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**TO:** Krista Power, Director – Legislative Services & City Clerk      **FILE:**

**FROM:** Kathleen Cannon, Director - Revenue  
Corporate Services - Revenue

**DATE:** 08/06/2025 (mm/dd/yyyy)

**SUBJECT:** Multi-Residential Property Tax Subclasses

**MEETING & DATE:** Committee of the Whole - 08/25/2025 (mm/dd/yyyy)

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The purpose of this memorandum is to inform City Council and the public of recent changes to provincial legislation that enables municipalities to create property tax subclasses within the multi-residential and new multi-residential property tax classes:

- Affordable Rental Housing Subclass
- New Multi-Residential Municipal Discount Subclass

The intent of these changes is to provide municipalities with greater flexibility to support housing affordability and preserve purpose-built rental stock.

A review of the Affordable Rental Housing Subclass will be conducted as part of the Housing Affordability Strategy and Action Plan currently in development. This work will be coordinated with the City's Smart Growth Action Plan to support sustainable population growth, attract new residents, and strengthen the long-term tax base. This review will:

- Evaluate the potential benefits and impacts of the subclass on housing affordability and the development of purpose-built rental housing
- Identify possible unintended consequences for other housing providers and renters
- Confirm alignment with the City's broader financial objectives and community needs

Administration will present recommendations to Council in Spring 2026, including whether to implement the Affordable Rental Housing Subclass, as part of the Housing Affordability Strategy and Action Plan.

## **Affordable Rental Housing Subclass**

Introduced in 2025, the Affordable Rental Housing Subclass offers municipalities a more targeted and flexible tax policy tool. Through this subclass, municipalities can apply a municipal tax reduction of up to 35% for eligible rental properties or individual units that are part of a municipality's formally recognized affordable housing stock.

Unlike the New Multi-residential Municipal Discount Subclass, this option is based on legislated affordability definitions and formal rent agreements that restrict rents to prescribed affordability thresholds. Municipal Councils may establish this subclass within the Multi-residential, New Multi-residential, or both classes. Alternatively, the New Multi-residential subclass may be applied exclusively to new construction or conversions.

To implement the Affordable Rental Housing Subclass for the 2026 taxation year, a by-law must be passed by September 30, 2025. This deadline is transitional and applies only to the initial year of implementation. At this time, Administration is not proposing a by-law, as additional analysis and policy design work as outlined in the following section is required before making a recommendation to Council.

## **Housing Affordability Strategy and Action Plan**

Rather than introducing a tax subclass in isolation, Administration recommends that these tax tools be considered as part of the broader Housing Affordability Strategy and Action Plan, currently under development. The purpose of this Plan is to identify actions that will enhance housing choice and affordability across the full housing continuum.

As part of the Plan's development, staff will evaluate all available tools, including the Affordable Rental Housing Tax Subclass and Municipal Capital Facility Agreements, to assess how best to address the property tax impacts on the development of affordable rental housing. This analysis will consider:

- The potential for tax relief to incentivize the creation of new affordable units
- The possible unintended consequences for other housing providers and renters
- Alignment with the City's broader financial objectives and community needs

A report with recommendations, including whether to implement the Affordable Rental Housing Subclass, will be brought to Council in Spring 2026, alongside a suite of municipal and community actions to improve affordability and choice.

## **New Multi-Residential Municipal Discount Subclass**

Announced in 2024, the New Multi-residential Municipal Discount Subclass offers tax relief up to 35% to all newly constructed multi-residential properties, regardless of affordability or tenancy profile. If adopted, this subclass would introduce a three-tiered structure of municipal tax rates for rental housing, based solely on a property's construction, or permit date.

Once a property qualifies for this subclass, the discounted tax treatment must remain in place for the full 35-year term, regardless of future changes in ownership, tenancy, or rent levels.

Administration does not intend to undertake further analysis on the new multi-residential municipal discount subclass, as the City already maintains a reduced tax ratio of 1.0 for new multi-residential properties compared to 1.99 for existing multi-residential. Adopting the subclass would create a long-term tax differential among otherwise similar properties, based solely on build date, without regard to affordability or housing need.

### **Tax Policy Considerations**

It is important to note that implementing a tax subclass does not reduce the total amount of municipal property tax revenue collected. Instead, it results in a tax shift. Properties that qualify for a subclass receive a tax reduction, which is offset by an increased tax burden on all other properties, particularly within the residential tax class.

The extent of this tax shift depends on:

- The subclass or subclasses adopted
- The discount level applied
- The number and value of qualifying units or properties

At this time, the property tax impact cannot be quantified, as the eligible properties are unknown. Should the Housing Affordability Strategy and Action Plan recommend implementation of the Affordable Rental Housing Subclass, a full analysis of potential scenarios and tax implications will be included in the 2026 tax policy report.