

Property Tax Exemptions Under the Assessment Act

Municipal taxation is highly prescribed and is regulated through both the *Municipal Act, 2001* and the *Assessment Act, 1990*. All real property in Ontario is liable to assessment and taxation, except for exemptions identified in Section 3 of the *Assessment Act, 1990*. Section 3 of the Act provides tax exemptions for properties that are government/provincially owned, or used for purposes that qualify under the Act, such as municipal, educational, charitable, or other similar public benefit purposes. Each category has its own detailed requirements that must be met.

Under Section 3(12)(iii) of the Act, land owned, used and occupied by charitable and some non-profit philanthropic corporations that are organized for the relief of the poor and are supported in part by public funds qualify for a property tax exemption. The Municipal Property Assessment Corporation (MPAC) is responsible for determining which properties qualify for the exemptions and adjust the annual assessment roll accordingly.

Properties that are currently taxable but believe that they would qualify for the exemption may apply to MPAC for a Request for Reconsideration (RFR) (due date of March 31st for each taxation year) to have the property classification changed to “exempt”. Property owners can also file an appeal to a superior court under Section 46 of the *Assessment Act, 1990*, to have the property exempted. Those appeals must be filed within the taxation year for which they are requesting the exemption.

In addition, properties can apply, under section 357(1)(c) of the *Municipal Act, 2001*, for a tax reduction if the property has become exempt during the year. These applications are reviewed by MPAC and MPAC determines if a property would now qualify for a property tax exemption. Only the portions of the property that qualify for the exemption will be classified as exempt, and any other portion (such as a small commercial convenience store) will remain taxable.

Exemption through the *Assessment Act* remain in place until the property is either sold, changes use, or no longer qualifies as Affordable Housing, at which point the exemption will be reviewed by MPAC, and the new owner/provider may need to request the exemption again.

Municipal Capital Facilities Agreements

Subsections 110(1) and (6) of the *Municipal Act, 2001*, and sections 2 and 7 of [Ontario Regulation 603/06](#) authorize a municipal council to enter into Municipal Capital Facilities

Agreements (MCFA) with corporations to exempt a property from municipal and education taxes, where applicable, in exchange for the provision of services outlined in the agreement.

To enter into a municipal capital facility agreement in respect of municipal housing project facilities,

- The City must enact a municipal housing facility by-law; and
- The property must meet the definition of “Affordable Housing” contained in the municipal housing facility by-law.

In January 2006, the City enacted municipal housing facility [by-law No. 2006-1](#). Affordable housing was defined in the by-law to be the same as that of the City’s Official Plan adopted by Council by [by-law 2003-203](#), meaning “housing for which a low- or moderate-income household pays no more than 30 per cent of its gross annual income”.

By-law 2006-1 also includes certain terms and conditions to be included in a municipal housing project facilities agreement. These include the following:

- a. a minimum 20-year term of affordability;
- b. each unit in the municipal housing project facility shall meet the definition of affordable housing;
- c. the City may register the agreement on title;
- d. the municipal housing project facilities agreement shall be binding on the housing provider’s heirs, successors and assigns;
- e. a list of the benefits being conveyed to the housing provider, including their monetary value must be included in the agreement;
- f. if the housing provider does not carry out its obligations under the agreement, the housing provider shall pay to the City up to the full amount of the benefits conveyed under the agreement, together with any applicable costs and interest; and,
- g. the City may register a security against title to ensure that the municipal capital facility stays within the definition of affordable housing for the term of the agreement.

Recognizing that a unit's qualification as affordable housing could vary depending on household income, and to ensure that a housing unit continues to meet the definition of affordable, regardless of tenancy turnover and fluctuating household income, staff recommended and Council approved amending the definition in 2014 based on the average market rent ([by-law 2014-430](#)). The definition is currently as follows:

“The definition of affordable housing for the purpose of a municipal housing project facilities agreement means a housing unit with a monthly occupancy cost at or below average monthly City-wide rents by unit type, for any calendar year, as determined in the annual survey of City-wide rents for the prior calendar year published by the Canada Mortgage and Housing Corporation. If the Canada Mortgage and Housing Corporation does not publish an annual survey of City-wide rents for the prior calendar year, the average monthly City-wide rents for the calendar year shall be determined by the Administrator, Housing Services”.