, the hope was that the City could solve the strategy’s “unresolved issues” discussed in the previous section (P5), all while updating the City’s approach to be more responsive to the evolving market-related housing pressures in Montreal. To this end, the City released a draft version of the bylaw in June of 2019, before holding public consultations. The City adopted the definitive version of the bylaw in January 2021 for a coming-into-force date on 1 April 2021.

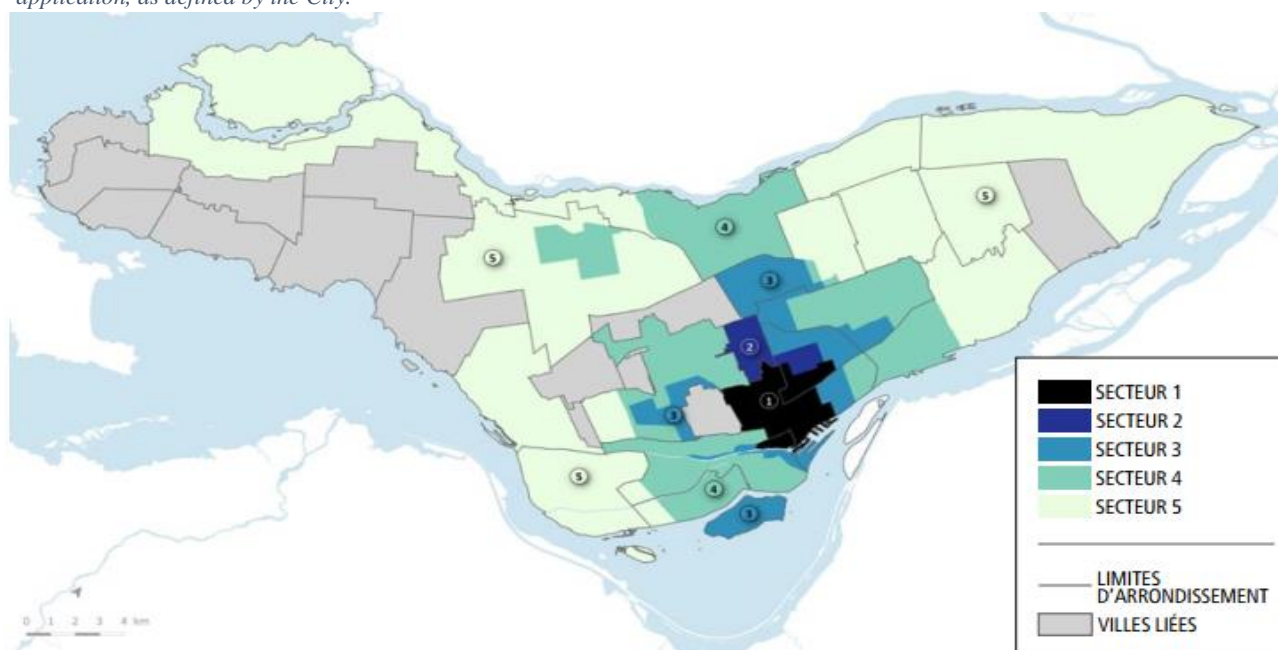
In a nutshell, the bylaw has mandated minimum thresholds for social, affordable and family housing within all new residential construction projects over 450 m², or approximately five or more units. More specifically, a developer overseeing any new residential development of this size must now: i) Make it such that the equivalent of 20% of the project's gross floor area is delivered in the form of social housing; and ii) Make it such that the equivalent of 10%-20% of the project's gross floor area, depending on its location in the city, is delivered in the form of affordable housing, where affordable is defined as 90% of market value (Ville de Montréal, 2020). It is worth noting that, for the affordable housing segment, if the development is constructed outside of sectors 1 and 2 – see Figure 2 – the bylaw applies only to developments of 4,500 m² or more (ibid). Finally, there is a third requirement stipulating that all residential developments projects of 50 or more units must incorporate 5-10% of units that are of sufficient size for families, where sufficient size is defined as being between 86 and 96 m² (ibid).

There are multiple ways for developers to deliver the required percentages for the social housing segment. The options range from i) Building a 'keys-in-hand' project wherein the developer works with AccèsLogis to either produce new social housing units or renovate existing units; ii) Ceding vacant land, within a 2-kilometre radius of the new project, on which a development equivalent to 20% of the private project can be built – note that in all sectors except the downtown, the minimum threshold increases to 22% if the ceded land is not directly adjacent to the private development and that, in any case, this land would be immediately transferred by the City to a non-profit housing organization for its development; iii) Making a financial contribution to the City whose precise amount is based on the size of the development and the sector in which it is built; or iv) Some combination of the above (Ville de Montréal, 2020). The City prefers the first two of these four options, and would like to see them happen as much as possible (ibid). Accordingly, it has devised a plan for giving compensation to the developer for these types of contributions – see Figure 3 – and it has tried to make it such that any financial contribution paid by the developer per the third option will be greater than the cost of providing units and/or land to the City – see Figure 4.

For the affordable housing segment, the bylaw is a bit less clear and relies heavily on complementary government programs. Nonetheless, the developers' options include i) Delivering affordable units to the City which will be perennially affordable for 30 years; ii) Helping potential homeowners access new units more easily; iii) Creating and maintaining perennially affordable

rental units; iv) Ceding a building of existing rental units to the city for subsequent transfer to a non-profit housing organization; or v) Making a financial contribution to the City (Ville de Montréal, 2020). Finally, in terms of the required family units, they are eligible to be included within the social and affordable segments, or simply as market-rate options.

Figure 2: The territories on which the Bylaw for a Diverse Metropolis will be applied, and the sectors of application, as defined by the City.



Source: Ville de Montréal, 2020

Figure 3: The amount of compensation received by developers for transferring social housing units and/or land to the City, by metre squared.

Secteur 1	Secteur 2	Secteur 3	Secteur 4	Secteur 5
552 \$	463 \$	383 \$	287 \$	213 \$

Source: Ville de Montréal, 2020

Figure 4: The amount of compensation owed by developers if choosing to fulfill its obligations through cash compensation, by metre squared.

Montant par secteur de valeur pour le calcul de la contribution financière					
Paliers de superficie	Secteur 1	Secteur 2	Secteur 3	Secteur 4	Secteur 5
> 0 à ≤ 450 m ²	0 \$	0 \$	0 \$	0 \$	0 \$
> 450 à ≤ 1800 m ²	59 \$	49 \$	41 \$	31 \$	23 \$
> 1800 à ≤ 9000 m ²	74 \$	62 \$	51 \$	38 \$	28 \$
> 9000 à ≤ 12 500 m ²	88 \$	74 \$	61 \$	46 \$	34 \$
> 12 500 à ≤ 22 500 m ²	103 \$	87 \$	76 \$	54 \$	40 \$
22 500 m ² ou plus	118 \$	99 \$	82 \$	61 \$	46 \$

Source: Ville de Montréal, 2020

As for the bylaw's spatial application, as shown in Figure 2, it will apply to all territories under the City of Montreal's jurisdiction, but not to off-island or demerged municipalities. As will be discussed in subsequent sections of the paper, there is some concern that this might incentivize developers to circumvent the bylaw by building outside of the city's limits. Having said this, Montreal city councillor, Craig Sauvé, has said that the City is working with the administrations of other jurisdictions to coordinate some degree of coordination and similarity on this matter (DesBaillets, 2020). Similarly, the City of Montreal has pointed out that the Montreal Metropolitan Community (CMM) has invited each of the region's municipalities to look more closely into inclusionary policies (Ville de Montréal, 2020). So, while it seems that the playing field will remain unequal between municipalities in the short term, there may be some medium- and long-term coordination which could help reproduce similar rules across the region.

Finally, the City of Montreal has conducted statistical modelling to determine what the bylaw's economic impacts might be. It found that housing prices can be expected to increase by 0.8% to 1.5% in most of the territory, with prices increasing by as much as 1.9% downtown (Ville de Montréal, 2020). This is largely because developers will almost certainly increase the prices of market-priced units to cover the additional costs associated with the new minimum thresholds. It is estimated, however, that municipal subsidies for land decontamination, as well as tax relief on the park tax will help mitigate the cost increases (*ibid*). The impact on rental rates was not studied in much depth, but one very small investigation of the draft version of the bylaw predicted that rental rates could increase by between 2.1% and 3.2% after the adoption of the bylaw (PBA Immobilier, 2019, as cited in Ville de Montréal, 2020, p. 31). It is important to note, however, that this prediction was based on a small sample size and considered only the draft version of the bylaw. The changes made to the draft following consultations were shown in the City's modelling to reduce the expected price increases in the purchasing market, so it is very possible that similar reductions can be expected in the rental market, meaning that the actual increase in rental price may be less than predicted here. In any event, the City considers the overall market impacts to be "reasonable" (Ville de Montréal, 2020, p. 30).

This is a complicated bylaw and it, along with its accompanying explanatory document, are worth reading in order to grasp all of its nuances. Obviously, it remains to be seen how this bylaw will compare to the previous inclusionary strategy, and the extent to which the bylaw will address the concerns raised in previous chapters of this paper. Our interviewee who had been

working in the City's housing department for much of the duration of the inclusionary strategy also witnessed the lead-up to the new bylaw, and for them, one of the most interesting legislative differences between the strategy and the bylaw is the application to smaller-scale projects (P5). For those at the City today, the bylaw represents an important step forward in terms of producing more accessible housing options for Montrealers, especially for the lowest income groups who will benefit from the bylaw's hardline stance on social housing requirements. What is more, the City has argued that this has been done in a way which accords developers sufficient flexibility so as not to gravely affect the rest of the market. And while some questions remain about the bylaw – see the following sections of this paper – it is nonetheless clear that the City has attempted to adapt its housing approach to be reflective of the modern-day real estate market.

As a final point about the bylaw's mechanics, it is worth recalling that, in the previous chapter, we listed Lisa Sturtevant's five summary points about successful IZ programs. For what it is worth, the City of Montreal's bylaw ticks all but one of those boxes, the shortcoming being that the affordable housing section of the bylaw could be more predictable and clear. While this might not mean a great deal in practice, it indicates that, at the very least, the City put some serious thought and effort into crafting the bylaw. The following sections of this paper will get into the more tangible effects that the bylaw might produce.

CHAPTER 4: FINDINGS

Our interviews and survey data have returned results that are, at times, unsurprising, and at other times, intriguing. This chapter will present the biggest takeaways from our data as they relate to the bylaw's outcomes, while the subsequent chapter will analyze how these takeaways translate to the housing dossier more generally.

It's the Thought That Counts?

Our research shows that the principle of the bylaw, to generate more social and affordable housing, is valued and applauded across different sectors. Indeed, there is a broad recognition among participants that Montreal's housing situation is urgent and that the production of more attainable housing is needed. To this end, participants generally agreed that the most promising feature of this bylaw is that it will increase the amount of social and deeply affordable housing in the city. For example, when asked to identify the bylaw's most exciting potential benefit, one anonymous survey respondent said that it was the fact that there would be more social and affordable housing in the heart of the city (R5). A second respondent provided a concrete example of how this might happen, saying that the bylaw is exciting because large sites in central locations whose high acquisition costs would have previously made them inaccessible to organizations specializing in affordable housing – the Radio-Canada and the SmartCentres sites were provided as examples – will now be mandated to provide some level of affordability (R4). Beyond this, the housing coordinator for a firm concentrating on urban issues noted that the amount invested in social housing is likely to increase substantially in the coming years (P3). This person simultaneously expressed excitement at the fact that the bylaw allows for existing buildings to be transferred to non-profit housing developers so that they can be renovated and transitioned to non-profit tenure; the thought is that, by taking these buildings out of the for-profit market, they will become far more affordable now and in the long-term (ibid). Clearly, then, the bylaw has generated some excitement from numerous different actors about the possibilities that it creates for increased production of social and affordable housing moving forward.

Another appealing aspect of the bylaw, according to our research participants, is the impact that it might have on the status of the housing affordability debate. One of the survey respondents, for example, answered that the most exciting potential benefit of the bylaw was increased awareness on the question of housing affordability (R7). Similarly, the director of development

for an urbanism firm whom we interviewed said that the bylaw will contribute to solving the housing problem because it facilitates the involvement of community actors within the development process, all while forcing us, as a society, to think about solutions for housing affordability (P1). The bylaw may thus be relevant from a paradigm-shifting standpoint, in addition to its relevance in terms of practical outcomes.

Having said that, our data collection revealed some thought-provoking questions about the extent to which a regulatory bylaw can act as a mechanism for encouraging the actual implementation of affordability solutions. For example, one survey respondent said that

Les délais administratifs et la complexité de l'application du règlement n'incitent pas les entrepreneurs à s'y conformer [...] Je salue le courage de la Ville, qui a consulté l'industrie de la construction et les partenaires et qui a maintenu son intention d'imposer le logement abordable, malgré les critiques formulées par l'industrie de la construction. Un règlement n'est tout simplement pas le bon moyen d'y arriver (R9)³.

Similarly, we interviewed the executive for a private housing development company which aims to adopt responsible pricing and dwellings that are below normal market rate. This developer expressed regret that, over the last number of years, the City has adopted somewhat of an antagonistic attitude and has not been more proactive in working with developers on the housing affordability file:

Both approaches [the strategy and the bylaw], to me, sort of treat the developer like the enemy [...] I think there is a lack of social housing in the city. I think it's a critical issue. I think from an ethical and justice perspective, it's something that has to be addressed. I don't think it's the sole burden of developers to address. I think we have a part to play, but I don't think it's the developers' sole burden to bear the responsibility for social housing. I think there is this sort of very flippant approach that says 'oh the developers make so much money, let them pay for social housing!' But a lot of developers go bankrupt and when you're in this game, you understand the risk you're taking and what's involved and the complexity of these projects [...] I don't believe that either of those approaches have really leveraged the potential of working with developers to really think through what this city should look like. It's sort of like this cat-and-mouse game where [the City is] fighting with the developer (P4).

This developer later went on to say that, many years ago, prior to the merger of their home municipality with the City of Montreal, they were working on the initial phases of a large-scale development. During this time, the developer would meet twice weekly with city hall to discuss

³ Translation: The administrative timeframe and the complexity associated with the bylaw's application do not make it easy for entrepreneurs to conform to the bylaw [...] I do commend the City for having had the courage to consult the construction industry and its partners, and for maintaining its intention to impose affordable housing in spite of the industry's critiques. A bylaw is simply not the right way of doing so.

the project, and the town's mayor even went with the developer on various site visits to other jurisdictions in order to better understand what was happening on the ground (P4). The point that our interviewee was trying to make to us here was that, in those days, there was good dialogue between the developer and the municipality and, because of that, the developer was able to produce housing that was more relevant to the public's needs. At the same time, the City better understood what was and was not possible for the developer, and treated them accordingly. According to the developer, however, this type of dialogue has gradually eroded away over the years, and the result has been an adversarial relationship that will probably result in projects that are less feasible for developers and therefore less pertinent for the public: "It's one thing to force me to do certain things for social housing [via the bylaw], but not even to meet me to tell me 'these are our interests, so you as the developer, the builder of the city, can you achieve them?' [shows] a lack of dialogue (ibid).

Here, the developer is suggesting that, if the bylaw had not been implemented, and the City had instead engaged with the developer to indicate that it was expecting greater amounts of social housing, the developer would have been able to provide social housing on their own terms and, as a result, would not have to do so in the costlier way mandated by the City – one which will almost certainly see price increases on non-social units. While this idea of better dialogue is certainly noteworthy, it assumes that the developer will act in good faith and choose to produce the social housing desired by the City, even if there is no legal requirement to do so. Indeed, this particular developer that we interviewed has a track record of working ethically and producing projects that are good for the public, so it is reasonable to believe that if asked, they would do their best to meet the City's goals for social housing. Unfortunately, however, not all developers are so well-meaning. From the City's perspective, the beauty of the bylaw is that it removes the possibility of having developers act in bad faith and avoid the City's non-binding wishes for social housing. Therefore, because bylaws cannot be applied asymmetrically, the City finds itself in a difficult position: Either depend on the goodwill of the socially minded developers to outweigh the impact of the developers that do not care to pursue the City's goal, or impose a bylaw on everyone, and risk constraining the developers who are more willing to work with the City. In this case, the City chose the latter option.

In spite of the difficulty of the City's position, the point that our interviewee made is a valid one. Not all developers are uncooperative and for the ones that do strive to make positive

contributions to affordability, this bylaw feels like a bit of a slap in the face because it adds substantial extra requirements, thereby eating away at the developers' margins with which they would have otherwise provided the desired contributions in a way that was still responsive to their clientele's needs. It is thus fair to question whether a regulatory bylaw may be too heavy-handed an approach from the City on this matter. To this end, one research participant suggested that setting up a type of development fund to which developers would be asked to contribute funds that the City could then spend on developments of all sorts – housing, parks, cultural equipment, etc. – would offer more flexibility than the current bylaw (R7). Irrespective of the flexibility of the final mechanisms, the perspectives of these respondents point to the importance of constant dialogue between the housing industry and the City. This is especially germane given that there seemingly exists a broad consensus around the necessity of producing more social housing in Montreal.

More Bang for the Buck

As we have hinted a couple of times in previous sections, a second important point that emerged from the data was a belief that developers will not allow this bylaw to affect their profit margins, and will therefore do whatever is needed to make sure they can still walk away with profits comparable to those seen before the adoption of the bylaw. The most common suggestion that we heard from our research participants was that developers will maintain profit levels by covering the costs of the social and affordable units through higher prices on market-rate units. This was repeated by numerous different actors across sectors, and was even acknowledged by the City when its own economic modelling showed a two percent increase in housing prices after the adoption of the bylaw.

The executive of the housing development company we interviewed explained that the bylaw has also compounded a financial situation that was already difficult:

The cost of construction in the last year and a half has gone up, I don't know, 40%. And we have to price at prices that we've never... We've always tried to stay way below market prices, and we're still going to do that, but just to come out – I mean, our margins are thin – so just to come out with rising construction costs, you have to price higher than you ever have. And if you have to give 20% social housing, 20% affordable housing, 20% family, it leaves your last 40% carrying a lot of the burden (P4).

While the thresholds mentioned by the developer in this instance are not quite correct, the fact remains that construction prices have risen since the beginning of the COVID-19 pandemic and

developers are already having to price higher than they have in the past. For most developers, it is a non-starter that the bylaw's mandated subsidies come out of their profit margins, so the result is that others will pay higher prices, above the higher prices they are already paying because of increased construction costs. This is an important point, because, if the goal of the bylaw is to make developers pay more toward social housing – which has sometimes been mentioned in media and other conversation – the bylaw fails; the costs will simply be passed along to those who do not qualify for social or affordable housing. It is fair to question whether this is what the City intended, given the rising costs for consumers across the region.

There is also a question of whether the contribution options provided to developers are strong enough to ensure that mixity is genuinely promoted. A few different participants suggested that, in spite of the City's preference, the developers will often choose to simply pay the contribution instead of giving land or units to the City (R9, P1). In particular, an urbanism firm's development director, who has significant experience in real estate and finance, noted that the keys-in-hand social units, which the City prefers to see, really do not make any money for developers, and thus, even if it is more expensive, developers will almost certainly choose to pay out instead of build them (P1). While this financial contribution is still better than nothing, it is far from the ideal option, as it means the City will need to find a separate partner to produce the units, something which could be time-consuming. Furthermore, it means that the social units will be produced off-site from the new private development, which generates some risk that poverty becomes concentrated. This, of course, is a risk even when developers do agree to provide social units within the project. In fact, a survey respondent who self-identified as an affordable housing producer gave an example of a current project where the site's private developer is trying to concentrate all of the social units in one, isolated corner of the site; this respondent's conclusion was that “la politique encourage clairement la mixité au sein d'un site, mais moins au niveau des immeubles” (R4)⁴. It is therefore worth questioning the degree to which this Bylaw for a Diverse Metropolis will truly make the city more diverse.

Beyond the increased costs, it is important to consider the development impacts of the bylaw. As we noted in the previous chapter, despite the City's efforts to have long-term coordination on this matter with the CMM, for the time being, this bylaw is only in-force on the island of Montreal. There is a fear that this could result in developers fleeing for the suburbs or

⁴ Translation: The policy clearly encourages mixity within a site, but not so much within a building.

other municipalities that are not subject to the bylaw (P2, R4, R9). While the extent to which this will happen in practice remains to be seen – it is conceivable that developers might prefer to deal with the additional layer of regulation than to work in a jurisdiction with which they are unfamiliar – the former municipal employee we interviewed reminded us that the reality with IZ is that if there is no new development of private units, there be no new development of social units either (P5). This means that, if developers do indeed flee from the city, the result will be fewer new units of all kinds in Montreal, including social and affordable housing. Even if they do remain within in the city, one survey respondent noted that “les offres de compensation monétaire ne permettent pas de réaliser rapidement des logements considérant la rareté des terrains et les coûts de construction” (R7)⁵. The result could be that development of all units happens at a slower pace than is necessary to keep up with current demand.

All of this raises questions about the bylaw’s value and cost. While it is undeniable that the bylaw will result in more social housing, it seems that the cost of this housing will be borne most heavily by the consumers of market-rate units, and not by the developers or their financiers. Furthermore, it is unclear both how rapidly and where the social units will be constructed, thereby posing questions about the bylaw’s ability to create real mixity in a timely manner. Accordingly, it remains to be seen whether the bylaw will provide good value for the costs that it entails.

The Problem With Affordability

Another significant issue that arose over the course of our data collection was the confusion surrounding the bylaw’s affordable housing requirement. It was a recurring theme among research participants that this section of the bylaw was poorly defined and lacking in detail. Furthermore, a number of respondents took issue with the few definitions that *were* included and noted various ways in which they are problematic:

Je dirais que la très grande faiblesse, pour moi très personnellement, du Règlement pour une métropole mixte, c’est la création d’une catégorie qui s’appelle ‘logement abordable’. Je pense que c’est une grave erreur, puis c’est peut-être une question de vocabulaire [...] Premièrement, sur la définition, logement abordable, tel que défini par le programme, c’est 90% du prix médian du quartier [...] Le fait que ça soit calqué sur le médian du quartier, puis il n’y a pas d’autre mécanisme pour contrôler les trajectoires des médians de quartier [...] ça veut dire que 90% du prix médian c’est, à toutes fins pratiques, le prix médian [...]

⁵ Translation: The monetary compensation [being offered to developers by the City] does not help developers build housing rapidly given the scarcity of lots and the costs of construction.

l'écart entre le médian et l'abordable, si c'est 90%, pourrait se dire invisible car on consulte les prix affichés parce qu'il y a déjà en ce moment des unités qui sont listés à 110%... (P3)⁶

This shows that, without any complementary programs to better control the price of the neighbourhood, the so-called affordable units produced under the bylaw will most probably not be very affordable at all. Furthermore, some respondents reminded us that the bylaw's most onerous affordability requirements only apply in two sectors of the city, so the creation of affordable units may not be very widespread (R2, P3). This poses the questions, if the affordability portion of the bylaw imposes extra costs on the development process, but does not deliver results in all sectors of the City and provides units that are barely more attainable than those produced without the extra regulatory burden, who is it intended to help?

Aggravating this situation is the fact that the bylaw does not differentiate between community and private developers:

Les projets de logement dits 'abordables' du règlement ne différencient pas ceux du privé versus ceux du communautaire. Nous [en tant que promoteur communautaire de logement abordable] sommes au point où la Ville reconnaît avoir potentiellement fait une erreur et doit déroger au règlement pour ne pas demander des redevances aux groupes communautaires. De plus, étant donné de la création d'une définition propre d'abordable, les projets communautaires tombant dans cette catégorie ne bénéficieront pas des mêmes avantages que les projets 'sociaux', comme le congé pour le paiement des taxes de parc (R4)⁷.

This is particularly frustrating for community developers as, even if the exemptions are granted, the lack of differentiation adds another layer of bureaucracy to navigate for a sector that is often stretched thin on resources at the best of times. The fact that the bylaw might slow down developers whose very 'raison d'être' is to fulfill this portion of the bylaw's mandate is certainly an indictment on the regulation's clarity. And, while it is possible that some of these kinks might be ironed out

⁶ Translation: I would say that the very significant weakness, for me personally, of the Bylaw for a Diverse Metropolis, is the creation of a category called 'affordable housing'. I think that this is a serious mistake, and it is maybe an issue relating the vocabulary used [...] Firstly, on the definition, affordable housing, as defined in the bylaw, is 90% of the neighbourhood's median price [...] The fact that this is calculated based on the neighbourhood's median price, and that there is no other mechanism to control the trajectory of median prices in the neighbourhood [...] it means that 90% of the median price is, in all practicality, the median price [...] the gap between the median and affordable, if it is 90%, can be said to be invisible because we are basing this on listed prices which themselves might already be at 110%...

⁷ Translation: The bylaw does not distinguish between 'affordable' units produced by the private sector and those produced by community developers. We [as a community-based affordable housing developer] have gotten to the point where the City recognizes that it may have made a mistake and that it now needs to make bylaw exemptions so as to not require community groups to pay contributions. What is more, given that the City created a separate definition for affordable housing, community developments falling within this category will not benefit from the same advantages as those classified as 'social', like the waiving of park taxes.

as the bylaw matures, for the time being, it seems that this portion of the bylaw leaves much to be desired in terms of the number of affordable units produced and the profoundness of their affordability.

Digging Deeper: The Mechanics of Social Housing

Beyond the direct outcomes of the bylaw, its adoption seems to have revealed existing preoccupations within the housing industry. Specifically, there seems to be some concern with the social housing system, the way it is funded and the way that social housing units get built in Montreal. It is no secret that the Canadian federal government has been reluctant to send funds to the social housing file for the last several decades, and one survey respondent pointed out that, while the bylaw may begin to address this systemic issue, it will be difficult to achieve significant changes to the social housing landscape without greater federal investment in the file (R6). While this is a relatively accepted fact in the housing policy world, a simultaneous lack of provincial funding for social housing could prove to be catastrophic in the context of the new bylaw:

Le plus gros problème potentiel est que le gouvernement provincial refuse d'investir dans le programme AccèsLogis qui est le programme de financement principal pour ces projets de logement social à Montréal. La Ville de Montréal pourrait être dans une situation très difficile si elle exige que les promoteurs développent des projets de logement social, mais a ensuite n'a pas l'argent à offrir aux groupes communautaires pour développer les projets. Ceci est spécialement problématique pour les projets clé en main. La Ville pourrait faire face à des poursuites si elle bloque des projets immobiliers (R4)⁸.

This could obviously have massive ramifications for the bylaw. The City has said that it prefers the keys-in-hand option, and the bylaw is setup in a way that prioritizes this. Therefore, the AccèsLogis program must be sufficiently and sustainably funded, such that the non-profit community groups that are at the heart of the program can effectively develop the required social housing in tandem with the private developer. As pointed out by the survey respondent, if even one project has a difficult time getting the social housing built because of a lack of subsidy from the AccèsLogis program, in turn resulting in the City's raising compliance concerns with the bylaw, there could be serious legal consequences for the City. These legal consequences will increase exponentially if many developers run into the same issue. While AccèsLogis is able to

⁸ Translation: The biggest potential problem is that the provincial government is refusing to invest in the AccèsLogis program – the main financing program for social housing projects in Montreal. The City of Montreal could be in a very difficult situation if it mandates that developers produce social housing but then does not have sufficient funds to give to the community groups to develop the projects. This is especially problematic for the keys-in-hand projects. The City could face lawsuits if it blocks development projects.

maintain current levels of development, the added pressure induced by the bylaw is likely to increase spending beyond sustainable levels given the deficiency of provincial and federal funding. This shortage of money could cause the City significant headaches in the years to come.

Other research participants raised more general issues with the AccèsLogis program. For example, the executive of a private development company we interviewed has also sat on the board of a non-profit housing provider. When trying to build social housing, the interviewee said they found the process to be rather challenging, namely because the AccèsLogis program was cumbersome and involved plenty of regulations (P4). Specifically, they mentioned that there were limitations on sizes and types of rooms allowed, thereby limiting what could be built with the subsidies. For example, they wanted to build a common room to allow residents to socialize, but had to fund it privately because common rooms were not provided for within the regulations (ibid). They experienced a similar problem when trying to furnish units with appliances (ibid). It therefore became clear to us that it would be frustrating for a non-profit developer to run into so many obstacles, especially when they are trying to provide more than the bare minimum. These issues are above and beyond the fact that the non-profit must go through a GRT in order to access the funding in the first place. This particular private developer said that the GRT system felt somewhat opaque given that there are only four GRTs in Montreal who are, on the one hand, competing against one another, but on the other hand, acting as social enterprises accompanying non-profits (ibid). This was echoed in a separate interview when the interviewee suggested that the GRT system is rather exclusive.

Together, all of these issues raise concerns about the nature of the AccèsLogis program. While nobody can deny the program's track record of producing social housing in Montreal and elsewhere in Quebec, there exist notable inefficiencies within the system. Most crucially is the funding issue, and, given that AccèsLogis may soon see an influx of new clients, it is an issue that will need to be resolved sooner rather than later. Thankfully, the program is in the midst of a revision, so changes could be coming soon. Until then, however the City and the province ought to strongly consider diversified funding mechanisms for social housing and less cumbersome ways of involving non-profit organizations in the development of non-market housing.

CHAPTER 5: ANALYSIS AND CONCLUSIONS

Equity Analysis

As explained in chapter one, the first research question that this study seeks to answer regards the extent to which the Bylaw for a Diverse Metropolis will succeed in creating equitable outcomes for housing affordability in Montreal. To answer this question, we developed an equity-based evaluative framework, using the KDI's equity evaluation framework as our template. See chapter one for details on how this framework works. Based on the broad, discursive interview and survey responses we received, we judged where on our Likert-scale the bylaw's predicted outcomes could be said to fall. Our judgements helped us systematically evaluate the extent to which the study's respondents feel the bylaw will generate equitable outcomes. The results are summarized in Figure 5.

Figure 5: Equity-focused evaluation

	Objective	Yes (5)	Likely (4)	Perhaps (3)	Unlikely (2)	No (1)
Economic	Will housing become and remain more attainable for the most vulnerable segments of society? (x2)	X				
	Will housing become and remain more attainable for moderate income-earners?				X	
	Will the pace of residential development in the city remain relatively constant?			X		
Social	Will the amount of mixity in the city be increased?			X		
	Will gentrification-induced displacement be avoided?		X			
	Will all areas of the region experience similar benefits?				X	
Physical	Will newly produced housing be in locations well-served by public services?		X			
	Will dwellings' design be reflective of the population's needs?			X		

Using the scoring scheme described in chapter one, we can give the bylaw a 'score' of 31/45 on our equity measure. There were several factors that contributed to this score. On the more positive side, the bylaw scores a perfect five in terms of making housing more available for the most vulnerable segments of society. This is largely due to the new social housing that the bylaw will generate. Because there are no opt-outs, and because the bylaw's thresholds are relatively

ambitious, it is assured that the bylaw will produce more social housing. And while there are valid questions about the efficacy of the bylaw in terms of reaching these thresholds, it is nonetheless undeniable that the bylaw mandates that more social housing be produced. Somewhat similarly, the bylaw scored a four on the question of whether gentrification-induced displacement will be avoided. This is because there was no indication in our data that the bylaw would accelerate existing gentrification patterns, and, if anything, there was optimism about the fact that the bylaw has created mechanisms for removing buildings from the market and transferring them to the non-profit community sector. Finally, there is reason to believe that the new dwellings that are produced will be reasonably well-integrated in public service zones, given that the social units produced will be within or near the private development, and given that the community sector will play a large role in planning many of the buildings.

On the more negative side, the bylaw scores poorly in terms of creating more attainable housing for middle-income households. As discussed in the previous chapter, the so-called affordable dwellings that the bylaw mandates, will likely not be very affordable, and the market-rate units will also increase in price. The only element preventing this category from being scored at a one is the fact that the bylaw's perennity clause may help maintain relative affordability years down the road. Another weak point is that not all regions are expected to experience similar benefits. Because the bylaw does not apply in the entire CMM, and because the bylaw has different applications within the city itself, the evenness of the bylaw's benefits depends entirely on private investment patterns. The remaining questions, relating to the pace of development, mixity and the suitability of housing design, have points both in favour and against, and, as such, must be given scores of three.

On the whole, while not obtaining an exceedingly high score, the bylaw does manage to score more than half of the points permitted within this evaluative framework. This means that the bylaw is a step toward creating equity in the city, but that it is simply one part of what ought to be a larger strategy of creating housing affordability, mixity and equity. It is not a silver-bullet solution to the issue.

The Financialization of Housing

On that note, the second research question this paper seeks to answer is 'to what extent can municipalities successfully use market-based interventions to maintain housing affordability in increasingly expensive real estate markets?' Something that was made abundantly clear throughout

the entire data collection process, beyond the possible outcomes of the bylaw, was that the current housing situation has a systemic issue with deep ties to investment patterns and production of capital. While this is not necessarily a revelation – it is a well documented phenomenon (Baxamusa, 2020; Madden & Marcuse 2016; among others) – it was striking to see just how much this theme came up in the interview and survey responses. This notion was first presented when participants were discussing the ways that housing is funded. The private developer we interviewed, for example, noted that developers have financial obligations to fill on behalf of their shareholders and investors (P5). As discussed in chapter two, the developers can afford to provide only so much for public good, otherwise there is a risk that these investors will pull out and the project can stall. On a similar note, the director of development for an urbanism firm whom we interviewed noted that much of the capital that is used for real estate development is “in-and-out” capital, wherein funders are looking to get a handsome return on their investment quickly (P1). Given that a developer’s project is dependent on receiving this funding, it can be extremely difficult for developers to build affordable housing, in spite of how good their intentions might be. The fact that Montreal is seen as having an unexploited real estate market (R4) only adds to the number of investors that are looking to make quick profit.

As the development director put it, this creates a somewhat contradictory dichotomy wherein housing is required both to fill an important social need, and to meet the investors’ desire to move capital (P1). It is difficult to reconcile these two interests, and, as the trends across Canada have shown, it seems the desire to move capital has been taking priority over the desire to fill social need. The Bylaw for a Diverse Metropolis tries to reduce the gap between these two aspirations, and to its credit, it begins that journey by presenting some compelling social housing additions. Having said this, the bylaw remains a market-based tool and it therefore relies on the private sector to fulfill a larger societal need. This private sector reliance leaves some people skeptical of the bylaw’s potential to produce widespread positive results (R2, R5), and even the private developer we interviewed said that the issue at hand goes far beyond mixity:

We are talking about economic disparity and economic disparity is big. It’s bigger than me. [It is a] crisis that’s happening in all major cities, where people are getting priced out, and old areas that are cool and fun are getting gentrified, and the people who made them cool and fun are getting priced out – the artists, the coffee shop owners. [...] I think that this is a global phenomenon of urbanity and I think it’s a problem. I don’t know what the answer is, and I don’t think it’s a simple answer [...] There’s a lot of factors, but I don’t think the [bylaw] is going to solve things, [at least] not on a macro scale (P4).

Clearly, there are numerous other issues at play which must be addressed – including uncontrolled rent, speculative investment and vacant dwellings, to name but a few – but which are beyond the scope of the bylaw.

Chief among these other issues that must be address is the idea of property (see Blomley, 2016). As numerous research participants pointed out to us, real estate development, at its core, comes down to the price of land (P2, P3). And while prices are different everywhere, the general trend across Canada is that land is becoming scarcer and prices are increasing to astronomical levels. For some actors, however, this is not a problem. To illustrate this, the housing coordinator for a firm working on urban issues whom we interviewed provided a hypothetical example of someone who purchased a building in the Plateau in the early 2000s; at that time, prices were a fifth or a sixth of what they are today, so if the buyer held on to their property since then, they are likely to be protective of the high land prices (P3). This same interviewee mentioned that there is also an incentive for governments to maintain high land values because, as evidenced by the sources of GDP growth in recent years, it increases the country's GDP and increases the amount of tax revenue the municipality can take in (*ibid*). This is especially attractive for municipalities given that they must maintain balanced budgets and their sole form of taxation is property tax. In this light, people's skepticism of the bylaw's impact becomes understandable: does it truly change the paradigm around land value and the fulfillment of public need?

Toward De-financialization

To be fair, the City does not pretend to tackle any of these issues with its bylaw. The new rules are much more modestly sold as a way of increasing mixity in the City by mandating social, affordable and family housing. Simply put, it is one tool in the toolbox for addressing the issue and should not be overestimated in its potential. Accordingly, other jurisdictions may find value in adopting similar legislation as a tool of their own, providing that they adapt it to their local context⁹. Whether in Montreal or beyond, however, an important takeaway here is that the market-based inclusionary zoning bylaws are not a panacea and therefore stand to benefit from complementary strategies. In this regard, non-market and community-based strategies hold a great

⁹ For example, Montreal and Quebec more broadly both have long-standing programs funding social housing, and the infrastructure is therefore already in place when it comes to asking developers to contribute to this type of housing. Similar infrastructure may not be in place in other provinces, however, and other municipalities would therefore need to craft new bylaws in a way that complement the structures that already exist. Beyond this, other jurisdictions should provide additional clarity on the question of 'affordable' housing than did Montreal.

deal of promise (P1, P3, several survey respondents). Indeed, if we are to truly confront this notion of ‘property’, perhaps the best solution is to allocate greater funding to out-of-market housing solutions. This could come not just in the form of State-produced social housing, but also in the form of non-profit housing developments and cooperatives. And while such initiatives do already exist, it would be interesting to see in future research or pilot projects if such initiatives could be feasibly scaled up to more significantly disrupt the market. More broadly, there is a need for greater creativity in terms of finding “capital solutions” (P1). To this end, governments would do well to encourage the creation alternative sources of seed capital for housing so as to go beyond relying on the capital of the profit-hungry investors who dictate much of today’s real estate market. Tangibly, this could mean directing larger amounts of government investment to community-based housing organizations, or perhaps creating a subsidy and incentivization structure for community-housing start-ups with a mission to build non-profit housing.

The idea of the free market is entrenched as an integral part of Canadian housing production, and to be sure, there are some good reasons for this. To expect an overnight transformation of this reality is unrealistic and perhaps even undesirable. Having said this, the pendulum of housing control has swung so far in the direction of financialized power that it has pushed many people into housing precarity and has challenged the notion that housing is a basic human right. While not necessarily advocating for an absolute and total departure from market-based housing, we must acknowledge that market-based housing and its associated programs, such as IZ, are limited in terms of the equity they can generate. We are living in a situation where one’s likelihood of experiencing homelessness is inversely proportional to one’s capacity to pay, all while one’s capacity to pay is becoming increasingly eroded by financialization. For the lucky few this is a boon, but for the vast majority this represents a bleak and perilous future. Moving forward, governments, civil society organizations and even private sector actors have a responsibility to consider what non-market solutions they might implement to supplement IZ programs and create long-term housing attainability.

LIST OF INTERVIEWEES

All people interviewed are professionals involved in housing in Montreal. They are thus very familiar with the city and its housing context. While their identities will remain strictly confidential, for sake of transparency, we are providing a list of their professional roles:

- P1: Director of development for an urbanism firm; background in finance and real estate;
- P2: Director of development for a non-profit housing developer;
- P3: Housing coordinator for a firm concentrating on urban issues;
- P4: Executive for a private housing development company which positions itself as adopting responsible pricing, aiming for prices below normal market rate. Has also sat on the board of a non-profit housing provider; and
- P5: Former City of Montreal employee who worked in the municipal housing office.

BIBLIOGRAPHY

- Aalbers, M. B. (2016). *The financialization of housing: A political economy approach*. Routledge. <https://doi.org/10.4324/9781315668666>
- August, M. (2020). The financialization of Canadian multi-family rental housing: From trailer to tower. *Journal of Urban Affairs*, 42(7), 975-997.
<https://doi.org/10.1080/07352166.2019.1705846>
- August, M., & Tolfo, G. (2018). Inclusionary zoning: Six insights from international experience. *Plan Canada*, Winter 2018, 6-11.
- August, M. & Walks, A. (2018). Gentrification, suburban decline, and the financialization of multi-family rental housing: The case of Toronto. *Geoforum*, 89, 124-136.
<https://doi.org/10.1016/j.geoforum.2017.04.011>
- Barron, K., Kung, E., & Proserpio, D. (2020). The Effect of Home-Sharing on House Prices and Rents: Evidence from Airbnb. *SSRN Electronic Journal*.
<http://dx.doi.org/10.2139/ssrn.3006832>
- Baxamusa, M. (2020). *A new model for housing finance: Public and private sectors working together to build affordability*. Routledge. <https://doi.org/10.4324/9781003015857>
- Bento, A., Lowe, S., Knaap, G.-J., & Chakraborty, A. (2009). Housing market effects of inclusionary zoning. *Cityscape*, 11(2), 7-26.
- Blomley, N. (2016). The territory of property. *Progress in Human Geography*, 40(5), 593-609.
<https://doi.org/10.1177/0309132515596380>
- Boddy, M., & Gray, F. (1979). Filtering theory, housing policy, and the legitimization of inequality. *Policy & Politics* 7(1), 39-54. <https://doi.org/10.1332/030557379783246335>
- Bourne, L. S., & Bunting, T. E. (1993). Housing markets, community development, and neighbourhood change. In L. S. Bourne & D. Ley (Eds.), *The changing social geography of Canadian cities* (pp. 175-195). McGill-Queen's University Press.
- Brousseau-Pouliot, V. (2021, August 18). *Logements abordables pour spéculateurs et fils à papa*. La Presse. https://plus.lapresse.ca/screens/eefe6f51-52b2-428a-a9d4-129229684e08_7C_0.html?utm_content=email&utm_source=lpp&utm_medium=referral&utm_campaign=internal+share

- Calavita, N., & Grimes, K. (1998). Inclusionary housing in California: The experience of two decades. *Journal of the American Planning Association*, 64(2), 150-169.
<https://doi.org/10.1080/01944369808975973>
- Canada Mortgage and Housing Corporation. (2021, January 28). *2020 rental market report*.
<https://www.cmhc-schl.gc.ca/en/blog/2021/2020-rental-market-report>
- Chakraborty, A. (2020). Calls to end all single-family zoning need more scrutiny. *Journal of the American Planning Association*, 86(1), 123-124.
<https://doi.org/10.1080/01944363.2019.1689015>
- Collier, N. S., Collier, C. A., & Halperin. (2008). *Construction funding: The process of real estate development, appraisal, and finance*. John Wiley & Sons.
<https://doi.org/10.1002/9780470259931>
- D'Amours, M. (2020, January 24). *Evictions on the rise as Montreal's vacancy rate hits 15-year low*. CBC. <https://www.cbc.ca/news/canada/montreal/rosemont-petite-patrie-montreal-housing-vacancy-evictions-reposessions-1.5438084>
- Davison, G., Han, H., & Liu, E. (2017). The impacts of affordable housing development on host neighbourhoods: Two Australian case studies. *Journal of Housing and the Built Environment*, 32, 733-753.
<https://doi.org/10.1007/s10901-016-9538-x>
- Dawkins, C., Sik Jeon, J., & Knaap, G-J. (2017). Creating and preserving affordable homeownership opportunities: Does inclusionary zoning make sense? *Journal of Planning Education and Research*, 37(4), 444-456.
<https://doi.org/10.1177/0739456X16659763>
- DesBaillets, D. (2019). The fight for affordable housing in the cities [Audio podcast episode]. In *Unpacking the news*. Ricochet. <https://ricochet.media/en/2816/the-fight-for-affordable-housing-in-the-cities>
- Ehrenreich, B. (2001). *Nickel and dimed: On (not) getting by in America*. Henry Holt and Company.
- Fields, D. (2017). Unwilling subjects of financialization. *International Journal of Urban and Regional Research*, 41(4), 588-603. <https://doi.org/10.1111/1468-2427.12519>
- Fischel, W. A. (2004). An economic history of zoning and a cure for its exclusionary effects. *Urban Studies* 41(2), 317-340. <https://doi.org/10.1080/0042098032000165271>

- Freemark, Y. (2020). Upzoning Chicago: Impacts of a zoning reform on property values and housing construction. *Urban Affairs Review* 56(3), 758-789.
<https://doi.org/10.1177/1078087418824672>
- Gaudreau, L., & Johnson, M. (2019). *Spéculation immobilière et accès au logement : Trois propositions pour Montréal*. Institut de recherche et d'informations socioéconomiques.
<http://iris-recherche.qc.ca/publications/logementlocatif.enw>
- Glaeser, E. L., & Gyourko, J. (2003). The impact of building restrictions on housing affordability. *Economic Policy Review*, 9(2), 21-39.
- Granath Hansson, A. (2019). City strategies for affordable housing: The approaches of Berlin, Hamburg, Stockholm, and Gothenburg. *International Journal of Housing Policy* 19(1), 95-119. <https://doi.org/10.1080/19491247.2017.1278581>
- Hackworth, J. (2016). Defiant neoliberalism and the danger of Detroit. *Tijdschrift voor economische en sociale geografie*, 107(5), 540-551.
<https://doi.org/10.1111/tesg.12184>
- Hickey, R., Sturtevant, L., & Thaden, E. (2014). *Achieving lasting affordability through inclusionary housing*. Lincoln Institute of Land Policy.
<https://www.law.du.edu/documents/rmlui/conference/handouts/2015/ElliottDRisingInterestInclusionaryHousingOrdinances.pdf>
- Hirt, S. A. (2015). *Zoned in the USA: The origins and implications of American Land-Use Regulation*. Cornell University Press.
- Hogue, R. (2021, June 28). *Housing trends and affordability – June 2021*. Royal Bank of Canada. <https://thoughtleadership.rbc.com/pandemic-affordability-relief-was-short-lived-for-canadian-home-buyers/>
- Holleran, M. (2020). Millennial ‘YIMBYs’ and boomer ‘NIMBYs’: Generational views on housing affordability in the United States. *The Sociological Review*, 1-16.
<https://doi.org/10.1177/0038026120916121>
- Hughen, W. K., & Read, D. C. (2014). Inclusionary housing policies, stigma effects and strategic production decisions. *The Journal of Real Estate Finance and Economics*, 48(4), 589-610. <https://doi.org/10.1007/s11146-013-9402-7>
- Imbroscio, D. (2019). Rethinking exclusionary zoning or: How I stopped worrying and learned to love it. *Urban Affairs Review*, 1-38. <https://doi.org/10.1177/1078087419879762>

- Kontokosta, C. E. (2014). Mixed-income housing and neighborhood integration: Evidence from inclusionary zoning programs. *Journal of Urban Affairs*, 36(4), 716-741.
<https://doi.org/10.1111/juaf.12068>
- Kounkuey Design Initiative. (n.d.). *Approach*. <https://www.kounkuey.org/about/approach>
- Lindeman, T. (2020, March 25). *Flipping Out*. Maisonneuve.
<https://maisonneuve.org/article/2020/03/25/flipping-out/>
- Madden, D., & Marcuse, P. (2016). *In defense of housing: The politics of crisis*. Verso.
- Mancini, M., & Common, D. (2019, December 30). 'Renoviction' rates soar due to big-city housing crunch. CBC. <https://www.cbc.ca/news/canada/renovictions-housing-shortage-1.5400594>
- Manville, M., Monkkonen, P., & Lens, M. (2020). It's time to end single-family zoning. *Journal of the American Planning Association*, 86(1), 106-112.
<https://doi.org/10.1080/01944363.2019.1651216>
- McElroy, E., & Szeto, A. (2017). The racial contours of YIMBY/NIMBY Bay Area gentrification. *Berkeley Planning Journal*, 29(1), 7-46.
<https://doi.org/10.5070/BP329138432>
- Peck, J. (2016). Economic rationality meets celebrity urbanology: Exploring Edward Glaeser's city. *International Journal of Urban and Regional Research*, 40(1), 1-30.
<https://doi.org/10.1111/1468-2427.12321>
- Ratcliff, R. U. (1949). *Urban Land Economics*. McGraw-Hill Book Company.
- Rosenthal, S. S. (2014). Are private markets and filtering a viable source of low-income housing? Estimates from a "repeat income" model. *American Economic Review*, 104(2), 687-706. <https://doi.org/10.1257/aer.104.2.687>
- Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright Publishing.
- Schuetz, J., Meltzer, R., & Been, V. (2011). Silver bullet or Trojan horse? The effects of inclusionary zoning on local housing markets in the United States. *Urban Studies*, 48(2), 297-329. <https://doi.org/10.1177/0042098009360683>
- Stabrowski, F. (2015). Inclusionary zoning and exclusionary development: The politics of 'affordable housing' in North Brooklyn. *International Journal of Urban and Regional Research*, 39(6), 1120-1136. <https://doi.org/10.1111/1468-2427.12297>

- Sturtevant, L. A. (2016). *Separating fact from fiction to design effective inclusionary housing programs*. Center for Housing Policy, National Housing Conference.
https://www.honolulu.gov/rep/site/dppto/officehousing_docs/ahr_docs/Separating-Fact-from-Fiction-to-Design-Inclusionary-Housing-Programs_Sturtevant_2016.pdf
- Talbert, C. T., & Costa, N. L. (2005). Current issues in inclusionary zoning. *URBAN LAWYER*, 37(3), 513-528.
- Talen, E. (2012). *City rules: How regulations affect urban form*. Island Press.
- Tekin, E. (2020, June 26). *A timeline of affordability: How have home prices and household incomes changed since 1960?*. Clever.
<https://listwiththeclever.com/research/home-price-v-income-historical-study/>
- Von Hoffman, A. (2019). *The ingredients of equitable development planning: A cross-case analysis of equitable development planning and CDFIs*. Joint Center for Housing Studies of Harvard University.
https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_Ingredients_Equitable_Development_Planning.pdf
- Ville de Montréal. (2005). *Strategy for the inclusion of affordable housing in new residential projects*.
http://servicesenligne.ville.montreal.qc.ca/sel/publications/PorteAccesTelechargement?lng=Fr&systemName=7757558&client=Serv_corp
- Ville de Montréal. (2015). *Présentation des modifications apportées en décembre 2015 à la Stratégie d'inclusion de logements abordables dans les nouveaux projets résidentiels*.
http://ville.montreal.qc.ca/pls/portal/docs/PAGE/HABITATION_FR/MEDIA/DOCUMENTS/REV_STRATEGIE_INCLUSION.pdf
- Ville de Montréal. (2020). *Règlement pour une métropole mixte : Montréal, métropole de l'habitation*. https://portail-m4s.s3.montreal.ca/pdf/rmm_document_explicatif.pdf
- Wachsmuth, D., & Weisler, A. (2018). Airbnb and the rent gap: Gentrification through the sharing economy. *Environment and Planning A: Economy and Space*, 50(6), 1147–1170.
<https://doi.org/10.1177/0308518X18778038>
- Wellesley Institute. (2009). *Montreal QB: Inclusionary housing strategy*.
<https://www.wellesleyinstitute.com/wp-content/uploads/2010/03/CaseStudyMontreal.pdf>

- Wegmann, J. (2020). Death to single family zoning...and new life to the missing middle. *Journal of the American Planning Association*, 86(1), 113-119.
<https://doi.org/10.1080/01944363.2019.1651217>
- Wiener, R. J., & Barton, S. E. (2014). The underpinnings of inclusionary housing in California: Current practice and emerging market and legal challenges. *Journal of Housing and the Built Environment*, 29(3), 403-422. <https://doi.org/10.1007/s10901-013-9355-4>
- Wowa. (2021, May 4). *Montreal housing market report*. <https://wowa.ca/montreal-housing-market>