



Financial Services Staff Report

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Report Title: Property Tax Exemption for Affordable Housing
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Final Review: Chief Administrative Officer

Recommendation:

That the Council of the Township of Woolwich, considering Report F17-2024 respecting Property Tax Exemption for Affordable Housing:

1. Support participation in the Region of Waterloo's property tax exemption program for Roll number 30-29-010-001-25000-0000 by providing a property tax exemption for the Township's portion of the levy for a period of 20 years starting in 2025; and
2. Adopt the attached By-law to provide Property Tax Exemption for Roll Number 30-29-010-001-25000-0000.

Background:

The Region of Waterloo recently established a program to provide a property tax exemption to certain affordable housing providers. The Region has requested that the area municipalities participate in this program by providing an exemption for their portion of taxes on eligible properties.

On March 5, 2024, the Regional Municipality of Waterloo approved the creation of a property tax exemption program for qualifying affordable housing providers. The main purpose of program is to incentivize the creation of new affordable housing units and to prevent existing affordable housing units from reverting to full market rent upon expiry of existing long-term agreements with the Region.

Through the Regional by-law, only the Region and the Education portion of the levy is exempt. The Township's portion of the levy can only be exempt if the Township as a

lower tier, chooses to participate in the program and passes a by-law to that extent. It is also important to highlight that the Township's portion of the levy is approximately 28% of the total property taxes with the Region and Education share being 64% and 8% respectively on a property classified as multi-residential.

Staff have reviewed the Region's program and have identified only one property in the Township that meets the eligibility criteria. This property is owned by a not-for-profit organization, has rent at or below 80% of Average Market Rent and has 30% of the residential units designated for affordable rent. This property has applied to the Region and has been approved internally for the tax exemption of the regional and education portion of taxes.

Staff are recommending that Council support a property tax exemption for this property as this would preserve long term affordable housing for their low-to-moderate income tenants. This program may also provide an incentive for future growth of new affordable housing units in the Township of Woolwich.

It is recommended that Council support participation in the Region's property tax exemption on an application basis for a period of 20 years starting in 2025. This will allow the Township to provide property tax relief to not-for-profit and co-operatives who operate affordable housing units. Further, it will allow staff an opportunity to assess each application based on the following:

- The outcome of the exemption in the first year of the program
- The potential tax shifts/increases an exemption may create for other tax-paying properties
- The level of interest from for-profit developers for this affordable housing incentive and potential to include them in the program.
- The appropriate duration of a property tax exemption program and potential sunset provisions.

The recommendation of approving a specific roll number (case by case) limits the blanket approval of all applications. Regardless of the Township's approval applicants would still get relief from the Regional and Educational portion of the property tax levy which forms the largest portion of the tax burden. It is expected that after the first full year of implementation, staff will be able assess the program's effectiveness and make further recommendations related to the Township's increased participation in the Regional program.

Comments:

Affordable housing remains a significant challenge to many residents in the community. As rents continue to rise, providers of affordable housing units have a crucial role to play in addressing the issue of developing and managing housing units which are accessible to low to moderate individuals and families.

By implementing a property tax exemption that aligns with the Region of Waterloo, qualifying property owners will have financial assistance needed to provide affordable housing. Property tax is a major expense for property owners which may deter owners from offering affordable housing.

This report considers the implementation of a property tax exemption for affordable housing with details on the following:

- Relevant legislation
- Overview of the Region of Waterloo program
- Other considerations

Relevant legislation

There are two pathways where a provider of affordable housing may be considered for a property tax exemption under legislation. The Assessment Act and the Municipal Act, 2001 have provisions for a property owner who provides affordable housing to qualify for a property tax exemption.

Under the Assessment Act, the Municipal Property Assessment Corporation (MPAC) may provide a tax exemption for any charitable, non-profit philanthropic corporation organized for the relief of the poor if the corporation is supported in part by public funds. There are properties in the multi-residential, new multi-residential class which currently qualify and receive this exemption based on MPAC's assessment.

To qualify for a property tax exemption under the Assessment Act, applicants must meet certain criteria including:

- Being the owners of the property
- The land must be used and occupied by a charitable, not-for-profit philanthropic corporation
- The charitable, not-for-profit philanthropic corporation must be organized for the relief of the poor and supported in part by public funds.

The onus to apply and request an exemption under this legislation is on the property owner. MPAC will review the application and has several documentation requirements to be provided and completed by the property owner to ensure the spirit of the legislation has been met before approval for a property tax exemption is granted. The entire process can take between 6-12 months.

Section 110(6) of the Municipal Act, 2001, permits municipalities to enter into Municipal Capital Facilities Agreements with not-for-profit and for-profit developers to provide incentives in exchange for affordable housing. These incentives may include loans, use of property, reduction/exemption of development charges or property taxes.

In a two-tier system, the lower tier is required to pass a by-law exempting the Township's portion of the property taxes if it wishes to participate in the Regional program.

MPAC has indicated that applications under this legislation will also require their oversight with estimated timelines of between 6-12 months per applicant to get to the approval stage.

Overview of the Region of Waterloo's Program

The Region of Waterloo, through the implementation of a property tax exemption policy for affordable housing units is seeking to:

1. Provide incentives for the creation of affordable housing units
2. Prevent the loss of existing affordable housing units. Between 2001 and 2020, twenty-one buildings were developed by private developers who received capital grants in exchange for providing some affordable housing units within their buildings for a term between 20 to 25 years. These agreements are expiring and therefore there is concern that these affordable units will flip to market rate if further incentives are not provided; and,
3. Create an additional incentive tool to improve the affordable housing stock in the Region.

The Regional program requires qualified providers of affordable housing units (for-profit, not-for-profit and co-operative housing providers) to commit to maintaining affordable housing units for a period of up to 60 years (minimum 20 years depending on the useful life of building) to receive the property tax exemption. The application intake process for this program was initiated in June 2024. It is expected that many of the not-for-profit and co-operative providers of affordable housing will apply for this program. It is unknown at this time whether the for-profit sector will be interested in committing to a 60-year period. Assessment and applicant eligibility will need to be reviewed by MPAC which could take up to one year before an applicant is approved for a tax exemption under this program.

Eligibility criteria to participate in the Region's program includes but is not limited to

1. Affordable rental housing represents a minimum of 30% of the total residential units in a building (with six or more units).
2. Affordability means rents at or below 80% of Average Market Rate (AMR) in the Kitchener-Waterloo-Cambridge Census Metropolitan Area (CMA).
3. Affordable rents must be provided for a term of 60 years or the remaining useful life of the building (minimum 20 years).

Interdepartmental Impacts:

None

Financial Impacts:

Implementing a property tax exemption for affordable housing properties will have no impact on the Township's total property tax levy revenue. However, this tax exemption will result in a shift of tax burden on to all other property tax classes resulting in slightly higher tax rates for all taxable classes, including residential, multi-residential, new multi-residential, commercial and industrial. The exact amount of the tax shift is unknown currently as it is dependant on the number of properties that apply and are approved under this program. The tax shift based on 2024 taxes for roll number 30-29-010-001-25000-0000 would be approximately \$11,500.00.

Community Strategic Plan Impacts:

- Cultivate long-term economic prosperity: *We will carefully navigate the planning and development of our communities through phased and managed growth that supports economic sustainability and community well-being by providing tax exemptions to affordable housing units.*

Conclusion:

Staff identified one property in the Township that would potentially qualify for the property tax exemption. Roll number 30-29-010-001-25000-0000 meets the eligibility criteria for the Region of Waterloo affordable housing tax exemption program and staff are recommending providing a property tax exemption for the Township's portion of the levy to for a period of 20 years starting in 2025.

Further, it is recommended that Council support participation in the Region's property tax exemption program on an application basis. This will allow the Township to assess the merits of each application to determine if it supports the broader affordable housing goals and potential financial impacts.

Attachments:

1. Attachment A - Region of Waterloo Affordable Housing Policy and Program Incentives
2. Attachment B - Property Tax Exemption for Affordable Housing By-law