

Region of Waterloo
Community Services
Housing Services

To: Community and Health Services Committee
Meeting Date: April 8, 2025
Report Title: Property Tax Exemption for Affordable Housing Program Update

1. Recommendation

That the Regional Municipality of Waterloo approve the proposed housekeeping amendments to the Property Tax Exemption for Affordable Housing Program as detailed in Appendix A and as outlined in report CSD-HOU-25-004, dated April 8, 2025.

That the Regional Municipality of Waterloo request to the Province of Ontario and the Canadian Revenue Agency to change the eligibility requirements for the Ontario Trillium Benefit to allow for tenants in property-tax exempt housing deemed affordable by a municipality or other government body to remain eligible for the Ontario Energy and Property Tax Credit, as outlined in report CSD-HOU-25-004, dated April 8, 2025.

2. Purpose / Issue:

To provide Council with an update on the implementation of the Property Tax Exemption for Affordable Housing Program (the Program), including proposed housekeeping amendments and outlining the continued negative impact on households accessing the Ontario Trillium Benefit.

3. Strategic Plan:

This report supports the strategic priority, Homes for All in the Region's approved Corporate Strategic Plan 2023-2027 by moving to create affordable, accessible, and equitable housing by increasing access to affordable homes that cost less than 30% of household income across the region and investing in upstream solutions to reduce housing and economic precarity by focusing on preventative interventions.

4. Report Highlights:

- The Property Tax Exemption for Affordable Housing Program (the Program) is a policy incentive for new affordable housing, existing community housing providers reaching End of Mortgage, and preservation of existing affordable housing in the private market.
- The Program is designed to lower operational costs and is meant to work either on

its own or alongside other incentives to produce deeper affordability.

- Since the Program was implemented in 2024, nine applications have been received, one rejected, one opted out of the process, and seven approved. Of the seven approved, three have signed agreements that have been passed onto the Municipal Property Assessment Corporation (MPAC) for processing.
- Housekeeping amendments to the Program are recommended to ensure the Program is effective and responsive while upholding the program goals and objectives.
- While the Program increases the financial sustainability of affordable housing providers, it also negatively impacts households with low-to-moderate incomes accessing the Ontario Trillium Benefit (OTB), which is operated by the Canadian Revenue Agency (CRA) on behalf of the Province.
- The CRA's position is that households within a tax-exempt property are not eligible for the OTB. If CRA were to change their position to allow households living in housing deemed affordable by a municipality or other government body, to access property and energy tax credits through the OTB, irrespective of property tax exemption, it would allow for the OTB to work with the Program, instead of against it, by reducing housing costs and providing a rebate to those who need it.

5. Background:

On March 20, 2024, Regional Council approved the Property Tax Exemption for Affordable Housing Program (the Program) as a policy incentive for new affordable housing, existing community housing providers reaching End of Mortgage, and to encourage the preservation of existing affordable housing in the private market (CSD-HOU-24-004). Designed to lower operational costs, the Program is meant to be used on its own, or in combination with other incentives and programs from the Region and/or other sources such as Area Municipalities and Canada Mortgage and Housing Corporation (CMHC). This includes but is not limited to portable rent supplements, Rent-Geared-to-Income (RGI) funding, and acquisition programs.

The affordability threshold for the Program is eighty percent average market rent (80% AMR) to create affordability for households with low-to-moderate incomes. Stacking this program with other incentives helps further lower rents in these buildings to create deeper levels of affordability for households with very-low-to-low incomes. The Program also enables generational affordability by setting a 60-year term length standard.

Program Amendments

Through the implementation of the Program, some adjustments have been made to

ensure that the Program is effective and responsive while upholding the program goals and objectives. As such, proposed revisions to the Program (see Appendix A) include:

- Update to a rolling application to reflect implementation and align with housing provider feedback;
- Annual update of the affordability and maximum household income thresholds to reflect the most recent (2024) Canada Housing and Mortgage Corporation (CMHC) rental market data;
- Allow for rental housing provided in a condominium-registered building to be eligible on a case-by-case basis;
- Allow for tenant ledgers or lease agreements to be acceptable proof of rent;
- Formally include rent rolls for application documents; and
- Update the review and approval process to reflect implementation now that the Program has been approved.

The initial Program (see Appendix B) is included for comparison with the recommended revisions.

Program Uptake

Since July 2024, nine applications have been received for the Program, of which one was rejected, one opted out of the process, one is currently under review, and seven have been approved. Of the seven approved applications, three have signed agreements that have been passed onto the Municipal Property Assessment Corporation (MPAC) for processing, which may take six to twelve months. This means that successful applicants may receive an unadjusted tax bill in the first year of being granted the exemption, but a supplementary tax bill will make the adjustment to reflect the exemption in the following year.

Of those approved, four are in Kitchener, two in Waterloo, and one in Wilmot, which will preserve 368 units of existing community housing and 35 units from the private market (see Appendix C for details).

Most applications (six out of nine) have been from existing community housing providers reaching End of Mortgage, indicating the potential benefit of this program for the financial sustainability of community housing. These providers receive subsidies for property taxes, however, once they reach End of Mortgage they no longer receive these subsidies, impacting their financial sustainability and ability to maintain affordable non-market housing.

Ontario Trillium Benefit

While the Program incentivizes the creation and preservation of affordable housing, it can also produce a negative impact on households who become ineligible for the

refundable property tax and energy credits available through the Ontario Trillium Benefit (OTB) (see CSD-HOU-24-004 for initial identification of barrier). The OTB is a tax-free payment designed to help households with low-to-moderate incomes yet specifically limits who can access this credit based on whether a household lives in property tax-exempt housing.

The OTB is legislated and funded by the Province of Ontario and the Canada Revenue Agency (CRA) administers this program on behalf of the Province. It is CRA's position that households within a tax-exempt property are not eligible for the OTB (see Appendix C for eligibility). If CRA were to change their position to allow households living in housing deemed affordable by a municipality or other government body, to access property and energy tax credits through the OTB, irrespective of property tax exemption, it would allow for the OTB to work with the Program, instead of against it, by reducing housing costs for those who need it.

The amount of credit received through the OTB is dependent on income and household composition. The maximum household benefit amount ranges from \$1,248 (for those between the ages of 18 to 64) to \$1,421 (for seniors).

6. Communication and Engagement with Area Municipalities and the Public

Area Municipalities: Area Municipalities through the Intra-Municipal Working Group and the Waterloo Area Municipal Treasurers provided feedback that was implemented during the Program creation process (CSD-HOU-24-004). Regional staff continue to work with Area Municipalities on the creation of affordable housing, including the implementation of innovative housing solutions that meet the needs of diverse populations across the Waterloo Region.

Through the Program, the Region of Waterloo can exempt the Regional and Educational portions of affordable housing providers' property taxes. In a two-tiered municipal structure, the creation of a Regional Program is the first step for using property tax exemption as an affordable housing incentive, as it enables Area Municipalities the choice to participate through a common program and exempt their portion of property taxes. Since implementation of the Program, the Cities of Cambridge, Kitchener, and Waterloo have passed by-laws enabling the exemption of their portion of property taxes under the Program.

Collaboration with the Area Municipalities continues through the Area Treasurers. Region staff provide regular updates to the Area Municipalities about the implementation of the Program, including when applications are received, when applications are approved for the Program, and when agreements are signed with successful applicants.

Public: The Centre for Community Housing Engagement, Excellence, and Resiliency (CHEER) is a group of community housing providers and representatives formed to provide guidance on End of Mortgage. In December 2023, staff engaged with CHEER who provided feedback and insights into property tax exemption (CSD-HOU-24-004). This engagement informed the creation and implementation of the Program, as well as the identification of the negative impact the Program can have on households accessing the Ontario Trillium Benefit (OTB). Housing providers continue to raise concerns related to the household impact of this program and support advocacy efforts to change the OTB requirement related to property tax exemption so that the Program and the OTB can work in coordination instead of opposition when it comes to affordable housing for households with low-to-moderate-incomes.

7. Financial Implications:

Since the inception of this program, three Non-Profit/Co-operative housing providers have a signed Property Tax Exemption for Affordable Housing agreements. The effective dates for the agreements and proponents are presented in Appendix C.

Under the Non-Profit/Cooperative housing program, housing providers only receive property tax funding under the funding model as required under the Housing Services Act 2011 (HSA 2011). Once a provider reaches End of Mortgage (EOM), the property tax subsidy is no longer funded. The three housing providers with signed agreements have or will have reach EOM in 2025 and the property exemption does not overlap with the property tax funding, as required under the HSA 2011 funding model.

As noted in report CSD-HOU-24-004, tax exemptions provided through a municipal housing facilities agreement have an in-year tax adjustment from the effective date until the year they are reclassified, and no impact on the Regional or Area Municipal property tax levy in the year following the reclassification. Moving a property from a taxable status to an exempt status on the assessment roll impacts the overall amount of assessment upon which municipal taxes are levied, resulting in a slightly lower level of net assessment growth in the year following the reclassification. Using 2024 data, the 2025 in-year Regional, Area Municipal and education tax adjustment is a decrease of \$107,000.

8. Conclusion / Next Steps:

Staff will continue to deliver the Program and based on Council's direction will update the Program with the proposed housekeeping amendments to ensure program effectiveness and responsiveness, while maintaining program goals and objectives.

Staff will continue to engage with area municipalities to update them about program

uptake and to support interested area municipalities in the creation of their own by-law under the use of the common Program application process administered by the Region of Waterloo.

9. Attachments:

Appendix A: Property Tax Exemption for Affordable Housing Program (with proposed updates)

Appendix B: Property Tax Exemption for Affordable Housing Program (original)

Appendix C: Overview of Approved Proponents

Appendix D: Ontario Trillium Benefit (OTB) Eligibility

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