

Mayor and Members of Council  
City of London  
300 Dufferin Ave  
London, ON N6B 1Z2

Re: lowering the tax rate on community housing in London

Dear colleagues:

We have received several reports on the state of our community housing stock. For the people that live in community housing, all those numbers and reports boil down to a simple fact: too many of our community housing buildings and units are not in great shape. Residents are looking for more maintenance and better capital repairs. The increased funding we approved last year in the multi-year budget will make a big difference.

Today, I'm writing to seek your support for considering another way to free up more funds to make community housing better for the folks who live there.

Last year, during our discussion of the Housing Services Review, we directed Civic Administration to report back on the feasibility of lowering the effective tax rate on buildings owned by London and Middlesex Community Housing (LMCH) so it would be equivalent to the residential tax rate. Last week, Corporate Services Committee received the report from Civic Administration. The report recommended taking no action.

I moved a motion (below) to have a second report to the committee on how we could take action, in a phased way over the next four years to bring the tax rate down on all of these community housing buildings. The motion failed on 3-3 tie vote at the committee.

That Civic Administration BE DIRECTED to report back to Corporate Services Committee with a phased approach of reducing the effective tax rate for London Middlesex Community Housing INC. (LMCH) buildings, over a period of four years, to be equivalent to the residential tax rate.

I am writing to provide more context about why I support moving in this direction of lowering the tax rate on community housing.

I hope that after reading this rationale you will support the motion above that failed on a tie at committee.

### **Current situation**

Right now, the LMCH buildings in London are taxed at the multi-unit residential tax rate of 2.05%. This rate applies to buildings with seven or more self-contained units, as long as they are not condos or newly-constructed, in which case the lower residential rate of 1.2% applies. The situation is quite similar in our neighbouring municipalities in the County of Middlesex.

The total assessed value of the LMCH buildings located in London is roughly \$232,000,000, so the annual municipal taxes for those properties are roughly \$4.8 million. Provincial education property taxes are roughly \$373,000.

Combined, property taxes accounted for roughly 20% of LMCH's total expenditures in 2019.

### **Lowering LMCH's property tax expense**

By choosing to lower the effective property tax rate on LMCH buildings to the residential rate of 1.2%, in a phased approach over four years, we would eventually free-up \$1.8 million per year that LMCH could re-allocate to other priorities.

### **How the property tax savings could be reallocated**

Instead of paying the higher city property tax rate, LMCH could invest those funds in capital repair and maintenance, making the buildings and properties better for residents to live in. Or LMCH could hire additional staff, above and beyond the increases we have already approved in the multi-year budget. Or LMCH could reallocate some of all of the savings to its capital plans for regeneration or lifecycle replacement. If we decide to lower the tax rate on community housing over a four year period, the LMCH board and administration will be able to make recommendations through our normal budget process.

### **Who benefits and who pays if we go in this direction?**

Lowering the effective tax rate on LMCH's buildings to the same as the residential rate will lower LMCH's property tax expense (both municipal and provincial). This benefits the funders of community housing, which are the tenants (let's not overlook the \$11.8 million in rent revenue!), the county and the city.

If LMCH recommends reallocating all of those property tax savings to other operational expenditures, the city and the county's contributions would not be affected, as the overall level of expenditure would be the same (less spending on property tax but an offsetting increased spending on other priorities).

However, if the city's contribution to LMCH does not change, then the city's overall property tax levy requirements will not change. This means that all of the other property taxpayers in London would have to pick up the difference. As outlined in the staff report, the impact would be ~\$1.7 million, which is estimated to be equivalent to 0.264% of the overall property tax levy. If this were to be phased-in over four years, the impact would be something like 0.066% each year.

If we were to lower the city grant to LMCH by the amount of the tax savings, the county would benefit from a lower expense and save roughly \$270,000 per year.

Importantly, by acting this way to lower the effective tax rate on LMCH buildings, regardless of how the tax savings on community housing are used, the provincial education property tax on these buildings is also reduced. The staff report identifies that this would **free up \$126,815 annually** that LMCH could

reallocate to other operational priorities (this is included in the total of \$1.8 million but it impacts the province, not the city or the county).

### **Other municipalities**

**Toronto** fully exempted its community housing in 2011 (effective in 2012). **Chatham-Kent** fully exempted its social housing from property taxation in 2013 (effective in 2014). [Ottawa did the same in 2014](#) (effective 2015). **Hamilton** did the same in 2016 (effective in 2017). Most municipalities choose to reallocate the provincial education tax savings to the capital plan for community housing.

I am not proposing a full exemption as has been done in these other municipalities. I am proposing a partial exemption that would mean these properties are taxed at the same rate as residential properties, condos and properties with affordable housing bylaws.

### **How this could work**

A phased-in approach over four years could be accomplished by reducing the effective tax rate building by building. This is similar to how the affordable housing tax bylaws have been passed over time (there are 17 properties taxed at the lower rate now, but they were not all done at once). It is also similar to how an owner of a market-rent apartment building can choose to convert that property (or several properties) into a condo(s) in order to be taxed at the residential rate.

Some examples at the building level may be helpful. Consider 202 McNay St, a LMCH building in Ward 4. It's valued at ~\$18.1 million. At the 2.05% tax rate, municipal taxes are roughly \$374,000. If we lowered the effective tax rate on this building next year to the residential rate, the impact would be ~\$160,000. If we did the same with the Boullee townhouse property nearby, the impact would be an additional ~\$90,000; the impact of lowering the rate on 241 Simcoe St would be an additional ~\$133,000; the impact on 1481 Limberlost would be ~\$116,000; and so on. By proceeding with one-quarter of the LMCH properties each year, we can spread the impact over a longer period of time. I've suggested four years, but it could be shorter or longer.

We have made housing a key priority of our council term. I hope you will join me in taking the next step to bring down the tax rate on community housing in a responsible manner, which is a staff report outlining how that could be accomplished. If we receive that future report, we can decide how to proceed in consultation with the county and the board and administration of LMCH.

Regards,  
Jesse

## Appendix: Tax Rates for Different Kinds of Multi-Unit Buildings

Type of Housing	Kind of Building	Municipal Tax Rate	
		Not Condo	Condo
<b>Market</b>	Multi-unit (built before 2019)	2.05%	1.2%
	Multi-unit (built 2019 or later)	1.2%	
<b>Social</b>	LMCH buildings in London	2.05%	
	Future new LMCH buildings	1.2%	
<b>Affordable</b>	Multi-unit with affordable housing tax bylaw (17 properties)	1.2%	
	Below market units in otherwise market building (built before 2019)	2.05%	1.2%
	Below market units in otherwise market building (built 2019 or later)	1.2%	