

## POSSIBLE MUNICIPAL PROPERTY TAX RELIEF - AFFORDABLE HOUSING SERVICES

### RECOMMENDATION

That the September 28, 2022, Financial and Corporate Services report FCS01385, be received for information.

<b>Requested Council Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	Urban Places		
<b>City Plan Values</b>	LIVE		
<b>City Plan Big City Move(s)</b>	Inclusive and compassionate	<b>Relationship to Council's Strategic Priorities</b>	Community safety and well-being
<b>Corporate Business Plan</b>	Transforming for the future		
<b>Council Policy, Program or Project Relationships</b>	Council Policy C607A - Retroactive Municipal Tax Relief		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>FCS01181 Affordable Housing - Tax Relief Parameters and Grant Mechanisms</li> </ul>		

### Previous Council/Committee Action

At the June 27/28, 2022, City Council meeting, the follow motion passed:

That Administration return to Executive Committee with a report that considers possible municipal property tax relief for the 2021 and 2022 taxation years on the basis of providing affordable housing services for the following accounts:

- Nova Plaza (8904 118 Ave NW) - Account 4904553

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- The Sands Hotel (12340 Fort Road NW) - Account 4314456
- Omamoo Wango Gamik (12905 64 Street NW) - Account 10886803
- Betty Farrel Home (11323 111 Avenue NW) - Account 3388402
- Westwood (11831 101 Street NW) - Account 6138903
- Bristol Bay (13115 69 Street NW) - Account 6410690
- Prairie Manor (10333 University Ave NW) - Account 10057596
- Glenwood 1 (16022 100 Avenue NW) - Account 1363845
- Glenwood 2 (16026, 100 Avenue NW) - Account 1363878
- Glenwood 3 (16030 100 Avenue NW) - Account 1363902
- JPHW 97 Street (11302 97 Street NW) - Account 4010302
- JPHW 85 Street (11212 85 Street NW) - Account 10395400

### Executive Summary

- Council has identified 12 properties to consider for municipal property tax relief for the 2021 and 2022 taxation years.
- The properties identified are a small subset of all affordable housing properties in Edmonton.
- Several of the properties were not used to provide affordable housing for portions of 2021 or 2022.
- Retroactive tax relief is guided by City Policy C607A. Under that policy, relief of this type would not be supported.
- During budget deliberations in fall 2022, Council will consider a grant program to commence in 2023 that would support relief for all qualifying affordable housing providers. The program, described in the June 27, 2022, Financial and Corporate Services report FCS01181, Affordable Housing - Tax Relief Parameters and Grant Mechanisms, will be included as an unfunded service package within the budget.

### REPORT

Council has broad authority to cancel or reduce taxes under section 347 of the *Municipal Government Act* (MGA). Council Policy C607A - Retroactive Municipal Tax Relief sets out guidelines that direct Administration when to provide tax relief, and provides guidance for Council when making tax relief decisions. While the Policy is intended to provide a fair and equitable approach to tax relief, Council has discretion to forgive taxes beyond the circumstances contemplated in the policy if it considers it equitable to do so.

Affordable housing properties are generally taxable, though several exceptions are set out in provincial legislation and upcoming hearings in the Court of King's Bench have the potential to impact this interpretation. None of these exceptions apply to any of the properties identified in the motion, so all 12 properties are taxable and have not qualified for a property tax exemption for the 2021 or 2022 taxation years. One property (Bristol Bay) had been improperly exempted from taxes prior to 2021, but upon renewal for the 2021 tax year, it was found there was no

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legislative basis for the exemption. In some cases, these properties have previously applied for exemptions and were denied because they are not supported under provincial legislation.

The list contains six properties that have had ownership changes during or since the 2021 taxation year, five properties that are currently not approved for housing occupancy from a Building Safety Codes perspective and one property with a non-residential component. As of August 3, 2022, nine of the properties had outstanding tax penalties and four had unpaid tax arrears from previous years. Further information about each property can be found in Attachment 1.

Policy C607A generally supports tax relief when the City makes an error of fact, a taxpayer or immediate family member is incapacitated, property is damaged/destroyed or when a property that is taxable during construction or renovation will be exempt upon completion. None of these conditions apply to the identified properties. The Policy further indicates that relief is generally not supported due to financial hardship, and an application is generally required for any considerations of tax relief.

Administration cautions that providing relief for this subset of affordable housing properties will result in inconsistency among not-for-profit housing providers, and may cause other providers to seek similar forgiveness. Upon last review, Administration identified approximately 1,500 taxable affordable housing properties that contribute close to \$6 million in municipal tax revenue annually. Based on the motion made at Community and Public Services Committee June 27/28, 2022, Council will consider funding a Not for Profit Affordable Housing Tax Grant Program that could begin providing relief in 2023 during budget deliberations in fall 2022. The properties identified in the motion may qualify for grants under that program starting in 2023 if the program is funded.

Forgiving all 2021 and 2022 municipal residential tax levies for the identified properties would result in total relief of \$756,894.89. However, if Council directs relief on the basis of providing affordable housing, the total amount would be \$474,742.78. This is the amount of 2021 and 2022 taxes associated with residential portions of these properties, prorated by the number of months the property was approved for use as residential housing under the current ownership.

This approach would not provide any tax relief for four of the identified properties, since they are under renovation and have not yet been approved for occupancy under their current ownership, and are therefore not in use as affordable housing. Both dollar figures above only consider principal levies and do not contemplate the forgiveness of tax penalties for any property owners who did not pay by the tax deadline. One property (Nova Plaza) has a non-residential component with combined 2021/2022 taxes of \$157,918.31, and this was excluded from consideration for relief.

### **Budget/Financial Implications**

There is presently no budget available to cover tax relief requests of this magnitude. If City Council chose to pursue retroactive tax relief for the 2021 and 2022 taxation years, a one-time

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funding source would need to be identified. The only available funding sources are the Financial Stabilization Reserve and Council Contingency.

### **Legal Implications**

Section 347 of the *Municipal Government Act* allows Council to cancel, reduce, refund or defer municipal taxes and arrears when it considers it equitable to do so. Policy C607A guides Council in its use of this authority.

## **COMMUNITY INSIGHT**

Administration met with Affordable Housing providers prior to the development of the potential Affordable Housing Tax Grant Program. These insights are outlined in the June 27, 2022, Financial and Corporate Services report FCS01181, Affordable Housing - Tax Relief Parameters and Grant Mechanisms. These providers advised that property taxes are a significant burden that impact their ability to maintain and expand affordable housing options.

### **GBA+**

Edmontonians in need of safe, adequate, and affordable housing are among the most vulnerable members of the community. Difficulty accessing housing can often be accompanied by difficulty accessing food, health care, transportation, and other services. In addition, those in need of affordable housing can be excluded from full participation in community life due to the barriers created by mental illness, addictions, trauma, and systemic discrimination. The provision of affordable housing helps to alleviate pressures on vulnerable populations by providing the security and stability needed to flourish.

Relief from municipal property taxes can allow affordable housing providers to better support vulnerable individuals by using the resources to potentially expand their services. However, tax forgiveness on a one-time basis may not be sufficient to sustain a meaningful increase in services. Over the long-term, equity is likely best advanced through consistent and predictable property tax treatment for affordable housing providers, which would allow for better long term financial and capital planning. This would require provincial legislative changes, though the potential 2023 grant program would help improve consistency in the interim. Moreover, funding municipal tax relief for property components that are not used to house people, such as non-residential or unoccupied spaces, reduces the City's ability to support future construction and operations of affordable housing.

## **ATTACHMENT**

1. Information on Individual Properties