

October 17, 2017

Ms. Janice Romanyshyn  
Executive Director  
Grants and Education Property Tax  
Ministry of Municipal Affairs  
17<sup>th</sup> Floor Commerce Place  
10155 – 102 Street  
Edmonton, Alberta T5J 4L4

Dear Ms. Romanyshyn,

Calgary's Community Housing Affordability Collective is the collective engine for improving housing affordability through cross-sector collaboration and community-based advocacy. While we understand the official deadline has passed to submit formal feedback on the proposed changes to the Community Organization Property Tax Exemption Regulation (COPTER), our membership has expressed the need to further communicate potential concerns with the proposed changes and emphasize the high probability of unintended consequences should the regulation remain as written.

While we agree clarity in the COPTER regulation is important, there are two aspects of the proposed regulation that, in our view, threaten access to tax exemptions for affordable housing operators.

Specifically, the wording of regulation proposed in Part 3 "Residential Property Exemptions", section 21.3.b.i and section 21.4.b may exclude groups that provide an important public benefit in the form of essential affordable housing. Based on how the existing regulation reads, these groups would be deemed ineligible for property tax exemption, leading to significant impact on these groups' ability to sustain affordable rents and quality housing.

### **3.21.3.b.i**

This section of the regulation proposes property tax exemptions for non-regulated subsidized units, using the definition of "rental accommodation where the rent is 75% or less of the market value". Defining non-regulated subsidized units in this way presents challenges for several reasons:

- Many affordable housing operators have structured rents around sustainable mixed-income models, establishing rent in accordance with a tenant's income. While the average rent within a building may achieve or even exceed the definition of "75% or less of the market value" as a portfolio of units, individual rents within the building may vary from deep subsidy (for example, 40% or less of market value) to near-market rents (closer to 90% or less of market value).
- Funding agreements established with the Government of Alberta frequently work from an 80 – 90% average of market value. The potential misalignment between proposed COPTER wording and guidelines within provincial agreements may present significant challenges to operators working within the framework of such funding agreements.
- Finally, clarity for the definition of "market value" is essential to ensure all municipalities assess eligibility using the same information from the same source.

Overall, we recommend the 75% market requirement be revisited and reviewed with the Ministry of Seniors and Housing and affordable housing operators to ensure alignment.

### **3.21.4.b**

This section stipulates residential property with non-regulated rent is not exempt from taxation unless "there is 24/7 onsite support for the care, safety and security of those using the services provided".

- Many non-profit residential property operators offer supports in a variety of forms and functions. Such supports may not necessarily reflect a 24/7 onsite presence of support staff. In addition, some operators choose to focus resources on responsibilities of a landlord, partnering with social service agencies that

deliver support aspects of service delivery when appropriate and according to the needs of residents. Again, these services are available – however, on demand, rather than on-site at all times.

- In addition, the requirement for 24/7 supports may be misaligned with the current models of affordable housing operators, which are designed to promote long-term independence. For example, a resident requiring 24/7 program-based support at the beginning of their tenancy may no longer require such intensive supports over time but will continue to require affordable rental housing, due purely to economic need.

We understand timelines to introduce changes are geared toward the 2018 tax year. Provided municipalities will continue to administer property tax exemptions for affordable housing properties, they will likely require time to develop materials and protocols to support implementation of the new regulation. Given the significant groundwork that must be laid prior to implementation, it may be beneficial to consider introducing the new regulation for 2019 tax year.

In summary, the regulation, if implemented as it is currently proposed, means affordable housing operators may be faced with the difficult decision to cut back already limited capital maintenance budgets, reduce services, or raise rents for tenants already experiencing challenges related to living on a fixed income.

Thank you for your efforts to ensure clarity within COPTER and consideration of our concerns. Please contact us should you require clarification on our comments or further recommendations as proposed changes continue to be considered and developed.

Sincerely,



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