



City of
Peterborough

To: Members of the General Committee

From: Sheldon Laidman, Commissioner, Community Services

Meeting Date: September 15, 2025

Report: Affordable Rental Housing Subclass Information Report,
Report CSSS25-013

Subject

An information report regarding new Provincial legislation authorizing municipalities the option to establish an affordable rental housing taxation subclass.

Recommendation

That Council approve the recommendation outlined in Report CSSS25-013 dated September 15, 2025, of the Commissioner of Community Services as follows:

That report CSSS25-013 dated September 15, 2025, of the Commissioner of Community Services be received for information.

Executive Summary

- In May 2025, the Province introduced **O. Reg. 73/25**, which amended **O.Reg 282/98** to create Affordable Rental Housing Subclasses for multi-residential and new multi-residential properties. This regulation requires municipalities to adopt a By-Law by September 30, 2025 if the municipality wishes to make use of the new subclasses for the 2026 taxation year.
- The new affordable housing taxation subclasses could be adopted as early as the 2026 taxation year; however, to fully understand the financial implications of the new legislation, staff will prepare a report for Council in 2026 to review recommendations for the 2027 taxation year. This will allow sufficient time for analysis, consultation and collaboration with other municipalities.

Background

In May 2025, the Province enacted **O. Reg. 73/25**, amending **O. Reg. 282/98** under the **Assessment Act**. The regulation created an Affordable Rental Housing Subclasses that municipalities may adopt a by-law.

The new Affordable Rental Housing Subclasses apply to both the multi-residential and new multi-residential property classes and requires a municipal by-law for adoption. For the subclass to apply for taxation year 2026, the by-law must be passed by September 30, 2025, otherwise new subclasses could not be implemented until taxation year 2027. Staff will continue to review the legislation, consult with other municipalities, and then return to Council in 2026 with recommendations to potentially seek application for the 2027 taxation year.

In practice, the subclass would apply to a large portion of Peterborough's affordable and social housing portfolio, as these properties already meet the eligibility requirements under the **Housing Services Act, 2011** and or federal/provincial or municipal funding agreements with the requirements to provide affordable rents for an extended period. The subclass applies to both the multi-residential and new multi-residential property classes.

To qualify, units must be self-contained residential units that meet the definition of an "affordable residential unit" under the **Development Charges Act, 1997**. The owner of the property must also be either required by legislation to provide affordable housing or must be required to provide affordable housing under an agreement with a government body or Service Manager, which already covers most of the City's social housing providers, non-profit housing providers, and other affordable housing developments tied to municipal agreements. As a result, adoption of the subclass would capture all municipally overseen social housing and most existing affordable housing in Peterborough, making it a tool with significant potential impact.

Adoption would reduce the municipal property tax liability on eligible units beginning in the taxation year for which the by-law applies. This does not affect the Current Value Assessment (CVA) of the property but rather it would affect the tax ratio necessarily increasing the tax burden on other classes of properties. The regulation permits municipalities to set the level of reduction for the subclasses up to 35%.

Potential Future Budget Implications

If Council were to adopt the Affordable Rental Housing Subclass, the total municipal tax levy would remain the same; however, any reduction in taxation for affordable and social housing would be shifted to other property classes.

The regulation permits municipalities to set the level of tax reduction for eligible properties up to to 35%. This means Council is not limited to the maximum reduction and could in theory impose a reduction for the subclasses as low as 1%. While Council could pass a by-law establishing the new subclasses and providing the maximum

reduction for those subclasses, it is presently unknown the extent to which that would increase the tax burden on the other classes of properties. It is expected that following further financial modelling and consultation, staff would be in a better position to provide a recommendation to Council that would attempt to balance the support for affordable housing with the impact on the City's overall taxation.

Staff are undertaking research to be able to calculate the number of eligible units in Peterborough and develop a formula to approximate the potential total reduction on properties that would fall within the new subclasses and the resulting impact on other tax classes. While the exact impact cannot be fully determined until detailed modelling is complete, analysis will be provided to Council in 2026 to inform decision-making.

It is also important to note that this legislation does not come with any provincial funding. Municipalities choosing to adopt the subclass must absorb the cost locally through a redistribution of taxes.

Staff will also explore and report back on the impact on Peterborough Housing Corporation and the City to determine how adoption of the subclass could affect overall municipal finances.

Strategic Plan

Strategic Pillar: Governance & Fiscal Sustainability

Strategic Priority: Ensure sustainable financial stewardship and use of resources.

The Affordable Rental Housing Subclass uses a provincially enabled mechanism that could be levy-neutral in principle, subject to further analysis.

Engagement and Consultation

Staff will consult with Financial Services, Legal Services, and other internal departments, as well as with other Ontario municipalities that are considering the implementation of an Affordable Rental Housing Subclass. This consultation will focus on how best to design the subclass in a way that supports affordable and social housing while managing impacts on the City's overall taxation.

As part of this work, staff will review the total number of affordable and social housing units in Peterborough that would likely qualify and will develop a formula to estimate the potential tax reduction and the corresponding shift in taxation to other property classes.

Staff will explore and report back on the potential impact to Peterborough Housing Corporation (PHC) and the City, including how adoption of the subclass could affect overall municipal finances.

This engagement will ensure that Council has a clear understanding of both the opportunities and the financial trade-offs associated with the subclass before considering adoption in 2026.

Budget and Financial Implications

There are no immediate budget or financial implications associated with this information report. As discussed elsewhere in this report, consideration of such a bylaw could have significant implications to other residential tax classes and overall city tax revenues. There would also need to be careful consideration as to how such a tax exemption would impact programs that are partially funded with other partners such as the County of Peterborough. This regulation is another example of senior government providing legislative or regulatory changes without corresponding funding to offset the impact to the municipality.

Conclusion

Ontario Regulation 73/25 introduces a new Affordable Rental Housing Subclass that municipalities may adopt by adopting a by-law beginning in the 2026 taxation year. For the subclass to apply in 2026, a by-law would have needed to be passed by September 30, 2025.

Staff will continue to review the legislation, consult with other municipalities, and analyze the potential financial implications for Peterborough, including impacts on the City's overall taxation and for Peterborough Housing Corporation. A full report with a recommendation will be brought forward in 2026 to enable Council to consider adoption for the 2027 taxation year.

Submitted by,

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