

**Subject: New Affordable Housing Tax Subclass**

**File Number: ACS2025-FCS-REV-0005**

**Report to Finance and Corporate Services Committee on 2 September 2025**

**and Council 10 September 2025**

**Submitted on 21 August 2025 by Joseph Muhuni, Deputy City Treasurer,  
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**Ward: Citywide**

**Objet : Nouvelle sous-catégorie de l'impôt foncier pour les logements  
abordables**

**Numéro de dossier : ACS2025-FCS-REV-0005**

**Rapport présenté au Comité des finances et des services organisationnels**

**Rapport soumis le 2 septembre 2025**

**et au Conseil le 10 septembre 2025**

**Soumis le 21 août 2025 par Joseph Muhuni, trésorier municipal adjoint, Recettes,  
Direction générale des finances et des services organisationnels**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION(S)**

**That the Finance and Corporate Services Committee recommend that Council:**

- 1. Adopt the new Affordable Rental Housing property tax subclass for multi-residential and new multi-residential classes for the 2026 taxation year.**

2. **Direct the Deputy City Treasurer, Revenue Services, to conduct a detailed analysis of the associated financial implications once a listing of qualifying properties is available from the Municipal Property Assessment Corporation (MPAC) and recommend an Affordable Rental Housing Subclass discount rate between 0 per cent and 35 per cent through the 2026 annual Tax Policy report.**

## **RECOMMANDATION(S) DU RAPPORT**

**Que le Comité des finances et des services organisationnels recommande au Conseil ce qui suit :**

1. **Adopter la nouvelle sous-catégorie de l'impôt foncier pour les logements locatifs abordables pour les immeubles à logements multiples et les nouveaux immeubles à logements multiples pour l'année d'imposition 2026.**
2. **Demander au trésorier municipal adjoint, Recettes, de réaliser une analyse détaillée des répercussions financières connexes lorsque la Société d'évaluation foncière des municipalités (SFEM) aura dressé la liste des propriétés admissibles, et recommander un tarif réduit pour la sous-catégorie des logements locatifs abordables qui se trouvera entre 0 pour cent et 35 pour cent dans le rapport annuel sur les politiques fiscales pour 2026.**

## **EXECUTIVE SUMMARY**

The Province of Ontario has enacted regulatory amendments through Ontario Regulations [73/25](#) and [74/25](#) under the *Assessment Act* and *Municipal Act*, 2001, creating a new optional Affordable Rental Housing property tax subclass. This initiative enables municipalities to provide targeted property tax relief of up to 35 per cent on the municipal portion of taxes for qualifying affordable rental housing units, beginning with the 2026 taxation year.

Immediate Action Required: Council must enact the enabling by-law by September 30, 2025, to implement the subclass for 2026. This deadline is established by provincial regulation to allow the Municipal Property Assessment Corporation (MPAC) sufficient time to identify and classify qualifying properties before the 2026 taxation year. Failure to meet this deadline would eliminate the opportunity to utilize this tool for 2026, regardless of future Council decisions on discount rates.

This report recommends Council adopt the new subclass for both multi-residential (MT) and new multi-residential (NT) property tax classes to leverage this provincial tool in support of Ottawa's housing affordability objectives. Importantly, adopting the subclass framework does not commit Council to providing any specific discount rate. The Municipal Property Assessment Corporation will identify qualifying properties based on stringent provincial criteria established in regulation, after which Council will have complete discretion to set discount rates from 0 per cent to 35 per cent as part of the 2026 Tax Policy process.

The new subclass represents a significant policy tool that complements Ottawa's existing affordable housing programs, including Municipal Housing Facilities exemptions and Community Improvement Plan grants. By adopting the subclass framework now, the City will gain access to comprehensive data on affordable rental housing across Ottawa, regardless of funding source, enabling more informed policy decisions and program coordination.

Financial implications will be determined following MPAC's classification of eligible properties, with specific discount rates and associated tax policy recommendations to be presented as part of the 2026 annual tax policy process in April 2026. This two-stage approach ensures Council can make informed decisions based on complete data while securing the opportunity to utilize this provincial tool. Council retains full authority to determine that no discount applies when the 2026 Tax Policy report is considered.

## RÉSUMÉ

La province de l'Ontario a adopté des modifications réglementaires par le biais des règlements [73/25](#) et [74/25](#) aux termes de la *Loi sur l'évaluation foncière* et de la *Loi de 2001 sur les municipalités* pour créer une nouvelle sous-catégorie de l'impôt foncier facultative pour les logements locatifs abordables. Cette initiative permet aux municipalités d'offrir un allègement d'impôt foncier ciblé allant jusqu'à 35 pour cent pour la tranche municipale de l'impôt foncier pour les logements locatifs abordables admissibles, et ce, à compter de l'année d'imposition 2026.

Action immédiate requise : Le Conseil doit adopter le règlement municipal concerné d'ici le 30 septembre 2025 pour que la sous-catégorie soit mise en œuvre en 2026. Cette échéance est fixée par la réglementation provinciale pour donner suffisamment de temps à la Société d'évaluation foncière des municipalités (SFEM) de déterminer et de classer les propriétés admissibles avant l'année d'imposition 2026. Après cette date, il sera impossible d'utiliser cet instrument pour 2026, et ce, peu importe les futures

décisions du Conseil sur les tarifs réduits.

Le présent rapport recommande au Conseil d'adopter la nouvelle sous-catégorie pour les immeubles à logements multiples et les nouveaux immeubles à logements multiples pour tirer parti de cet instrument provincial en appui aux objectifs d'Ottawa en matière de logements abordables. Il est important de noter que l'adoption de la structure-cadre de la sous-catégorie n'engage pas le Conseil à fournir un tarif réduit en particulier. La Société d'évaluation foncière des municipalités déterminera les propriétés admissibles en fonction des critères provinciaux indiqués dans le règlement. Le Conseil pourra ensuite établir les tarifs réduits (entre 0 et 35 pour cent) dans le cadre du processus d'imposition foncière 2026.

La nouvelle sous-catégorie constitue un important outil stratégique qui vient compléter les programmes de logement abordable existants de la Ville d'Ottawa, y compris les exemptions accordées aux ensembles domiciliaires municipaux et les subventions versées dans le cadre du Plan d'améliorations communautaires. En adoptant la structure-cadre de la sous-catégorie dès maintenant, la Ville accédera à des données exhaustives sur les logements locatifs abordables à l'échelle de la ville, indépendamment de la source de financement, ce qui favorisera la prise de décisions éclairées et la coordination des programmes.

Les répercussions financières seront déterminées à la suite de la classification des propriétés admissibles par la SFEM, et les tarifs réduits et les recommandations relatives à l'impôt foncier seront présentés dans le cadre du processus annuel d'imposition foncière en avril 2026. Cette approche en deux étapes permettra de veiller à ce que le Conseil puisse prendre des décisions éclairées fondées sur des données complètes et tire parti de cet instrument provincial. Le Conseil conserve le pouvoir de choisir de ne pas adopter de tarif réduit au moment d'examiner le rapport sur les politiques fiscales 2026.

## **BACKGROUND**

The Province of Ontario announced its commitment to provide municipalities with enhanced tools to support affordable rental housing in the 2024 Fall Economic Statement, as detailed in the Ontario Economic Outlook and Fiscal Review: Building Ontario For You. This commitment was implemented through the 2025 Ontario Budget via amendments to Ontario Regulation [282/98](#) under the Assessment Act through Ontario Regulation [73/25](#), and to Ontario Regulation [73/03](#) under the Municipal Act, 2001 through Ontario Regulation [74/25](#). The key provincial objectives are as follows:

- Address municipal property taxation as a component of housing affordability challenges.
- Provide municipalities with discretionary tools to support affordable rental housing,
- Establish rigorous eligibility criteria ensuring public benefit from tax relief.
- Create coordination mechanisms between provincial assessment and municipal taxation systems.

As referenced in the [2025 Tax Policy and Other Revenue Matters](#) report previously considered by Council, these regulatory amendments create an optional Affordable Rental Housing Subclass within existing multi-residential and new multi-residential property tax classes. This provincial initiative acknowledges the critical role municipal property taxation plays in housing affordability and provides municipalities with discretionary authority to offer meaningful tax relief to qualifying affordable rental properties.

The regulatory framework aligns with the City's strategic housing objectives and represents a significant advancement in provincial-municipal cooperation on housing policy. The new subclass provides municipalities with flexibility to tailor tax relief to local housing market conditions while maintaining rigorous eligibility requirements that ensure public benefit. This initiative complements existing federal and provincial housing programs by addressing the municipal tax component of housing costs, which can represent a substantial operating expense for affordable housing providers.

## **DISCUSSION**

### **Provincial Regulatory Framework and Implementation Timeline**

The Affordable Rental Housing Subclass is established through comprehensive amendments to provincial assessment and municipal taxation regulations. Ontario Regulation [73/25](#) amends Ontario Regulation [282/98](#) under the Assessment Act to define eligibility criteria and assessment methodology, while Ontario Regulation [74/25](#) amends Ontario Regulation [73/03](#) under the Municipal Act, 2001 to establish municipal taxation authority and procedural requirements.

The provincial regulatory framework establishes **September 30, 2025**, as the mandatory deadline for municipal adoption of the subclass by-law. This deadline ensures MPAC has adequate time to:

- Review all multi-residential properties within participating municipalities
- Apply eligibility criteria established in provincial regulation
- Provide municipalities with comprehensive property lists for tax policy analysis

Missing this deadline would prevent implementation for 2026 regardless of Council's future preferences regarding discount rates. The timing requirement reflects the complexity of property classification processes and the need for municipalities to have complete data before establishing tax policy.

### **Property Eligibility and Classification Process**

The subclass applies exclusively to properties classified as multi-residential (MT) or new multi-residential (NT) under the Assessment Act that provide qualifying affordable rental units. Qualifying units must meet the following criteria:

- **Self-contained residential units** within multi-residential properties
- **Rent levels at or below affordability thresholds** established in the [Ministry of Municipal Affairs and Housing Affordable Residential Units Bulletin](#), specifically the lesser of income-based affordable rent or average market rent as defined under subsection 4.1(2) of the [Development Charges Act, 1997](#)
- **Legal obligation to provide affordable housing** through federal or provincial legislation, or binding agreements with the Crown in right of Canada or Ontario, their agencies, local municipalities, local boards, or service managers as defined in the [Housing Services Act, 2011](#)

MPAC bears responsibility for property classification for the new subclass and will conduct annual reviews to ensure continued eligibility. This provincial oversight mechanism protects municipal interests by ensuring consistent application of eligibility criteria and reducing administrative burden on municipal tax departments. The City's role is limited to applying Council-approved tax rates to properties classified by MPAC, maintaining clear separation between assessment and taxation functions.

## **Municipal Implementation Options and Recommended Approach**

The regulatory framework provides municipalities with substantial discretion in implementing the subclass. Council may adopt the subclass for MT properties, NT properties, or both, and may establish different discount rates for each class up to the 35 per cent maximum. Additionally, municipalities may limit NT subclass eligibility to properties with building permits issued after the enabling by-law comes into force, providing tools to incentivize new affordable housing development.

Staff recommend adopting the subclass for both MT and NT property classes without temporal restrictions, maximizing the tool's utility to support existing affordable housing while encouraging new development. This approach recognizes that both existing and new affordable housing face financial pressures that municipal tax relief can help address. Adopting the subclass framework provides Council with maximum flexibility to determine appropriate discount rates during the 2026 Tax Policy process, including the option to apply no discount.

## **Municipal Housing Facilities Program**

The new subclass will operate alongside Ottawa's existing affordable housing support programs. Properties eligible for tax exemptions under the Municipal Housing Facilities by-law, primarily non-profit and cooperative housing with direct City agreements, will continue to receive full exemptions as the more beneficial option.

Council approved relief for affordable housing in Ottawa under the Municipal Housing Facilities (MHF) by-law and accompanying [Affordable Housing Qualification and Property Tax Relief Report](#). Currently, affordable housing units that meet the eligibility criteria described in By-law 2024-320 s.4(b), mainly offering rent at or below Average Market Rent (AMR) and have a contract with the City to provide affordable housing, may enter into a Municipal Capital Facilities agreement (MCFA). Under the Municipal Capital Housing Facilities By-law, these units can be exempted from property taxation. Separate from the Affordable Rental Housing Subclass, this exemption is administered and annually monitored through agreements approved by City Council. The Municipal Capital Facilities designation provides an additional tool to support affordable housing initiatives in Ottawa.

There are several key differences between the MCFA designation and the Affordable Rental Housing Subclass:

- The Average Market Rent (AMR) used for the City's MCFA is based on the [CMHC annual survey of City-wide rents](#), whereas the subclass uses the [MMAH Bulletin for Affordable Residential Units](#). A comparison of the rents is listed in Table 1 below.
- The MCFA requires the owner/occupier to be a registered non-profit or co-operative organization, while the tax subclass has no such requirement.
- The MCFA requires that eligible properties be built under an affordable housing capital contribution agreement with the City since 2001 or have a rent supplement agreement in good standing. The tax subclass extends this eligibility to those included in the MCFA requirement and those that provide affordable housing under the subclass eligibility requirements.

Staff have determined that the properties under our oversight qualify for a tax exemption under the Municipal Housing Facilities By-law. As a result, the affordable housing subclass would only be applied to units that are not eligible for an exemption under a Municipal Capital Facilities Agreement.

**Table 1 - Average Monthly Rent for Affordable Housing Purposes**

	<b>Bachelor</b>	<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>
<b>CMHC – used for City exemption</b>	\$ 1,253	\$ 1,522	\$ 1,880	\$ 2,191
<b>Provincial Bulletin – used for new affordable housing</b>	\$ 1,252	\$ 1,522	\$ 1,880	\$ 2,158

**\*These are 2024 rents and subject to change**



## **Affordable Housing Community Improvement Plan Amendments**

The City of Ottawa has an [Affordable Housing Community Improvement Plan \(CIP\)](#), which was approved by Council in April 2024 and amended by a [report on October 16, 2024](#). The introduction of the Affordable Rental Housing Subclass creates a potential coordination issue with CIP properties. Currently, CIP grants are calculated based on the full municipal property tax uplift from development. If a CIP property also qualifies for the new tax subclass and a subclass discount is approved for the property taxes, this may create a scenario that requires policy clarity:

If a subclass discount is approved and grants continue to be calculated on the original (pre-discount) tax amount while properties pay reduced taxes, the City would effectively be providing duplicate financial benefits - immediate tax savings plus grants based on higher tax amounts. This would result in properties receiving more total benefit than originally intended by either program.

Should Council approve a subclass discount in 2026, Revenue Services will work with Housing Solutions and Investments Services and Legal Services to ensure that the Affordable Housing CIP is amended to ensure that any tax subclass discounts are factored into grant calculation, maintaining the intended program benefit while preventing properties from receiving both full tax discounts and grants calculated on pre-discount tax amounts. For example, if a property qualifies for a 20 per cent tax discount under the subclass, the CIP grant would be calculated to include this discount, ensuring the total benefit remains within established program parameters while the property owner receives immediate tax relief plus appropriate grant compensation later.

This approach ensures:

- Properties receive intended total benefit combining tax relief and grants
- City maintains fiscal accountability by avoiding duplicate incentives
- Program integrity is preserved while maximizing affordable housing support

### **Other potential qualifying properties**

Staff have researched and consulted with CMHC and MPAC on potential qualifying properties. CMHC provided two types of properties to review: Co-operative Housing and federal Housing and Infrastructure projects. Staff determined that the Co-operative Housing properties would not qualify for the proposed tax class as they fall in the

residential tax class and not in the required multi-residential or new multi-residential tax classes.

Properties under the Federal Housing and Infrastructure projects that were reviewed fell under three programs: the Affordable Housing Fund, the Rapid Housing Initiatives, and the Apartment Construction Loan Program. Properties in the Affordable Housing Fund and Rapid Housing Initiatives were found to qualify as Municipal Housing Facilities. These properties would qualify for a tax exemption through the Municipal Housing Facilities by-law and would not require the affordable housing subclass.

The Apartment Construction Loan program provides low-cost financing support for the construction of rental housing. Eligibility for this program requires borrowers to meet an affordability requirement for at least 10 years. Housing providers participating in this program may benefit from the affordable housing subclass, subject to MPAC's review

### **Next Steps**

MPAC has confirmed development of systematic processes to identify and classify eligible properties, though specific property lists are not yet available. This timing necessitates the two-stage approval process recommended in this report: adopting the subclass framework now to meet provincial deadlines, followed by detailed financial analysis and discount rate recommendations once MPAC completes property classification.

### **FINANCIAL IMPLICATIONS**

There are no financial implications from adopting the Affordable Rental Housing Subclass framework. Financial impacts will depend on Council's future decisions regarding discount rates.

### **LEGAL IMPLICATIONS**

There are no legal impediments to implementing the recommendations set out in this report. As set out in this report, the authorities for the proposed By-law are set out in O. Reg [282/98](#), as amended (*Assessment Act*) and O. Reg [73/03](#), as amended (*Municipal Act*). The by-law establishing the new subclass will come into effect on January 1, 2026.

### **COMMENTS BY THE WARD COUNCILLOR(S)**

This report addresses a citywide policy initiative affecting all wards equally.

## **CONSULTATION**

The City has been in consultation with the Municipal Property Assessment Corporation (MPAC) regarding the implementation of the new affordable housing subclasses. The City will continue to collaborate with MPAC to ensure that eligible property owners are informed about the new subclass and understand the process for applying, should their properties meet the criteria.

## **ACCESSIBILITY IMPACTS**

The initiative supports accessibility by enhancing the financial sustainability of affordable housing, which is essential for many residents with disabilities who face employment and income barriers. The subclass framework operates through existing property tax systems and creates no additional accessibility barriers.

## **CLIMATE IMPLICATIONS**

The initiative supports climate objectives by potentially encouraging retention and development of multi-residential buildings, which demonstrate superior energy efficiency per unit compared to single-family housing. By improving the financial viability of affordable rental housing, the subclass may contribute to sustainable urban development patterns that support climate goals through increased residential density and reduced transportation emissions.

## **ECONOMIC IMPLICATIONS**

This initiative supports economic development by encouraging investment in rental housing development and maintenance, supporting workforce housing that helps attract and retain employees, and contributing to overall housing supply essential for economic growth. The program provides property owners with financial tools to maintain affordable rental options while supporting broader economic competitiveness through improved housing affordability. These outcomes align with the City's Economic Development Strategy priorities of supporting quality of place and sustainable economic growth.

## **INDIGENOUS, GENDER AND EQUITY IMPLICATIONS**

### **Indigenous Policy Considerations**

This initiative supports reconciliation by potentially reducing housing costs for Indigenous residents, who experience disproportionate housing challenges. Affordable

housing represents a fundamental component of Indigenous economic and social well-being, and this tool may help address systemic inequities in housing access that have resulted from historical and ongoing colonization.

### **Gender and Equity Implications**

The Affordable Rental Housing Subclass supports equity by helping maintain rental housing options for lower-income residents, including women, racialized individuals, newcomers, and other equity-deserving groups who face disproportionate housing affordability challenges. By providing financial support to affordable housing providers, this tool helps ensure diverse communities can access stable housing throughout Ottawa, contributing to more equitable housing outcomes across the city.

### **RISK MANAGEMENT IMPLICATIONS**

The primary risk involves potential tax rate increases for other property classes to offset discounts provided to qualifying affordable housing properties. Impact magnitude depends on the number of properties MPAC classifies as eligible and Council's chosen discount rate, both analyzed before 2026 implementation.

Failure to adopt the subclass by September 30, 2025, would eliminate this tool for 2026. These risks are manageable through the two-stage approval process and continuous monitoring.

Program coordination risks with the Community Improvement Plan are addressed through the recommended CIP amendment.

### **TERM OF COUNCIL PRIORITIES**

This report directly supports the Term of Council priority "A city that has affordable housing and is more liveable for all" by providing a new municipal tool to support affordable rental housing sustainability and development. The initiative contributes to housing affordability objectives through targeted tax policy that complements existing housing programs.

### **DISPOSITION**

The Office of the City Clerk and the Revenue Services will work together with Legal Services to finalize the applicable by-law to be placed on Council's agenda for enactment.