

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
Jacques Dubé, Chief Administrative Officer

**DATE:** August 10, 2020

**SUBJECT:** **Amendments to Administrative Order 2014-001-ADM, the Tax Relief For Non-Profit Organizations Administrative Order, to allow a Form of Multi-Year Tax Relief for Non-Profit Organizations**

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## **ORIGIN**

On March 7, 2017, the following motion of Regional Council was put and passed:

*That Halifax Regional Council request a staff report regarding opportunities, best practices and financial implications of considering:*

1. *Full or partial waiver of HRM permits and fees related to construction of affordable housing projects,*
2. *Entering into multi-year tax relief that aligns with the life of the affordable housing component of a fully affordable or mixed market/affordable housing project subject to Section 73 of the Halifax Charter,*
3. *Exploring with Halifax Water alignment of their capital fee contributions with municipal and provincial housing goals to develop a full or partial reduction for affordable housing projects.*

On December 5, 2017, the following motion of Regional Council was put and passed:

*That Halifax Regional Council request a supplementary staff report regarding possible application of provisions of the Housing Act to allow consideration of multi-year tax relief by Council for affordable housing projects.*

## **LEGISLATIVE AUTHORITY**

*Housing Act, R.S., c.211, s1*

- 3 The purpose of this Act is to improve and increase the housing stock of the Province.
- 19 Subject to the regulations, a municipality may
  - (a) limit the municipal taxes levied in respect of the property owned by a company or corporation established for the purposes of this Act for such period as the municipality may determine;

- (b) exempt from municipal taxation or limit the municipal taxes levied in respect of the property owned by a charitable corporation eligible for loans pursuant to Section 88 of the National Housing Act (Canada).

*Halifax Regional Municipality Charter 2008, c. 39, s. 1*

59(3) In addition to matters specified in this Act or another Act of the Legislature, the Council may adopt policies on any matter that the Council considers conducive to the effective management of the Municipality.

89 (1) The Council may, by policy, exempt from taxation, to the extent and under the conditions set out in the policy

- (a) property
  - (i) of a named registered Canadian charitable organization, and
  - (ii) that is used directly and solely for a charitable purpose;
- (b) property of a non-profit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization if, in the opinion of the Council, the organization provides a service that might otherwise be a responsibility of the Council;
- (c) the buildings, pump stations, deep well pumps, main transmission lines, distribution lines, meters and associated plant and equipment of a municipal water utility.”

89 (6) A policy made pursuant to this Section has effect in the fiscal year following the fiscal year in which it is published, unless the policy sets a different effective date, including an effective date retroactive to the beginning of the current fiscal year.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council adopt the amendments to Administrative Order 2014-001-ADM, the *Tax Relief For Non-Profit Organizations Administrative Order*, as set out in Attachment 2, to provide a form of multi-year tax relief for eligible applicants.

## **BACKGROUND**

Multi-year tax relief in the context of this report constitutes property tax relief that extends over multiple tax collection years. Multi-year tax relief provides advantages when non-profit or charitable housing providers apply for financing with organizations such as Canadian Mortgage and Housing Corporation (CMHC), as well as providing greater certainty in terms of annual operating costs. These benefits can help to maintain the viability of existing non-profit or charitable housing and supports the construction of new affordable housing units.

On December 5, 2017, staff presented a report<sup>1</sup> to Regional Council which explained that the *HRM Charter* does not allow HRM to enter into multi-year tax exemptions. After discussion and debate, Regional Council requested a supplementary staff report to explore the use of the Nova Scotia *Housing Act* to consider multi-year tax relief for non-profit or charitable housing.

### **Affordable Housing Targets and Workplan**

In October 2013, Regional Council endorsed HRM's formal participation in the Housing and Homelessness Partnership. The Partnership is made up of various levels of government and organizations with the goal “to end housing poverty and homelessness in the Halifax Region”. In 2016, Regional Council approved the Housing and Homelessness's Partnership's 5 Year Strategic Plan which includes a series of housing targets that all partners agreed to work towards achieving. These targets included the creation of an

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<sup>1</sup> See report at <https://www.halifax.ca/sites/default/files/documents/city-hall/regional-council/171205rc1413.pdf>

additional 2,750 affordable units and the retention of 2,250 affordable units.

In 2018, in support of the affordable housing targets, Regional Council directed staff to proceed with the initiatives contained in the Affordable Housing Work Plan. One of the six initiatives includes, exploring municipal funding incentives to support affordable housing. Developing a streamlined and predictable program for tax relief for registered non-profit or charitable housing groups would be an important step in supporting this initiative.

### **HRM Tax Relief for Non-Profit Organizations**

Under the Non-Profit Tax Relief Program (Administrative Order 2014-01-ADM), eligible non-profits and charities, including housing organizations, can apply for tax relief and be placed on one of five schedules for tax relief. The five schedules provide tax reductions at the following levels:

- Reducing the commercial tax rate to the residential tax rate (Schedule 29),
- a 25% reduction in property taxes, (Schedule 30),
- a 50% reduction in property taxes (Schedule 28),
- a 75% reduction in property taxes (Schedule 27), and,
- a 100% reduction in property taxes (Schedule 26),

In 2020, tax relief was provided for 763 properties owned by non-profits or leased by non-profits and billed directly by the Municipality. Of this number, 509 provide a form of affordable housing representing approximately 67% of program uptake. This value excludes special needs housing and accommodations included on other schedules, for example supportive housing for persons with a disability, shelter for the homeless, and out-patient accommodations.

The non-profit tax relief program is an annual program. Each year non-profits re-apply, with a renewal form application that requires financial statements and other information. However, non-profits are rarely removed from the program unless they cease operations, dispose of their property, or the lease for the subject property expires. Most program recipients have been on the Administrative Order for a lengthy period of time.

### **Treatment of Tax Relief by Canada Housing and Mortgage Corporation (CMHC)**

CMHC provides financial assistance to non-profits and charities for low income housing construction and renovation. They review the financial situation of each applicant and calculate a “debt coverage ratio”. The debt coverage ratio looks at the relationship of the rental income for the property relative to their ongoing costs including items such as operating costs, repair and maintenance, utilities, interest and property taxes. The better the debt coverage ratio, the more CMHC is potentially able to loan the applicant and the less equity an applicant has to raise. In short, affordable housing projects become more viable as the debt coverage ratio improves. Because the HRM non-profit tax relief program is subject to annual applications, CMHC treats it as a one-time savings even though the applicant is likely to remain on the program indefinitely. In short, the annual application process makes such housing projects less viable in the eyes of CMHC.

### **Nova Scotia Housing Act**

While the *HRM Charter* does not provide specific authority for the Municipality to provide multi-year tax relief, the *Nova Scotia Housing Act* does enable the Municipality to limit the municipal taxes levied (provide tax relief) for an extended period of time provided the entity receiving tax limits meets the terms of the Act. Specifically, Section 19(a) of *Housing Act* states:

#### *Municipal powers respecting taxation*

*19 Subject to the regulations, a municipality may*

- (a) limit the municipal taxes levied in respect of the property owned by a company or corporation established for the purposes of this Act for such period as the municipality may determine;*

Through a review from staff, clause 19(a) was interpreted to apply to registered non-profits or charities that provide housing.

## **DISCUSSION**

While the Municipality's existing tax relief program provides relief to non-profits who serve important community needs, the requirement to re-apply annually can be time consuming and impact funding opportunities from financiers such as CMHC.

Staff considered two approaches to provide a form of multi-year tax relief. The first would be to create a new multi-year tax relief program under the *Nova Scotia Housing Act* solely for affordable housing. The second approach would be to amend the existing non-profit tax program to create many of the same benefits as a multi-year tax program for all for non-profit and charitable groups through a streamlined re-application process.

### **Application of Nova Scotia Housing Act**

As noted above, the *Housing Act* provides the ability to consider multi-year tax relief for non-profit or charitable housing providers whose purpose is to improve and increase the housing stock of the Province. The *Housing Act* does not specify how this relief may be provided but under the *HRM Charter*, tax relief may only be provided by by-law or Administrative Order (except for the expressed ability to enter into a tax agreement for the Airport). As such, multi-year tax relief under the *Housing Act* could only be considered through a program and not through individual agreements.

Staff considered the implementation of a separate tax relief program for non-profit or charitable housing providers but determined that having two tax relief programs:

- would create confusion for non-profits;
- would create an additional administrative burden for staff; and
- may create financial risks for the Municipality if a multi-year tax relief term is set for too long of a period.

As such, staff are recommending redesigning the existing tax relief program to streamline the application process for returning applicants. This would create the same benefits as a multi-year tax relief program and could benefit all non-profit and charitable groups to which the Municipality currently provides relief.

### **Recommended Changes: Streamlining Application Process**

Staff have reviewed the design of the current program and are recommending design changes that will provide the benefits of a multi-year program for all recipients, not just affordable housing. Under the design changes, the recipients would provide a full application only in the initial year of the program. That means filing the initial application would continue to include:

- a copy of the organization's Articles of Incorporation,
- proof of ownership such as a deed,
- financial statements for the prior fiscal year,
- a list of the Board of Directors, and
- a description of the program or service provided by the applicant.

Under the new design changes, to maintain tax relief in subsequent years the recipient only needs to:

- confirm that there has been no change in ownership or occupancy relating to the real property for which tax relief has previously been provided; and
- that it remains in good standing with the Registry of Joint Stocks or is in good standing with the Canada Revenue Agency as a charitable organization.

These requirements are important as they ensure tax relief is not inadvertently being provided to properties that have changed hands or sub-leased and that the organization is still active. Pending

confirmation of this information, the renewal would be automatic and would not require a motion or vote from Regional Council or any changes to the Administrative Order. Pending Council approval, these changes would be in effect for the 2021/22 tax year and would apply to all applicants.

Under this proposal, the applicant would remain in the program indefinitely unless they fail to renew their application/re-confirm their status or Regional Council removes them. Regional Council would vote on new applicants to the program. This provides several key efficiencies:

- effectively provides multi-year tax relief for applicants;
- enhanced opportunities for CMHC funding;
- less administrative work for both applicants and staff;
- stronger customer service;
- simpler reports required for Regional Council; and
- ability for Council and staff to focus on new applicants.

Staff will work to ensure the confirmation process is short and simple for the recipients. In the event a recipient did not reconfirm, staff would first attempt to contact the organization. Failing that, as a last resort they would be treated as a new applicant and would be subject to the existing late fees and full application process.

Staff have discussed this change in design with CMHC. CMHC has confirmed that with this design change, it would now consider the applicant's property tax relief to be long-term in nature and would adjust the calculation of its debt coverage ratio on such applications as if tax relief were indefinite (See Attachment 3).

### **Conclusion**

The recommendations convert the existing non-profit tax program from an annual program into a program that provides similar benefits of a multi-year program. This provides leverage for greater borrowing power and assists in accessing public sector funding, including CMHC funds. In addition, it provides less paper work for all non-profit and charitable organizations and greater certainty regarding ongoing operational costs. While a streamlined application process will not provide multi-year tax relief through the authority of the *Housing Act*, it will provide the same benefits through a level of certainty that can be leveraged for greater borrowing power or assist in accessing public sector funding, including funds that accessed through the CMHC all by non-profit and charitable organizations.

### **FINANCIAL IMPLICATIONS**

Financial implications of the administrative changes that eliminate the annual application requirement are minimal as, in practice, the Municipality already provides on-going tax relief to not-for-profit housing through the annual tax relief application process. The program would become easier to administer, allowing staff to focus limited resources in other areas.

Establishing a new program under the Housing Act would require additional staff resources to establish and administer the program. It would also delay the provision of multi-year tax relief for affordable housing.

### **RISK CONSIDERATION**

There are limited risks associated with the recommendations contained in this report. While some properties may change in use or switch to charging market rents, annual review requirements will mitigate this risk by ensuring applicants remain eligible for their tax relief status. Should they fail to meet the eligibility requirements then they could either a) lose their tax relief status, or b) have to return to completing annual applications.

### **COMMUNITY ENGAGEMENT**

No community engagement was undertaken for this report. However, to assist in preparing this report, staff consulted with a number of key stakeholders including the Canadian Mortgage and Housing Corporation (CMHC), Co-operative Housing Federation of Canada, Affordable Housing Association of Nova Scotia, and Dartmouth Housing Help. Written submissions made by both the Housing Trust of Nova Scotia and Affirmative Ventures requesting a multi-year approach to tax relief were also considered.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications are identified.

### **ALTERNATIVES**

1. Regional Council may choose to amend AO-2014-001-ADM, the *Tax Relief For Non-Profit Organizations Administrative Order*, to enable a second program under the authority of the Housing Act to provide multi-year tax relief for registered non-profit or charitable housing providers. This will require a subsequent report with new amendments for Council's consideration.
2. Regional Council may choose to decline to amend AO-2014-001-ADM, the *Tax Relief For Non-Profit Organizations Administrative Order*, that would enable the creation of a streamlined re-application process for all non-profit groups.

### **ATTACHMENTS**

- Attachment 1: AO-2014-00-ADM, the Tax Relief For Non-Profit Organizations Administrative Order (Showing Proposed Changes)
- Attachment 2 AO-2014-00-ADM, the Tax Relief For Non-Profit Organizations Administrative Order (Amending Administrative Order)
- Attachment 3: Correspondence from David McCulloch, Canada Mortgage & Housing Corporation re Debt Service Ratio, September 11, 2020
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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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**Attachment 1  
(Showing Proposed Changes)**

**ADMINISTRATIVE ORDER 2014-001-ADM  
TAX RELIEF TO NON-PROFIT ORGANIZATIONS ADMINISTRATIVE ORDER**

**BE IT ENACTED** by the Council of the Halifax Regional Municipality, under the authority of the *Halifax Regional Municipality Charter*, 2008 S.N.S. c. 39, as amended, and the *Housing Act*, 1989 R.S.N.S., c.211, as amended, as follows:

**Short Title**

1. This Administrative Order may be cited as Administrative Order 2014-001-ADM, the *Tax Relief For Non-Profit Organizations Administrative Order*.

**Interpretation**

2. In this Administrative Order,

(a) "Council" means the Council of the Municipality;

(aa) "Director" means the Director responsible for the finances of the Municipality, and includes a person acting under the supervision and direction of the Director;

(b) "dwelling unit" means a dwelling unit as defined by clause 3(z) of the *Halifax Regional Municipality Charter*, S.N.S., 2008, c. 39, as amended;

(c) "fiscal year" means the period of time from April 1st of a given calendar year up to and including March 31st of the next calendar year;

(d) "Government" means the Government of Canada, Government of the Province of Nova Scotia, a corporation that is an agent of Her Majesty in Right of Canada or the Province, a First Nation, the Municipality and a service commission;

(e) "lease" means a written contractual agreement signed by both:

(i) the owner of the real property and the occupant of the real property whereby the lessee has care and control over the real property by mutual agreement in accordance with the terms and conditions of the agreement; or

(ii) the lessee of the real property and the occupant of the real property whereby the sublessee has care and control over the real property by mutual agreement in accordance with the terms and conditions of the agreement;

(ea) "license" means a written contractual agreement signed by the Municipality and another organization whereby the organization has the permission of the Municipality to use or occupy real property in which the Municipality has an estate, right, title or interest in;

(f) "Municipality" means the Halifax Regional Municipality;

(g) "non-profit organization" includes:

(i) a society incorporated pursuant to the *Societies Act*, R.S.N.S. 1989 c.435, as amended,

(ii) a non-profit association incorporated pursuant to the *Co-operative Associations Act*, R.S.N.S. 1989 c. 98, as amended,

- (iii) a non-profit association to which the *Co-operative Associations Act* applies,
- (iv) a not-for-profit corporation incorporated pursuant to the *Canada Not-for-profit Corporations Act*, S.C. 2009, c. 23, and
- (i) a non-profit organization otherwise incorporated pursuant to an Act of the Nova Scotia Legislature;
- (h) “service commission” means a service commission as defined by clause 3(bj) of the *Halifax Regional Municipality Charter*; and
- (i) “tax relief” means a grant or contribution provided by the Municipality pursuant to sections 14 and 16 of this Administrative Order.

### **Application for Tax Relief**

3. For an initial application for tax relief, an applicant must provide to the Municipality:

- (a) a copy of its Articles of Incorporation;
- (b) proof satisfactory to the Municipality respecting:
  - (i) the ownership of the property for which tax relief is sought such as a deed, or the occupancy of the property for which tax relief is sought such as a signed lease agreement or license agreement;
  - (ii) the occupancy of the property for which tax relief is sought such as a signed lease agreement or license agreement;
- (c) a complete financial statement for the prior fiscal year of the applicant including:
  - (i) all revenues and expenses, assets and liabilities of the applicant, **and**
  - (iA) if subsection 3A (3) applies or the applicant was struck under section 7D, the amount of tax relief previously provided by the Municipality, and
  - (ii) list of the Board of Directors of the applicant; and
- (d) a description of the program or service provided by the applicant.

3A (1) For an application to renew tax relief, the eligible non-profit organization or the eligible registered Canadian charitable organization must confirm to the Municipality that:

- (a) there has been no change in ownership or occupancy relating to the real property for which tax relief has previously been provided; and
- (b) (i) if the applicant is a non-profit organization, that such organization is in good standing with the Registry of Joint Stock Companies, or
- (ii) if the applicant is registered Canadian charitable organization, that such organization is in good standing with the Canada Revenue Agency.

(2) Subject to this Administrative Order, if subsection 1 is satisfied, tax relief may be provided to the eligible non-profit organization or the eligible registered Canadian charitable organization.

(3) If subsection 1 is not satisfied, the organization may apply under section 3 and shall be considered an initial application for tax relief.



4. For ~~a subsequent~~ an application for **the renewal** of tax relief, **and upon the request of the Director**, the applicant must provide to the Municipality:

- (a) the information required pursuant to clauses 3c and 3d of this Administrative Order; and
- (b) ~~any change of ownership or occupancy relating to the real property for which tax relief has previously been provided.~~ **Repeal;**
- (c) **any other information the Director may require.**

#### **Eligibility of Non-Profit Organization for Tax Relief**

4A. To be eligible for consideration by the Council for tax relief pursuant to this Administrative Order, a non-profit organization:

- (a) shall be one of the following:
  - (i) a charitable organization,
  - (ii) a community organization,
  - (iii) a cultural organization,
  - (iv) an educational organization,
  - (v) a fraternal organization,
  - (vi) a recreational organization,
  - (vii) a religious organization, or
  - (viii) a sporting organization;
- (b) shall be:
  - (i) registered with the Registrar of Joint Stock Companies or with Corporations Canada, or
  - (ii) created by a statute that expressly names the non-profit organization; and
- (c) shall own, license or lease real property as set out in sections 5 or 5A of this Administrative Order.

#### **Eligibility of Registered Canadian Charitable Organization for Tax Relief**

4B. To be eligible for consideration by the Council for tax relief pursuant to this Administrative Order, a registered Canadian charitable organization:

- (a) shall be a charitable organization registered pursuant to the *Income Tax Act* (Canada) and the regulations made pursuant to that *Act*; and
- (b) shall own, license or lease real property as set out in sections 5 or 5A of this Administrative Order.

#### **Provision of Tax Relief for Owned Property**

5. Council may provide tax relief to an eligible non-profit organization or an eligible registered Canadian charitable organization that owns real property that is located within the Municipality.

#### **Provision of Tax Relief for Licensed or Leased Property**

5A. (1) An application for **the renewal of** tax relief must be made to the Municipality by the March 31<sup>st</sup> immediately preceding the start of the fiscal year for which tax relief is sought.

- (2) Any application for tax relief that does not satisfy subsection 1 is a late application.
- (3) An application for the renewal of tax relief that is a late application will result in a reduction of the amount of such relief in accordance with sections 7C and 7D.

(3A) A new application for tax relief shall be made to the Municipality by the November 30<sup>th</sup> immediately preceding the start of the fiscal year for which tax relief is sought.

(3B) A new application for tax relief that does not satisfy subsection (3A) is a late application and may only be considered if there is adequate money in the budget to cover the amount of the tax relief for the subject property.

(4) Council may provide tax relief to an eligible non-profit organization or an eligible registered Canadian charitable organization that leases or has a license for real property that is located within the Municipality if

(a) (i) the real property is leased or licensed, for a minimum of five (5) consecutive years with a minimum of three (3) years remaining as of the March 31<sup>st</sup> immediately preceding the fiscal year for which tax relief is initially applied for, and the real property is licensed from the Municipality or leased from

- (A) the Government,
- (B) another non-profit organization or registered Canadian charitable organization,
- (C) another person, or
- (D) another entity; or

(ii) the real property was licensed from the Municipality, and the license has expired as of the March 31<sup>st</sup> immediately preceding the fiscal year for which the application to renew tax relief is applied for, and the conditions set out in subsection 5 are satisfied; or

(iii) the real property was leased, and the lease has expired as of the March 31<sup>st</sup> immediately preceding the fiscal year for which the application to renew tax relief is applied for, and the real property was leased from

- (A) the Government,
- (B) another non-profit organization or registered Canadian charitable organization,
- (C) another person, or
- (D) another entity,

and the conditions set out in subsection 5 are satisfied;

(b) the lease or license requires an eligible tenant non-profit organization or an eligible tenant registered Canadian charitable organization to pay the real property taxes on that portion of the real property that has been leased or licensed to the eligible organization; and

(c) the real property is owned by a non-profit organization or registered Canadian charitable organization and it is leased to another non-profit organization or registered Canadian charitable organization, the applicant is the owner of the property and such owner provides to the Municipality:

(i) the lessee's registration number listed in either the Registry of Joint Stock Companies or the charities listings of the Canada Revenue Agency;

(ii) a copy of the signed lease; and

(iii) the total area the lessee occupies under the lease.

(5) If the lease or license respecting the real property that is the subject of an application for the renewal of tax relief has expired,

(a) the lease or license must have been expired for no more than three (3) years as of the March 31<sup>st</sup> immediately preceding the start of the fiscal year for which tax relief is sought; and

(b) the applicant must provide to the Municipality written confirmation from the licensor or lessor that

(i) the lease or license contains a provision allowing the lessee or licensee to remain in possession after the lease or the license expired, or

(ii) the lessor or licensor consents to the lessee or licensee remaining in possession of the real property.

5B If clause 5A(4)(c) applies, the amount of tax relief provided to the eligible lessee shall be the lesser of the amount of tax relief provided to the owner of the property or the total amount of the tax relief provided to the owner of the property divided by the area of the property occupied by the eligible lessee.

#### **Pro Rata Tax Relief**

6. (1) If tax relief has been provided pursuant to this Administrative Order, the amount of tax relief shall be pro-rated based on the proportional occupancy of the subject real property by an eligible non-profit organization or an eligible registered Canadian charitable organization and the duration of such occupancy during the current taxation year as follows:

(a) that portion of the real property leased, sub-leased or occupied by Government, another person or another entity must be excluded from eligibility for tax relief and the amount of tax relief must be pro-rated based on the proportional share of non-profit organization or registered Canadian charitable organization occupancy, expressed as a percentage for the entire real property;

(b) if any portion of the real property owned by an eligible non-profit organization or an eligible registered Canadian charitable organization for which tax relief has been provided is conveyed to a Government, another non-profit organization or another registered Canadian charitable organization, another person or another entity, the amount of tax relief shall be calculated by,

(i) dividing the number of days in the calendar year by the dollar amount of the tax relief; and

(ii) multiplying the result of sub-clause (b) (i) of this clause by the number of days the eligible non-profit or eligible registered Canadian charity organization owned the real property;

(c) if the lease or license is terminated for any reason or expires prior to the end of the current taxation year, the amount of tax relief shall be calculated by:

(i) dividing the number of days in the calendar year by the dollar amount of the tax relief; and

(ii) multiplying the result of sub-clause (c) (i) of this clause by the number of days the eligible non-profit or eligible registered Canadian charity organization leased or licensed the real property.

- (2) For greater certainty, a vacant portion of the real property that:
- (a) is the subject of tax relief that has been provided,
  - (b) is owned by an eligible non-profit organization or an eligible registered Canadian charitable organization,
  - (c) is vacant, and
  - (d) is not otherwise ineligible for tax relief or subject to a pro-rate reduction,
- is eligible for tax relief.

7. Where tax relief is provided pursuant to this Administrative Order and the property owner or lessee or licensee terminates the lease or license for any reason or the lease or license expires prior to the end of the fiscal year the amount of tax relief must be calculated by:

- (a) dividing the number of days in the calendar year by the dollar amount of the tax relief;
- and
- (b) multiplying the result of clause (a) of this section by the number of days the eligible non-profit or eligible registered Canadian charity organization is in possession of the property.

7A Where

- (a) the real property is owned by a non-profit organization or registered Canadian charitable organization and it is leased to another non-profit organization or registered Canadian charitable organization; and
- (a) tax relief is provided pursuant to this Administrative Order to the eligible lessee; and
- (c) the owner of real property is no longer eligible for tax relief or the tax relief is pro-rate;

then the tax relief of the eligible lessee shall terminate.

7B Repealed.

### **First Late Renewal Application**

7C. (1) If an application for the renewal of tax relief is a late application and the application for the previous fiscal year was on time, the amount of tax relief for each property that was filed late shall be reduced in accordance with subsection 2 of this section.

(2) If subsection 1 applies, the amount of tax relief for each property that was filed late shall be reduced as follows:

- (a) if the application is received on or before June 30<sup>th</sup>, there shall be no reduction;
- or
- (b) if the application is received after June 30<sup>th</sup> and on or before September 28<sup>th</sup>, there shall be a reduction of 1/365 for every calendar day such application is late after June 30<sup>th</sup>, to a maximum of two thousand five hundred dollars (\$2,500) per property; or

(c) if the application is received after September 28<sup>th</sup>, there shall be a reduction of 1/365 for every calendar day such application is late after June 30<sup>th</sup> to a maximum of five thousand dollars (\$5,000) per property.

(3) If June 30<sup>th</sup> or September 28<sup>th</sup> falls on a Saturday or Sunday, the deadline shall be extended until the next business day.

### **Subsequent Late Renewal Applications**

7D. (1) If an application for the renewal of tax relief is the second consecutive late application, the amount of tax relief for each property that was filed late shall be reduced in accordance with the following:

(a) if the application is received on or before the September 28<sup>th</sup>, tax relief shall be reduced by 1/365 for every calendar day such application is late; or

(b) if the application is received after September 28<sup>th</sup>, then

(i) tax relief shall be revoked for the fiscal year for each property for which the application is late, and

(ii) the applicant shall be ineligible for tax relief for the fiscal year for each property for which the application is late, and

(iii) if the applicant is listed on any Schedule, the applicant is struck off such Schedule in respect of each late property.

(2) Where September 28<sup>th</sup> falls on a Saturday or Sunday, the deadline shall be extended until the next business day.

(3) If a non-profit organization or a registered Canadian charity organization is struck off a Schedule pursuant to subclause 7D(1)(b)(iii), such organization may apply for tax relief for the next fiscal year providing the application complies with this Administrative Order and if such application is late, section 7C shall apply.

### **Provision of Tax Relief**

8. The provision of tax relief to an eligible non-profit organization or an eligible registered Canadian charity organization is at the sole discretion of the Council.

9. Tax relief for a subsequent taxation year is at the sole discretion of the Council.

10. Any tax relief provided by the Council pursuant to this Administrative Order must exclude that portion of the owned or leased or licensed real property that is used as a dwelling unit for an employee of the eligible non-profit organization or the eligible registered Canadian charitable organization.

11. Tax relief provided by the Council pursuant to this Administrative Order is valid only for the fiscal year in which it was applied for and cannot be awarded retroactively to a prior fiscal year.

12. Tax relief is not transferable including not being transferable to another person, organization, entity or other real property.

### **Tax Relief - Conversion to Residential Rate**

14. The amount of tax relief provided by the Council to an eligible non-profit organization or an eligible registered Canadian charitable organization named in a Schedule attached to this Administrative Order is equal to a conversion of its current tax rate to the residential tax rate.

15. In determining the amount of the residential tax rate pursuant to this Administrative Order for a property:

- (a) the following amounts of real property tax are eligible for tax relief:
  - (i) area rates or uniform charge except for a business improvement district area rate;
  - (ii) mandatory provincial contributions; and
  - (iii) the fire protection rate.
- (b) the following amounts of real property tax are not eligible and are excluded from tax relief:
  - (i) an area rate levied for a business improvement district,
  - (ii) charges imposed or fixed pursuant to a by-law including a subdivision by-law,
  - (iii) fees, fines or interest owed to the Municipality for arrears on taxes, and
  - (iv) any other amount that is not specified pursuant to clause (a) of this section.

#### **Tax Relief - Reduction of Residential Rate**

16. For an eligible non-profit organization or an eligible registered Canadian charitable organization named in Schedules 26, 27, 28, or 30 there is a further reduction of the residential tax rate of those named in:

- (a) Schedule 26 - one hundred percent (100%);
- (b) Schedule 27 - seventy-five percent (75%);
- (c) Schedule 28 - fifty percent (50%);
- (d) Schedule 30 - twenty-five percent (25%); and
- (e) Schedule 29 - zero percent (0%).

#### **Referral by Council**

17. The question of the tax relief for a property pursuant to this Administrative Order may be referred by the Council to a Standing Committee or to the Council in Committee for a recommendation to the Council on whether to provide tax relief.

#### **Report to Council**

17A. The CAO shall, at least once per fiscal year, prepare a report and recommendation for Council's consideration which

(a) recommends eligible non-profit organizations and eligible registered Canadian charitable organizations to be:

- (i) added or removed from the Schedules to this Administrative Order, or
- (ii) to be moved from one Schedule of this Administrative Order to a different Schedule of this Administrative Order;

(b) lists the eligible non-profit organizations and eligible registered Canadian charitable organizations whose tax relief will be reduced or pro-rated under this Administrative Order; and

(c) confirm the number of renewal applications that have complied with this Administrative Order.

#### **Schedules**

18. Schedules 26, 27, 28, 29, and 30 attached hereto form part of this Administrative Order.

Done and passed in Council this 18<sup>th</sup> day of March, 2014.

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Mayor

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Municipal Clerk

**Attachment 2  
(Amending Administrative Order)**

**ADMINISTRATIVE ORDER 2014-001-ADM  
TAX RELIEF TO NON-PROFIT ORGANIZATIONS ADMINISTRATIVE ORDER**

**BE IT ENACTED** by the Council of the Halifax Regional Municipality under the authority of the *Halifax Regional Municipality Charter*, 2008 S.N.S. c. 39, and the *Housing Act*, 1989 R.S.N.S., c.211 ,as amended, that Administrative Order 2014-001-ADM, the *Tax Relief For Non-Profit Organizations Administrative Order*, is further amended as follows:

1. The sentence starting “BE IT ENACTED” is amended by adding the words, commas, periods, and numbers, “and the *Housing Act*, 1989 R.S.N.S., c.211, as amended,” after the words “as amended” and before the words “as follows”
2. Section 2 is amended by adding clause (aa) after clause (a) and before clause (b), as follows:
  - (aa) “Director” means the Director responsible for the finances of the Municipality, and includes a person acting under the supervision and direction of the Director;
3. Clause (c) of section 3 is amended by:
  - (a) striking out the word “and” at the end of subclause (i);
  - (b) adding subclause (iA) after subclause (i) and before subclause (ii) as follows:
    - (iA) if subsection 3A (3) applies or the applicant was struck under section 7D, the amount of tax relief previously provided by the Municipality, and
4. Section 3A is added after section 3 and before section 4, as follows:

3A (1) For an application to renew tax relief, the eligible non-profit organization or the eligible registered Canadian charitable organization must confirm to the Municipality that:

  - (a) there has been no change in ownership or occupancy relating to the real property for which tax relief has previously been provided; and
  - (b)
    - (i) if the applicant is a non-profit organization, that such organization is in good standing with the Registry of Joint Stock Companies, or
    - (ii) if the applicant is registered Canadian charitable organization, that such organization is in good standing with the Canada Revenue Agency.

(2) Subject to this Administrative Order, if subsection 1 is satisfied, tax relief may be provided to the eligible non-profit organization or the eligible registered Canadian charitable organization.

(3) If subsection 1 is not satisfied, the organization may apply under section 3 and shall be considered an initial application for tax relief.
5. Section 4 is amended by:
  - (a) striking out the words “a subsequent” after the word “For” and before the “application”;
  - (b) adding the word “an” after the word “For” and before the word “application”;



(c) adding the words “the renewal” after the words “application for” and before the words “of tax”;

(d) adding the words and comma “and upon the request of the Director,” after the comma and words “relief,” and before the words “the applicant”;

(e) repealing clause (b);

(f) adding clause (c) after the newly repealed clause (b) and before section 4A, as follows:

(c) any other information the Director may require.

6. Section 5A is amended by:

(a) adding the words “the renewal of” after the words “application for” and before the words “tax relief” in subsection (1);

(b) adding subsections (3A) and (3B) after subsection (3) and before subsection (4) as follows:

(3A) A new application for tax relief shall be made to the Municipality by the November 30<sup>th</sup> immediately preceding the start of the fiscal year for which tax relief is sought.

(3B) A new application for tax relief that does not satisfy subsection (3A) is a late application and may only be considered if there is adequate money in the budget to cover the amount of the tax relief for the subject property.

7. Section 17A is added after section 17 and before section 18, as follows:

**Report to Council**

17A. The CAO shall, at least once per fiscal year, prepare a report and recommendation for Council’s consideration which

(a) recommends eligible non-profit organizations and eligible registered Canadian charitable organizations to be:

(i) added or removed from the Schedules to this Administrative Order, or

(ii) to be moved from one Schedule of this Administrative Order to a different Schedule of this Administrative Order;

(b) lists the eligible non-profit organizations and eligible registered Canadian charitable organizations whose tax relief will be reduced or pro-rated under this Administrative Order; and

(c) confirm the number of renewal applications that have complied with this Administrative Order.

8. This Administrative Order shall come into force on April 1, 2021.

Done and passed in Council this    day of                    , 202    .

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Mayor

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Acting Municipal Clerk

**From:** David McCulloch <[dmccullo@cmhc-schl.gc.ca](mailto:dmccullo@cmhc-schl.gc.ca)>  
**Sent:** Friday, September 11, 2020 3:33 PM  
**To:** Fisher, Bruce <[fisherb@halifax.ca](mailto:fisherb@halifax.ca)>  
**Cc:** MacLellan, Jillian <[maclelj@Halifax.CA](mailto:maclelj@Halifax.CA)>; Michelle Richard-Maillet <[mmaillet@cmhc-schl.gc.ca](mailto:mmaillet@cmhc-schl.gc.ca)>  
**Subject:** [External Email] RE: Non Profit Tax and CMHC Debt Coverage Ratio

*[This email has been received from an external person or system]*

Hi Bruce and Jill,

Thanks for your patience on this. Since there are several different financing and lending programs that we offer at CMHC, it necessitated input from numerous teams and divisions.

Through the National Housing Strategy, CMHC is a direct lender through our National Housing Co-Investment Fund (NHCF) and Rental Construction Financing (RCF) initiative. Both programs have minimum Debt Coverage Ratio (DCR) property eligibility requirements. Debt Coverage Ratio is calculated by dividing the annual Net Operating Income (NOI) of a project by the Annual Debt Service cost. The resulting ratio is a key indicator of the property's financial viability. Review of NHCF and RCF applications includes a detailed financial analysis which forecasts financial viability over the loan term to identify the potential risk for loan default and/or additional, unplanned government financial support for a project. Often the largest item among annual operating expenses, property taxes impact Net Operating Income and thus Debt Coverage Ratio. Uncertainty about property tax amounts owing after the first year of a property owner's operations is a risk that must be considered in the financial analysis of an application and mitigated, if necessary.

The proposed change in HRM's Non-Profit Tax Relief Program is certainly a very positive development in the financial analysis, underwriting and risk assessment of CMHC applications. On this basis, for the purposes of financial analysis of applications and forecasting of NOI and DCR we will consider any demonstrated tax relief applicable to a property to apply indefinitely rather than just for year one. CMHC may still require an applicant to provide supporting documentation for the annual property tax estimate and any anticipated related relief under Administrative Order 2014-01-ADM.

I hope this is helpful. Please let me know if you would like to discuss in further detail.

**David McCulloch**  
Multi Unit Client Solutions Specialist  
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[www.schl.ca](http://www.schl.ca)



Visit [cmhc-nhs.ca](http://cmhc-nhs.ca) | Visiter [schl-snl.ca](http://schl-snl.ca)

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**From:** Fisher, Bruce  
**Sent:** Friday, August 14, 2020 4:17 PM  
**To:** 'David McCulloch' <[dmccullo@cmhc-schl.gc.ca](mailto:dmccullo@cmhc-schl.gc.ca)>  
**Subject:** Non Profit Tax and CMHC Debt Coverage Ratio

Dear David,

Under HRM's Non-Profit Tax Relief Program (Administrative Order 2014-01-ADM), eligible non-profits and charities, including housing organizations, can apply for tax relief and be placed on one of five schedules for tax relief. HRM's non-profit tax relief program is an annual program. Each year non-profits re-apply, providing a full application that includes:

- a copy of its Articles of Incorporation,
- proof of ownership such as a deed,
- financial statements for the prior fiscal year,
- a list of the Board of Directors, and
- a description of the program or service provided by the applicant.

Despite this, non-profits are rarely removed from the program unless they cease operations or dispose of their property. Most program recipients have been on the Administrative order for a lengthy period of time.

#### **Treatment of Tax Relief by Canada Housing and Mortgage Corporation (CMHC)**

Our understanding is that CMHC reviews the financial situation of each non-profit housing applicant and calculates a "debt coverage ratio". The debt coverage ratio looks at the relationship of the rental income for the property relative to their ongoing costs including items such as operating costs, repair and maintenance, utilities, interest and property taxes. The better the debt coverage ratio, the more CMHC is potentially able to loan the applicant and the less equity an applicant has to raise. In short, affordable housing projects become more viable as the debt coverage ratio improves. Because the HRM non-profit tax relief program is subject to annual applications, CMHC treats it as a one-time savings even though the applicant is likely to remain on the program indefinitely. In short, the annual application process makes such housing projects less viable in the eyes of CMHC.

To remedy this, we expect to alter the program. Recipients would provide a full application only in their first application to the program. In subsequent years, applicants would no longer be required to submit this information. Rather, once approved by Regional Council, the applicant is provided with permanent tax relief. To maintain this the recipient only needs to:

- confirm that there has been no change in ownership or occupancy relating to the real property for which tax relief has previously been provided; and
- that it remains in good standing with the Registry of Joint Stocks or is in good standing with the Canada

Revenue Agency as a charitable organization.

Pending confirmation of this information, the renewal would be automatic and would not require a motion or vote from Regional Council or any changes to the Administrative Order. Starting with the 2021/22 tax year, those in the program only need to provide the required confirmation and do not need to reapply.

Can you advise whether our interpretation of the above changes means that CMHC will, in future, consider such applicants to have permanent tax relief for purposes of the CMHC debt coverage ratio.

**Nova Scotia Strong** 

**BRUCE H. FISHER, MPA, CPA, CMA**  
**MANAGER OF FINANCIAL POLICY AND PLANNING**  
FINANCE AND ASSET MANAGEMENT

**HALIFAX**

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