Property Tax Exemptions for Non-Market Housing - Tax Implications and Policy Analysis

Estimated Hypothetical Property Tax Implications of Exemption

There would be **no impact to 2025 property tax rates** because of the proposed bylaw and property tax exemption. Properties that become exempt from taxation because of the bylaw and the minimal tax implications they would have will be accounted for within existing budget provisions for current-year changes to property assessments. Actual tax rate implications would take effect beginning in the 2026 tax year.

The below analysis uses 2025 property assessments and tax rates as a hypothetical scenario to examine the potential tax rate implications, as 2026 data is not available at this time.

It is important to note this is a hypothetical for information purposes only: actual implications will vary based on a number of factors, including actual uptake and applicability of the exemption, changes to properties' assessed values in 2026, and other factors impacting the tax rates in 2026, when the proposed exemption would begin to impact the tax rates.

- 360 taxable, residential-use properties currently held by known non-market housing providers were identified as being potentially eligible for at least a partial exemption under the proposed bylaw, representing a combined total 2025 assessed value of $372 million.
- Using 2025 values and tax rates as a baseline, if all 360 properties became fully exempt from taxation, this would represent approximately $1.45 million in residential municipal property tax responsibility redistribution (equating to an approximately a 0.11% residential tax rate increase in 2025 terms).
- This would represent municipal property tax bill increases of:
  - Up to $2.94 / year ($0.24 / month) for the median single detached residential property valued at $700,000.
  - Up to $2.55 / year ($0.13 / month) for the median apartment condominium residential property valued at $360,000.

Actual tax implications would not take effect until 2026, and the above estimates are in 2025 terms for information purposes only due to the unavailability of 2026 data at this time. Actual tax implications will vary depending on the factors listed above.

Non-Market Rent Threshold: Exemption Eligibility Criteria Analysis

The proposed bylaw includes a definition of "non-market housing" as requiring the rent charged to tenants to be no more than **80% of the average market rent** as reported by the Canada Mortgage and Housing Corporation (CMHC) for a unit with a similar number of bedrooms.

Comparator rent thresholds or definitions of non-market housing vary across jurisdictions and programs, including for other property tax programs and other funding programs for non-market housing.

Examples of these different thresholds from various housing-related funding or property tax programs include:

Program	Rent Threshold Requirement
Calgary – Housing Incentive Program	Average rent for the building must be no more than 90 per cent of CMHC average market rent.
Calgary – Non-Market Housing Land Sales (Project Evaluation Methodology)	Average aggregate monthly rent for project must be less than 86% of CMHC median market rent.

Program	Rent Threshold Requirement
Edmonton – Affordable Housing Incentive Program	Minimum 30% of total residential units must have rent not exceeding 80% of average market rent.
Edmonton – Affordable Housing Tax Grant	Minimum 25% of units must qualify as government supported (transitional or supportive) housing or other permanent affordable housing, where rent is a maximum of 80% of the market rent, or no more than 30% of the tenants' pre-tax gross household income.
Alberta – Affordable Housing Partnership Program (Program Guidelines)	Various rental bands depending on unit type: • Minimum Rent Band: 60% Median Market Rent (minimum 10% of units) • Mid-Range Rent Band: 60% to 90% Median Market Rent • Market/Near-Market Rent Band: Greater than 90% Median Market Rent
BC Housing - BC Builds Grants for Co-Operative/Non-Profit and First Nations Controlled Developments	At least 20% of units at 20% below market rents (i.e., 80%)
Canada Mortgage and Housing Corporation (CMHC) – Affordable Housing Fund New Construction – Community Housing Sub-stream (Project Assessment Workbook)	Minimum 30% of units at 80% of Median Market Rent

To establish a threshold for the proposed bylaw, options for thresholds were compared to 39,861 actual multi-residential rental rates (excluding rates reported for subsidized units or seniors facilities) that have been reported to Assessment & Tax.

The below analysis does **not** account for other requirements of the proposed bylaw to qualify for the exemption and is **not** intended to represent the portion of properties expected to receive the exemption. Instead, this analysis is intended to compare the proposed threshold to the current rental market, to support decision-making for a well-targeted exemption that balances supporting the non-market housing sector with the impacts of the tax responsibility redistribution to the remainder of the residential tax base.

Proposed Threshold (In Recommended Bylaw): 80% of CMHC Average		
Unit Type	**80% of CMHC Average (Oct. 2023) Rent[1]**	**Actual Multi-Residential Rents at or Below Threshold (Up to Oct. 2024)[2]**
Bachelor	$961.60	23.2%
1 Bed	$1,170.40	22.4%
2 Bed	$1,352.80	17.7%
3+ Bed	$1,435.20	41.0%
Total	**$1,266.40**	**22.2%**

Alternative Threshold (For Comparison): 90% of CMHC Average		
Unit Type	**90% of CMHC Average (Oct. 2023) Rent[1]**	**Actual Multi-Residential Rents at or Below Threshold (Up to Oct. 2024)[2]**
Bachelor	$1,081.80	40.2%
1 Bed	$1,316.70	37.0%
2 Bed	$1,521.90	30.5%
3+ Bed	$1,614.60	52.0%
Total	**$1,583.00**	**35.8%**

[1] Indicates the maximum monthly rent a housing provider could charge for this unit type and still qualify for the exemption under the described threshold.

[2] Indicates the percentage of 39,861 actual multi-residential rental units reported to Assessment & Tax (not including senior facility or subsidized rents) that charge rent at or below the described threshold.

Non-Profit Tax Mitigation Program Budget and Expenses

The Non-Profit Tax Mitigation (NPTM) program currently has a budget of $500,000 per year. Below are the actual expenses of the NPTM program for the past six years, up to 2024.

Year	Total NPTM Expenses
2024	$ 28,980.23
2023	$ 142,865.09
2022	$ 16,382.18
2021	$ 177,887.15
2020	$ 583,899.10[1]
2019 (Report 1) / (Report 2)	$ 148,128.55
Average	$ 183,023.72

To predict possible costs associated with providing NPTM to non-market housing properties, the existing inventory of known non-market housing properties was reviewed. This provides an estimate of how much in tax cancellations a typical property in the non-market housing sector may be able to qualify for through NPTM.

	Non-Market Housing Property Assessed Value	**Estimated 2025 Property Tax Bill (Municipal Portion)[2]**	**Estimated Maximum NPTM Tax Cancellation Amount Per Property (4 Years)[2]**
2025 Average	$1,250,103	$4,763.75	$19,055.00
2025 Median	$423,250	$1,612.87	$6,451.49

[1] In 2020, one property qualified for approximately $552,000 in total tax cancellations through NPTM, a rare outlier.

[2] For estimation purposes, the indicative 2025 municipal property tax rate from Revised Attachment 8, C2024-1097, adjusted for the estimated implications of the proposed exemption, was used, representing one year's worth of taxes (column 3) or four years of taxes (column 4).