

Staff Report



To	Committee of the Whole
Service Area	Office of the Chief Administrative Officer
Date	Wednesday, September 3, 2025
Subject	Multi-Residential Property Tax Subclass Discounts for Affordable Housing

Recommendation

1. That the City of Guelph adopt the optional subclass for affordable rental housing in respect of the multi-residential (MT) and new multi-residential (NT) property classes. To be effective January 1, 2026.
 2. That staff be authorized to prepare the necessary by-law, to come into force on January 1, 2026, to adopt the aforesaid optional subclasses in respect of the multi-residential (MT) and new multi-residential (NT) property classes.
 3. That the subclass discount be set at 35 per cent at the time tax policy for 2026 is brought forward in the spring of 2026.
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Executive Summary

Purpose of Report

Earlier this year the Province of Ontario introduced an optional property subclass discount for multi-residential (MT), and new multi-residential (NT) property classes to support affordable rental housing. This initiative allows municipalities to offer a property tax reduction of up to 35 per cent on qualifying affordable housing, aiming to encourage the development of new affordable rental units and the continued affordability of existing housing stock.

To qualify, units must meet the "affordable residential unit" criteria under the Development Charges Act, 1997, and be governed by agreements with federal, provincial, or municipal entities. Municipalities must pass a by-law by September 30, 2025, to implement the subclass for the 2026 taxation year. The education tax portion remains unaffected.

Recent amendments to the Assessment Act and Municipal Act, 2001 (O. Regs. 73/25 and 74/25) provide the legal framework for this subclass, including eligibility conditions and the permissible discount range of 0 per cent to 35 per cent. Municipalities may choose to apply the subclass to all qualifying units or restrict it to new builds or conversions post by-law enactment.

Key Findings

- **Tax Incentive:** Up to a 35 per cent municipal tax discount is available for eligible affordable units, while the education tax portion remains unchanged.
- **Eligibility Criteria:** Units must meet the definition of "affordable residential unit" under the Development Charges Act, 1997, with rent regulated by agreements with federal, provincial, or municipal bodies.
- **Scope of Application:** Municipalities may choose to apply the subclass to new construction, conversions after a specific date, or all properties within MT and NT classes.
- **Implementation Deadline:** Municipalities must pass a by-law by September 30, 2025, to apply the discount for the 2026 taxation year.
- **Property Identification:** Municipal Property Assessment Corporation (MPAC) will code properties based on usage, with municipalities and property owners assisting in identifying eligible units.

Strategic Plan Alignment

To support strategic alignment with Guelph's Affordable Housing Strategy, staff recommend adopting the subclass with a 35 per cent discount rate for both new and existing multi-residential and new residential tax classes to take effect in 2026.

This will assist with the affordability in the rental supply market. Further, these actions are one part of ensuring housing solutions meet the needs of current and future residents.

Future Guelph Theme

Foundations

Future Guelph Objectives

City Building: Improve housing supply

Financial Implications

The introduction of a new property subclass discount to MT and NT classes may support affordable housing by allowing municipalities to apply discounted municipal tax rates. It will also shift the tax burden to other property classes. Additionally, managing a three-tiered tax structure for multi-residential could complicate administration and policy consistency. Despite these considerations, staff recommend proceeding with implementation to advance housing affordability objectives.

Report

The Province of Ontario has introduced an optional property subclass discount for MT and NT property classes to support affordable rental housing. This initiative allows municipalities to offer a property tax reduction of up to 35 per cent on qualifying affordable housing, aiming to encourage the development of new affordable rental units and the continued affordability of existing housing stock.

Municipalities have the discretion to adopt these new subclasses, which apply to multi-residential units meeting the "affordable residential unit" criteria defined in the Development Charges Act, 1997. To qualify, the rent for these units must be governed by agreements with federal, provincial, or municipal entities. The subclass

can be limited to new constructions or conversions of non-residential buildings post a specific date, or it can apply to all multi-residential tax classes.

Municipalities must pass a by-law to opt into the subclass discount and establish specific criteria for its application by September 30, 2025, for the 2026 taxation year. MPAC will code properties according to their usage, while municipalities and property owners will assist in identifying qualifying properties.

Staff are recommending having the necessary by-law passed by September 30, 2025, for the subclass discounts for the two tax classes (MT and NT) to be in effect for the 2026 taxation year. A discount rate of 35 per cent will be set as part of 2026 tax policy.

- **New Property Subclass:** Introduced for MT and NT property classes.
- **Tax Reduction:** Up to 35 per cent reduction in property taxes for qualifying affordable units.
- **Education Portion:** The education tax rate, which contributes to funding the education system, is not affected by the subclass reduction and remains the same for all properties within the MT and NT property classes.
- **Objective:** Incentivize new affordable rental units and maintain the affordability of existing affordable housing stock.
- **Eligibility:** Units must meet "affordable residential unit" criteria as defined in the Development Charges Act, 1997, (DCA) with rent governed by agreements with federal, provincial, or municipal entities.
- **Application Scope:** Can be limited to new construction or conversions post a specific date or apply to all MT and NT tax classes.
- **Municipal Adoption:** Municipalities must pass a by-law to opt into the subclass discount by September 30, 2025, for the 2026 taxation year.
- **Property Identification:** MPAC codes properties by usage; municipalities and property owners assist in identifying qualifying properties.
- **Staff Recommendation:** Set up subclass discounts for the two classes at a rate of 35 per cent for both existing and new affordable multi-residential units.

The 2025 Ontario Budget confirmed that starting in 2026, municipalities will have the option to reduce the municipal property tax rate for certain affordable rental housing units by up to 35 per cent. This reduction can apply to existing and/or newly built multi-residential units provided they meet the definition of affordable residential units in the DCA.

Then, on May 26, 2025, O. Regs. 73/25 and 74/25 were filed that amend certain regulations made under the *Assessment Act* and the *Municipal Act, 2001*, respectively, as follows:

- O. Reg. 73/25 amends O. Reg. 282/98 under the *Assessment Act* by adding **section 22.1.1 Affordable Rental Housing Subclass** and prescribes an optional subclass for affordable rental housing for each of the multi-residential property class and the new multi-residential property class.
- The subclass only applies if a single-tier or upper-tier municipality passes a by-law opting to have the subclass apply in respect of the multi-residential property class and/or the new multi-residential property class.
- For a subclass to apply with respect to the 2026 taxation year, the by-law must be passed by September 30, 2025.
- Municipalities may opt to have a condition apply specifying that the residential unit must have been built, or converted from a non-residential use, pursuant to

a building permit has been issued for such unit after the by-law comes into force (i.e., the City is not required to grandfather existing multi-residential units into the subclass)

- O. Reg. 74/25 amends O. Reg. 73/03, made under the *Municipal Act, 2001*, by adding **section 8.0.0.4(1) Affordable Rental Housing Subclass** to prescribe a range for the affordable rental housing subclass reduction to be between 0 per cent and 35 per cent.

Discussion

With the introduction of the optional subclass for affordable rental housing, the province has provided municipalities with the ability to reduce municipal tax rates by 35 per cent for affordable rental housing units that meet the eligibility criteria in the *Assessment Act*, including the definition of affordable residential unit in the DCA, as noted below.

Eligibility Criteria under Ontario Regulation 73/25

Under O. Reg. 73/25, municipalities may choose to adopt the optional subclass under the multi-residential and/or the new multi-residential property classes for eligible properties. The eligible properties must meet the following conditions as specified in the O. Reg. under subsection 22.1.1(5):

1. The land is a self-contained residential unit.
2. The residential unit meets the criteria for being an affordable residential unit set out in subsection 4.1(2) of the *Development Charges Act, 1997*.
3. The owner of the residential unit or the operator of the building in which the residential unit is located is,
 - i. Required by an Act or a federal statute to provide affordable rental housing, or
 - ii. Required to offer the residential unit at a rent that is governed by an agreement entered into with one of the following entities:
 - a. The Crown in right of Canada.
 - b. The Crown in right of Ontario.
 - c. An agency of the Crown in right of Canada or of Ontario.
 - d. The local or upper-tier municipality in which the residential unit is located or a local board of either of them.
 - e. A service manager as defined in the *Housing Services Act, 2011*.
4. In the case of the optional subclass for the new multi-residential property class, and only if the single-tier or upper-tier municipality opts to have this condition apply, the tax reduction eligibility only applies to a residential unit built, or converted from a non-residential use, where the building permit for such unit has been issued after the by-law comes into force opting to have the subclass apply within the municipality.

Affordable Residential Unit Criteria under the DCA

The criteria for being an affordable residential unit and being eligible for the new optional subclass is set out in subsection 4.1(2) of the DCA as follows:

Exemption for Affordable residential unit, rented

(2) A residential unit intended for use as a rented residential premises shall be considered to be an affordable residential unit if it meets the following criteria:

1. The rent is no greater than the lesser of,
 - i. the income-based affordable rent for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing in accordance with subsection (5), and
 - ii. the average market rent identified for the residential unit set out in the Affordable Residential Units bulletin.
2. The tenant is dealing at arm's length with the landlord.

Existing Multi-Residential Properties in City of Guelph

The multi-residential property class consists of residential rental properties that have seven or more self-contained units, with a building permit issued before January 1, 1998. City of Guelph's tax ratio for the multi-residential property class has been maintained at 1.786 since 2020 and based on the 2025 final assessment information from MPAC, there are 240 properties in the class with a total current value assessment of \$871 million.

The new multi-residential property class consists of residential rental properties that have seven or more self-contained units, with a building permit issued after the by-law adopting the new multi-residential property class was passed (in Guelph, on or after January 1, 1998). Since 1998, Guelph's tax ratio for the new multi-residential property class has been maintained at 1.0, which is aligned with the tax ratio of the residential class. Based on the 2025 final assessment information from MPAC, there are 25 properties in the new multi-residential property class with a total current value assessment of \$263 million.

Optional Subclass and Tax Rate Reduction on newly built Multi-Residential Units

O. Reg. 74/25 amends O. Reg. 73/03 made under the *Municipal Act, 2001* by adding **section 8.0.0.4 Affordable Rental Housing Subclass** and prescribes a range for the affordable rental housing subclass reduction to be between 0 per cent and 35 per cent.

To incentivize the development of new affordable rental housing in Guelph and meet the objectives of increasing housing supply and affordability, staff recommend adopting the optional subclass for all multi-residential property classes effective January 1, 2026 for all multi-residential units that meet the required conditions.

Currently, MPAC has not communicated a process for reviewing and identifying existing multi-residential properties for optional inclusion in the new optional subclasses. Staff will work with MPAC to review the existing multi-residential units in the multi-residential and new multi-residential property classes (i.e., residential units for which building permits were issued before January 1, 2026).

Staff recommend adopting the new optional subclass of affordable rental housing for the 2026 taxation year, for all multi-residential units that meet the required conditions. Staff will recommend municipal property tax rate reduction, of 35 per cent, for Council's consideration and approval through the 2026 Tax Policy Report in April.

The by-law to adopt the new optional subclasses in respect of the MT and NT property classes effective January 1, 2026 will be presented at Council later this month for approval.

Financial Implications

The introduction of new multi-residential subclasses may result in a three-tiered municipal tax structure for rental housing, based solely on the construction or permit date of properties. While the initiative aims to support affordable housing by allowing municipalities to apply up to a 35 per cent discount on municipal tax rates for newly developed rental units, several financial considerations must be addressed:

- **Tax Burden Shift:**

Reduced rates for affordable rental units will shift the tax burden to other property classes, including commercial, industrial, and residential taxpayers.

- **Administrative Complexity:**

Managing three tax rates based on permit dates introduces administrative complexity and requires diligent oversight to maintain policy consistency. Staff must ensure MPAC updates the property's classification accordingly. Without proper monitoring, properties may remain incorrectly classified, affecting revenue and undermining the integrity of the City's affordable housing strategy.

Despite these concerns, staff recommend implementing the new subclass discount to promote affordable housing and support long-term affordability goals.

Staff will report back to Council with an update in the 2026 Tax Policy Report in April 2026.

Consultations and Engagement

None.

Attachments

None.

Departmental Approval

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