

Appendix C

Property Tax Exemption for Affordable Housing Program

Non-profit, cooperative, and for-profit housing providers that operate rental housing, or are planning to build and/or operate new rental housing are encouraged to apply. Interested non-profit, cooperative, and for-profit housing providers should submit a complete Property Tax Exemption for Affordable Housing Application package. These applications are accepted annually from March 1st to May 31st. Processing time (including reviewing, evaluating, and obtaining Regional Council approval for successful applications) will be completed before October 31st of each year. Property tax exemption as a municipal housing facility includes operational requirements regarding tenant selection, income verification (on occupancy only, units with existing tenants in affordable units and tenants in Rent-Geared-to-Income units are not required to be income tested for this program), annual reporting, and other administrative matters.

Program Objectives

- Create and preserve long-term affordable rental homes for low-to-moderate-income tenants;
- Increase the financial sustainability of existing affordable housing providers;
- Incentivize housing providers to preserve existing affordable units in the private market; and
- Remove properties from the speculative housing market and de-incentivize unit turnover in the private market.

Program Goals

- Maintain existing affordable housing;
- Increase the stock of units with below average market rents; and
- Prevent experiences of homelessness.

Eligibility criteria:

<input type="checkbox"/>	A. Affordable rental housing represents a minimum of 30% of the total residential units in a building with six or more units, including licensed lodging units; or B. The housing project is under the <i>Housing Services Act, 2011</i>
<input type="checkbox"/>	Affordability for this program means rent is at or below 80% of Average Market Rent (AMR) in the Kitchener – Cambridge - Waterloo Census Metropolitan Area (CMA) by unit type (number of bedrooms), or 30% of the gross annual household income for low- and moderate-income renter households, whichever is lower at the time of application
<input type="checkbox"/>	A. Affordable rents must be provided for a term of 60 years; or B. To the useful life of the building as determined by an independent engineer or appraiser whichever comes first with 20 years as the shortest term possible

Further eligibility information:

- Housing providers may be:
 - Rental housing providers where there is a landlord-tenant relationship governed by the *Residential Tenancies Act, 2006*;

- A non-profit housing co-operative under the *Co-operative Corporations Act*; or
- A housing provider with an existing operating agreement to provide supportive housing with the Region of Waterloo.
- Determining unit affordability:
 - Average Market Rent is determined by the most recently reported average market rent (AMR) by the Canada Mortgage and Housing Corporation (CMHC). The most recent CMHC AMRs, published in 2023 for the Kitchener – Cambridge - Waterloo Census Metropolitan Area (CMA), is as follows:

Unit Type	80% of the Average Market Rent
Bachelor	\$931
One Bedroom	\$1,077
Two Bedroom	\$1,326
Three Bedroom +	\$1,714

- The Government of Ontario annually reports 30% of the gross annual household income for low- and moderate-income renter households. 30% of the most recently reported gross renter household income for low- and moderate-income households was \$1,960, in 2022.
- The 80% AMR calculation provides the lower rents for calculating monthly occupancy cost in 2024, which would then be the rents for affordable units eligible for a tax exemption.
- Existing tenants in affordable units:
 - Housing providers with existing tenants renting units that are at or below affordability for this program (i.e., 80% AMR or 30% low- and moderate-income for renters, whichever is lower at time of application) are encouraged to apply.
 - Housing providers are not required to income test for affordable units with **existing** tenants.
 - For units with **existing** tenants renting at or below affordability for this program housing providers shall provide copies of lease agreements and rent rolls for these units at time of application to the program. Housing providers under the Housing Service Act, 2011 are not required to provide this documentation upon application.
- Tenant selection for new affordable units (e.g., new development, unit addition, conversion) and unit vacancy during term of agreement:
 - Housing providers are required to:
 - A. Income test **new** tenants before occupancy to ensure they fall under the maximum income for the unit type; or
 - B. Select **new** tenants from the Waterloo Region centralized community housing waitlist.
 - New tenants are only required to be income tested before occupancy. After occupancy, tenants are not required to be income tested for this program.
 - The Region of Waterloo annually establishes income limits for new tenants. These limits are the maximum amount of gross annual income that the household may have to be

eligible to occupy vacant units rented directly by the housing provider and not referred from the Region. The following table is the 2024 income limits for vacant units by unit type:

Unit Type	Maximum Household Income
Bachelor	\$55,872
One Bedroom	\$64,608
Two Bedroom	\$79,584
Three Bedroom +	\$85,134

- Term of affordability:
 - Independent appraisal is the responsibility of the housing provider; otherwise, 60 years is automatically applied.
 - A phase-out period during the last five years may occur. During the phase-out period, market rents can be charged on units that become vacant, subject to provincial legislation.
- The housing project may be:
 - New purpose-built rental construction
 - Conversion of non-residential buildings to purpose-built rental housing
 - Addition of new units to existing sites
 - Rental units in sites with existing affordability (either through a funding agreement with the Region or affordable units in the private market that are “naturally occurring” because of the length of tenancy and/or the age of the building)
 - Units provided under the *Housing Services Act, 2011*

Projects that are not eligible

The following projects are not eligible for this program:

- Nursing and retirement homes
- Shelters and crisis care facilities
- Student residences
- Hotels and motels
- Rental housing provided in a condominium-registered building

Determining portion of property tax exemption

The Region of Waterloo can only exempt the Regional and educational portions of property taxes; area municipality property tax still apply. In mixed-use developments or those with a mix of affordable and market homes, only the affordable rental residential portion of the development is eligible for property tax exemption. The exemption is based on the eligible number of units depending on the relevant approach to fee calculations, unless the housing project is under the *Housing Services Act, 2011*. The Region provides exemptions only and does not refund fees already paid. Projects under the *Housing Services Act, 2011* are not required to complete this calculation and the entire residential portion of these projects may be exempt for Regional and educational property taxes. The Municipal Property Assessment Corporation (MPAC) will provide final determination of the exemption calculation. A

Housing Provider may request an amendment to an existing agreement to which the Region of Waterloo will review if the program objectives and goals are not being fulfilled through the existing agreement, or if a housing provider requests to add affordable units to an existing agreement.

Ontario Trillium Benefit

It is the responsibility of Housing Providers to provide tenants with notification informing them of their ineligibility for claiming property tax and energy credit through the Ontario Trillium Benefit once in receipt of property tax exemption.

Documents for application

Non-profit, cooperative, and for-profit housing providers wishing to apply for the Property Tax Exemption for Affordable Housing Program must submit an Application Form providing the following:

- Housing provider information
- Description of the property
- Lease agreements for existing tenants renting affordable units
- Operating budget
- New construction and conversion projects will be subject to further information requirements

Review process

Housing Services and Finance staff will review applications annually between the months of April to June. A council report with the recommended properties for property tax exemption will annually occur between August and September. Staff will then inform Municipal Property Assessment Corporation (MPAC) of the portion of exemption and term length for the approved properties. Please note, that it may take MPAC six to 12 months to process exemptions.

Approval process

Successful applicants will meet with Region staff and review next steps, including a timeline for Region Council approvals. Note that Region staff must obtain Council approval to request that the Municipal Property Assessment Corporation (MPAC) exempt qualifying units from municipal and education property taxes. Within 60 days following Council approval, successful applicants are to sign an agreement with the Region which will include details of the affordable housing to be provided by the applicant and the exemption provided by the Region. The Region of Waterloo reserves the right to deny applications irrespective of meeting criteria. The annual number of successful applicants is also subject to staff's ability to process the volume of applications.

Non-compliance penalty

If the housing provider does not carry out its obligations under the agreement, the housing provider shall pay to the Region the entire amount of benefits conveyed through the Property Tax Exemption for Affordable Housing Program, together with any applicable costs and interest.

Ongoing Reporting

An annual attestation of program requirements will be required, subject to review/audit by Region of Waterloo Housing staff. Housing providers will be required to provide annual documentation of rent

rolls for affordable units to Housing Services staff to review and ensure appropriate rates of affordability for the term of the agreement. This includes, but is not limited to annual documentation of unit vacancy, new tenant occupancy including income testing for annually set income limits, and lease agreements for affordable units. These ongoing operating requirements are detailed in the agreement.