



Lethbridge Housing Authority Tax Request Options and Financial Implications

Economic & Finance Standing Policy Committee
November 16, 2023



Lethbridge Housing Authority Tax Request

Lethbridge Housing Authority and Lethbridge & Region Community Housing Corporation affordable housing properties to be exempt from municipal portion of property taxes.



Economic SPC Resolution

October 18, 2023

BE IT RESOLVED THAT the Economic Standing Policy Committee refer this report to Administration to work with the Lethbridge Housing Authority to draft a presentation on the options available along with financial implications and bring forward to the November Economic Standing Policy Committee Budget Review meeting.



Agenda

Exemptions from Taxation

Review of exemptions related to affordable housing

MGA Section 362 Exemptions

Discussion on the Exemptions for Government, churches and other bodies including how COPTER sets out additional requirements that must be satisfied in order for a property to be exempt under section 362(1)(n)(iii).

MGA Section 364 Exemptions Granted by Bylaw

Discussion on Exemptions Granted by Bylaw

Options to Support Affordable Housing

Discussion on possible options for Council to consider for affordable housing tax relief

Recommended Option & LHA Request

Discuss recommended option including requirements and timelines.

Consider LHA Request for 2023 Municipal Property Tax one-time operating grant funding.



Exemptions from Taxation

Property tax exemptions are the exception to the general rule that everyone pay their fair and equitable share of the tax burden.

Any property tax exemption must be authorized by legislation.

The facts/evidence must satisfy the legal requirements/test for an exemption to apply.

Most property tax exemptions are rooted in the MGA.

It is the property that is exempt, not the owner, tenant, etc.



Exemptions from Taxation

With a few exceptions, affordable housing is taxable under the existing provincial legislation governing municipal property taxes



Province of Alberta

MUNICIPAL GOVERNMENT ACT

Revised Statutes of Alberta 2000
Chapter M-26

Current as of January 1, 2020

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MGA Section 362: Exemptions for Government, churches and other bodies

Section 362(1)(n)(iii) exempts from taxation property that is:

- Used for a **charitable or benevolent purpose** that is for the benefit of the general public, and **owned by a non-profit organization**,
- held by a non-profit organization and used to provide senior citizens with lodge accommodation as defined in the Alberta Housing Act property.
- **AND meets the qualifications and conditions in the regulations.**



COPTER Section 7: Restrictions

- **Section 7 of the Community Organization Property Tax Exemption Regulation (COPTER) lists restrictions that make otherwise exempt property, taxable.**
- **The use of a property is restricted when, for more than 30% of the time that the property is in use, individuals are restricted from using the property on any basis, including a restriction based on:**
 - a) race, culture, ethnic origin or religious belief,
 - b) the ownership of property,
 - c) the requirement to pay fees of any kind, other than minor entrance or service fees, or
 - d) the requirement to become a member of an organization.



COPTER Section 7: Restrictions

- **Although LRCHC properties are being used for a charitable and benevolent purposes, they are restricted the general public since they:**
 - a) **Require leases** - the leases in place between the LRCH/LHA and the individual tenants restricted use of the units to the tenants;
 - b) **Require the payment of rent**- 'fees of any kind' is broad and includes rent
- These restrictions have been tested through legal Cases

Exemptions: MGA Section 362(1)(n)(iii) & COPTER

- **LHA does not meet the requirements to be considered tax exempt under MGA Section 362(1)(n)(iii) due to not meeting the qualifications and conditions in the COPTER regulations.**
- Providing the requested exemption through this section may not satisfy the legal requirements/test for an exemption to apply.



Options to Support Affordable Housing

1. Affordable Housing Tax Grant (Recommended)

The development of a non-profit affordable housing tax grant program.

2. Exemption Granted by bylaw

MGA Section 364 notes a council may by bylaw exempt from taxation property held by a non-profit organization. Property is exempt under this section to any extent the council considers appropriate.

3. Create a residential subclass.

Per MGA Section 297, Council may by bylaw create sub-classes on any basis it considers appropriate

4. Annual Tax Cancellations

Under the Municipal Government Act Section 347, council could consider cancelling or reduce a tax on non-profit affordable housing only if it considers it equitable to do so.

5. Continue to provide Affordable Housing Capital Grants and advocate to Province

Per the November 8, 2022 Council Resolution, the City only provides Affordable and Social Housing Capital Grants.



Option 1: Develop a Non-Profit Affordable Housing Tax Grant

Benefits

- Program can have annual funding limits allowing the program to cease applications if funding has been allocated for the year or prorate funding if applications exceed budgetary allocations.
- Eligibility requirements can be developed to suit the specific needs of the community.
- Can develop an ongoing grant process to limit City and non-profit affordable housing providers administrative costs
- Utilize existing assessment and taxes processes as a reasonable measure of the scope and size of a property.
- Equitable distribution in alignment with overall municipal housing goals

Challenges

- Will need to develop application processes and systems as well as processes and procedures for administration of the grant program
- Demand from non-profit organizations who provide affordable housing may exceed funding allotment.
- Current estimated municipal portion of property tax for non-profit affordable housing providers is approximately \$528,000.
- Will require a 0.5 FTE to manage the program

Option 1: Developing a Non-Profit Affordable Housing Tax Grant will require:

- Considering what entities would qualify for affordable housing including:
 - Percentage of ownership of partnership between a non-profit entity and a for profit entity
 - Properties under construction
 - Conditions on tax arrears or penalties associated with the property
 - Legal issues associated with the property or the owners
- Defining what is considered affordable housing including how affordable is affordable.
- Determining what portion of the property meets the criteria for the grant
- Determining what the program's funding are intended to offset. For example:
 - Would **only offset municipal property taxes** on residential properties
 - Would **not** cover any taxes on any portion of the property which is non-residential/commercial.
- Determining the reporting requirements and considerations to receive grant funding.

Option 2: Exemption Granted by bylaw

Under MGA section 364 **Council may by bylaw exempt from taxation property held by a non-profit organization.**

- (1.1) A council may by bylaw exempt from taxation under this Division machinery and equipment used for manufacturing or processing.
- (2) **Property is exempt under this section to any extent the council considers appropriate.**



Option 2: Exemption Granted by bylaw

Benefits

- Bylaw exemptions would be ongoing for all organizations meeting the eligibility criteria within the bylaw which would limit City and non-profit affordable housing providers administrative costs.
- Eligibility requirements can be developed to suit the specific needs of the community
- Ability to utilize existing assessment and property tax processes as a reasonable measure of the scope and size of a property.

Challenges

- Unlike a grant program, the amount of tax exemptions could not be capped. Exemptions would be open to all properties that meet the criteria within the bylaw which is estimated at \$528,000.
- Exemptions can be challenged at Assessment Review Boards.
- May be seen as less transparent.
- Requires development of application processes, system changes as well as processes and procedures. Will require a 0.5 FTE to manage the program

Option 3: Create a residential subclass

Benefits

- Per MGA Section 297, Council by bylaw can create a sub-classes on any basis it considers appropriate.
- The subclass tax rate can be lower than the current residential rates
- Creating a non-profit affordable housing sub-class would be ongoing for all properties meeting the eligibility criteria within the bylaw which would limit City and non-profit affordable housing providers administrative costs

Challenges

- Would require defining eligibility requirements for non-profit affordable housing providers
- The ratio of the lowest residential rate to the highest non-residential rate cannot exceed 5:1
- Will need to develop an application process, system changes as well as processes and procedures for administration of the grant program.
- Would complicate the tax rate bylaw process and printing of notices.
- Will require a 0.5 FTE to manage the program

Option 4: Provide Annual Tax Cancellations

Benefits

- Under the Municipal Government Act Section 347, council could consider cancelling or reduce a tax on non-profit affordable housing only if it considers it equitable to do so.

Challenges

- Only available after taxes are levied.
- To ensure equitability, consideration would have to be given to all property owners that offer an affordable housing option.
- Would require affordable housing providers to request a tax cancellation of City Council on each property each year.
- Would result in a municipal tax funding loss. Current estimated municipal portion of property tax for non-profit affordable housing providers is approximately \$528,000.

Option 5: Provide Affordable Housing Capital Grants and advocate to Province

Benefits

- Would be consistent to the November 8, 2022 City Council decision to only offer capital grants to affordable and social housing providers.
- No further funding required or tax shifts to recover from non-exempt affordable housing properties

Challenges

- Does not meet the needs of non-profit affordable housing providers in operating funding to keep rents affordable for vulnerable residents.
- This includes LHA for the Southgate property since payment of the tax would result in mortgage default as there is no deficit funding available for the property.

Recommendation

1. Develop a Non-Profit Affordable Housing Tax Grant (Option 1)

Direct Administration to develop a Non-Profit Affordable Housing Tax Grant Program with funding options and return to Economic SPC by the end of Q2 2024.



Recommendation

2. LRCHC 2023 Operating funding Request

Consider providing Lethbridge Housing Authority \$160,000 of one-time funding from the Corporate Budget Contingency to alleviate the 2023 municipal property tax pressures for the Lethbridge & Region Community Housing Corporation and Lethbridge Housing Authority affordable housing properties.

Organization	Municipal Taxes	School Taxes	Green Acres	Total
L&RCHC*	\$172,184	\$36,217	\$2,130	\$210,531
LHA	10,227	2,989	183	13,399
Total Property Taxes	182,411	39,206	2,313	223,930
Less 314 S St S	(23,711)	(4,178)	(165)	(28,055)
Property Taxes before penalties	158,700	35,027	2,148	195,875
Penalties to November	17,457	3,853	236	21,546
Property Taxes including penalties	\$176,157	\$38,880	\$2,385	\$217,422

*Includes Southgate Property with municipal taxes of \$112,303 and total property taxes of \$135,085



Questions

