



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, September 17, 2025

Subject: Affordable Rental Housing Property Tax Subclass

Report #: 2025-0917-FIN-R27-MR

Purpose

To seek Council approval to adopt an enabling By-law for the new Affordable Rental Housing Tax Subclass for Multi-Residential and New Multi-Residential property classes, effective 2026, in accordance with Ontario Regulations 73/25 and 74/25, to meet the September 30, 2025 adoption deadline.

Background

In March 2025, the Province filed Ontario Regulation 73/25 under the Assessment Act and Ontario Regulation 74/25 under the Municipal Act, 2001 to create a new optional property tax subclass for affordable rental housing within the Multi-Residential and New Multi-Residential property classes. The subclass applies to both existing and newly built units that meet the definition of affordable rental housing as per the Development Charges Act, 1997, meaning rents for qualifying units do not exceed 30% of gross income for households at the 60th percentile of all renters in a municipality.

To make the subclass available for the 2026 taxation year, upper-tier and single-tier municipalities that establish tax ratios must adopt an enabling By-law by September 30, 2025. The regulations permit municipalities to set a discount rate between 0% and 35% on the municipal portion of property taxes, with the education property tax rate remaining unchanged. MPAC will identify and classify eligible properties based on provincial criteria. Adoption of the subclass framework does not commit Council to providing a discount but ensures the County has the option to do so as part of the 2026 Tax Policy process.

This initiative aligns with provincial priorities highlighted in the 2024 Fall Economic Statement and 2025 Budget, which aim to improve affordability for rental households. While similar programs exist in larger cities like Toronto and Vancouver, this optional subclass provides a uniform mechanism for municipalities across Ontario to encourage affordable rental housing in both existing and new developments.

For additional information about the Affordable Rental Housing Property Subclass see Appendix A attached to this report.

Discussion

Adopting the Affordable Rental Housing Subclass at this time provides the County of Essex with access to a new provincial tool designed to support affordable housing objectives. While the subclass framework is procedurally straightforward, requiring only the adoption of a By-law before the September 30, 2025 deadline, there are a number of uncertainties that remain to be resolved before Administration can determine whether any local properties would qualify and the impact it may have.

At present, the regulations tie the definition of affordability to the Development Charges Act, 1997, which specifies that affordable rents cannot exceed 30% of gross income for households at the 60th percentile of all renters in the municipality. What is not yet clear is how municipalities are expected to obtain the information needed to determine what properties meet this threshold based on their current market rent.

MPAC can provide a list of all multi-residential and new multi-residential properties in Essex County (defined as properties with seven or more self-contained units, property codes 340 and 341). However, MPAC does not track actual rents for these units. Instead, they maintain “fair market rent” figures used for assessment purposes, which do not reflect current market conditions.

Currently, there is no provincial dataset that provides actual rents at specific properties. Municipalities typically rely on broader sources, such as CMHC’s Rental Market Survey or other local housing data, which provide average rents by unit type but do not identify individual properties that qualify as affordable. Without accurate, up-to-date rental information, it is difficult to determine which properties would meet the provincial affordability definition. MPAC has indicated that their legal team continues to review the legislation

and the agency's role in its implementation, and further guidance has not yet been issued.

In addition, discussion with the Local Treasurer and Tax Collector group is still required regarding the mechanics of how the discount is funded. OPTA has confirmed that for the Multi-Residential property class, a discount can be funded in one of three ways: (a) by spreading the reduction across all property classes, (b) by restricting the funding within the Multi-Residential class through the adoption of revenue-neutral tax ratios, or (c) through a levy decrease. For the New Multi-Residential class, the options are limited to either (a) spreading the reduction across all classes or (b) through a levy decrease. Each approach has different implications for the distribution of the tax burden and would need to be considered as part of the annual Tax Policy process.

Given these outstanding questions, staff cannot confirm at this time whether any multi-residential or new multi residential properties in the County would qualify for the subclass. Nonetheless, adopting the enabling By-law ensures that the County retains the option to apply a discount if desired and provides a signal to the community that the County is open to encouraging affordable rental housing through its tax policy framework.

Financial Implications

There are no immediate financial impacts from adopting the Affordable Rental Housing Subclass framework. Any financial effects would depend on the discount rate, if any, set by Council in 2026 and the number of eligible properties that meet the definition of affordable.

If a discount is applied, it would not reduce the overall levy but would instead shift the tax burden onto the rest of the property base. The extent of that shift will vary depending on the number of eligible properties and the discount percentage applied. As part of the 2026 Tax Policy report, Administration will provide scenario-based modelling that shows the potential revenue impacts at various discount levels. These scenarios will also illustrate how a discount would redistribute the tax burden to other property classes. This approach will ensure Council has a complete picture, informed by consultation with local treasurers and tax collectors, before deciding whether and how to implement a discount.

For now, adopting the By-law simply allows the option for Council to offer this type of incentive in the future and signals openness to supporting

affordable rental housing through the County’s tax policy framework. Once more information becomes available from OPTA and MPAC, Administration will be able to provide a clearer assessment of the impacts, which will be brought forward for discussion as part of the Tax Policy By-law presentation in February 2026.

Consultations

- Tracy Pringle, MPAC
- OPTA Service Desk

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<input type="checkbox"/> Scaling Sustainable Services through Innovation <input type="checkbox"/> Focusing “Team Essex County” for Results <input type="checkbox"/> Advocating for Essex County’s Fair Share	<input type="checkbox"/> Being an Employer with Impact <input checked="" type="checkbox"/> A Government Working for the People <input type="checkbox"/> Promoting Transparency and Awareness	<input type="checkbox"/> Providing Reliable Infrastructure for Partners <input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council approve report number 2025-0917-FIN-R27-MR, Affordable Rental Housing Property Tax Subclass; and,

That Essex County Council approve the accompanying By-law 2025-39 to adopt the new Affordable Rental Housing property tax subclass for the Multi Residential and New Multi Residential property classes.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	About the Affordable Rental Housing Subclass