

## **PROPERTY TAX EXEMPTIONS FOR NON-PROFIT ORGANIZATIONS**

### **Issue**

The Province is seeking input to improve the way non-profits are evaluated when they apply for a property tax exemption.

### **Motion Proposed by Administration**

That Administration be directed to send the draft letter to Municipal Affairs regarding feedback on the review of the Community Organization Property Tax Exemptions Regulation.

### **Report, Analysis and Financial Implications**

In Alberta, property tax exemptions are governed by the *Municipal Government Act (MGA)* and the *Community Organization Property Tax Exemption Regulation (COPTER)*. The Town must follow this legislation when determining what properties are eligible for property tax exemptions. In the spring of 2024, the Province passed amendments (Bill 20) to the *MGA* to fully exempt non-profit subsidized affordable housing from property taxation and to enable municipalities to offer multi-year residential property tax incentives. The amendments will become effective on January 1, 2025.

The Province is inviting feedback from municipalities, assessors, volunteer associations, and other affected property owner associations on their experiences with implementing COPTER. Bill 20 amendments to fully exempt non-profit subsidized housing will be incorporated into this regulation. COPTER provides municipalities with criteria and conditions to use for determining property tax exemption eligibility for non-profit community organizations that provide a public benefit. The intent of this regulation is to facilitate consistent decision-making across the Province in reviewing applications for tax exemptions.

### Full Exemption for Non-Profit Subsidized Housing

Currently, lodge accommodations as defined in the *Alberta Housing Act* are exempt from taxation in addition to property owned by the Alberta Social Housing Corporation. Bill 20 amendments enable full property tax exemptions (municipal and provincial) for non-profit subsidized housing, in addition to the exemptions previously noted. It is unclear how non-profit subsidized housing will be defined, as the level of affordability of these properties to tenants can vary considerably. This further exemption will amount to nearly \$50,000 of annual tax burden that will be shifted to other ratepayers. This figure will grow as more units of non-profit subsidized housing are added.

As the affordable housing crisis continues, municipalities are being asked to provide greater contributions to support the creation of new units. These contributions are generally tax supported. Expanding eligibility for tax exemptions to all subsidized affordable housing owned by non-profits raises a philosophical question regarding if the municipality should also be funding operating expenses. Municipalities have limited options to generate revenue

outside of property taxes and for every exemption made, the tax burden is transferred to other ratepayers. Furthermore, smaller municipalities such as Okotoks have less ability to absorb tax exemptions compared to larger centers such as Calgary and Edmonton.

Introducing further tax exemptions for non-profit subsidized housing represents a further downloading of the financial responsibility for affordable housing to local ratepayers and may not support investment in the creation of new units. The Province should consider introducing provisions for a grant in lieu of taxes to support these exemptions and a limit on the number of years post construction that a property can be eligible for an exemption. Furthermore, clarity on the definition of subsidized affordable housing should be provided including parameters on the degree of affordability to qualify for an exemption.

Multi-Year Residential Property Tax Incentives

Currently, municipalities may offer multi-year incentives for non-residential development, but not for residential development. Bill 20 enables municipalities to offer multi-year tax incentives on residential property. There is no requirement that municipalities offer this incentive, but it is an available tool should the Town choose to utilize it.

Experiences Implementing COPTER

The Town receives on average three (3) to four (4) applications per year for property tax exemptions. As a smaller municipality with few applications, it can be challenging to interpret the criteria and consistently determine eligibility for an exemption. In some circumstances, legal review is sought to assist Administration in determining if a property qualifies for an exemption under the regulation. Smaller municipalities such as Okotoks would benefit from greater Provincial support in interpreting and consistently applying the criteria in COPTER to applications for property tax exemptions.

**Strategic Plan Goals**

<input checked="" type="checkbox"/>	Responsibly Managed Growth	<input type="checkbox"/>	Demonstrated Environmental Leadership
<input type="checkbox"/>	Strong Local Economy	<input type="checkbox"/>	Enhanced Culture & Community Health
<input type="checkbox"/>	Organizational Excellence		

**Equity/Diversity/Inclusivity Impacts and Strategy**

n/a

**Environmental Impacts**

n/a

**Governing Policies/Bylaws/Legislation or Agreements**

*Community Organization Property Tax Exemption Regulation*

**Community Engagement Strategy**

n/a

**Alternatives for Consideration**

n/a

**CAO Comments**

I support forwarding this feedback to the Province as they consider the proposed regulatory changes.

**Attachment(s)**

1. Community Organization Property Tax Exemption Regulation Discussion Guide
2. Draft COPTER Response

Prepared by:  
Michelle Grenwich  
Social Planner  
July 08, 2024