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Item No. 21.3
Halifax Regional Council
August 19, 2025

TO: Mayor Fillmore and Members of Halifax Regional Council

SUBMITTED BY: Cathie O'Toole, Chief Administrative Officer

DATE: July 10, 2025

SUBJECT: Tax Relief for Non-Profit Organizations: Market Leasing

SUPPLEMENTARY INFORMATION REPORT

ORIGIN

MOTION PUT AND PASSED UNANIMOUSLY

March 22, 2016 – Item 9.3.1. Moved by Councillor Watts, seconded by Councillor Mason THAT Halifax Regional Council request an information report respecting the Municipality's ability to provide tax relief for property, or some portion thereof, leased by a registered non-profit organization or registered Canadian charity in the private sector with the implications in regards to:

- (i) The Municipality's legislative authority.
- (ii) The policy rationale for tax relief.
- (iii) The capacity of the Municipality to administer tax relief.
- (iv) The Municipality's financial capacity and any indirect impact on other taxpayers including non-profit organizations.

MOTION PUT AND PASSED UNANIMOUSLY

June 18, 2019 – Item 4. Councillor Austin requested Information Item 4 Memorandum from the Chief Administrative Officer dated May 3, 2019, Municipal Discretionary Tax Relief – Eligibility of Market Leases, be brought forward for discussion at the next meeting of Regional Council.

July 30, 2019 – Item 10.1 Moved by Councillor Austin, seconded by Deputy Mayor Mancini THAT Halifax Regional Council direct the Chief Administrative Officer to develop options for a grant program for taxes paid on commercially assessed property that is leased by small local registered charities that provide direct social service programs. The proposed options should utilize a standardized formula to estimate taxes paid as described in the June 18, 2019, staff report and other conditions as appropriate.

MOTION PUT AND PASSED UNANIMOUSLY

EXECUTIVE SUMMARY

The provision of tax relief for registered nonprofit and charitable organizations that lease property is generally contrary to provincial tax legislation that aligns tax billing with property ownership, not occupancy.

Likewise, HRM's existing systems and capabilities are designed to gather property ownership information consistent with the property assessment system administered by Property Valuation Services Corporation ("PVSC"). Therefore, extending discretionary municipal tax relief to include private property requires the development of data collection processes outside the existing assessment and tax billing systems, and any discretionary municipal tax relief for private sector tenancy would have to be in the form of a grant. To do so has significant implications to HRM's annual budget, general tax rates, and administrative capacity.

The purpose of this report is to confirm if annual tax grants to support social service providers that lease space in the private sector are a priority of the Council, noting that these providers may be providing social services that are not within the Municipality's jurisdictional responsibility. If Council wishes to proceed with the development of a new operating grant program based on taxation, this would result in an increase to the general tax rate in 2026 to cover the cost of awards, an additional full-time staff position, and associated administrative costs.

BACKGROUND

In the nine years since the Council's initial motion of March 22, 2016, the social and economic environment has changed significantly such that immediate budget pressures call for actions to gauge the financial sustainability of core municipal services and drive efficiencies. A response to the Council's subsequent motion of July 30, 2019, which focused on tax relief options for private property assessed as Commercial and leased to small, local, registered charities providing social services to residents was deferred pending the proposed redesign of the tax relief program. Although adoption of Administrative Order 2024-001-ADM in 2024 redistributed tax assistance within a conceptual framework and eligibility criteria, the complexity and cost of the program has increased significantly due to multiple factors¹ some of which are beyond the Municipality's control.

DISCUSSION

Legislative Authority

Property taxation and exemption in HRM is governed by the *Halifax Regional Municipality Charter* and the *Assessment Act*. Together, these two Provincial statutes set out the taxation powers of the Municipality and restrict the type and amount of exemptions it may provide. The two main considerations are who HRM is permitted to tax and to whom HRM may provide full or partial exemption.

The property tax system in Nova Scotia is based on property ownership. Consequently, the property owner is ultimately responsible for the payment of municipal taxes irrespective of occupancy of the premises. Hence, Section 89 of the *HRM Charter* enables Regional Council to grant discretionary tax exemption to the "property of" a nonprofit or charitable organization. The term "property of" means that the organization has a legal interest. Tenancy is not recognized. Consequently, any "tax relief" provided for nonprofit tenancy would have to (a) be included under a property owned by an eligible registered nonprofit or charitable organization as is the case in HRM's tax relief program and monitored under Appendix 1 of current policy or (b) through a separate operating grant process. Legislation also governs tax billing. Unless a tenant is leasing property owned by the provincial or federal government, HRM does not have the authority to bill taxes directly to tenants.

Rationale to Exclude Tenancy in Commercial or Private Property

In general, leased property poses higher risk to the Municipality as compared to ownership in terms of:

¹ For example, the introduction of multiple Commercial tax zones, legislated exemptions or reductions such as capped assessments for owner-occupied dwellings, new housing models (pallet shelters, tiny home developments, land trusts, residential subdivisions), and the exceptional level of government financing for housing construction, acquisition, or remediation.

- the property owner's discretion in apportioning all or some portion of the annual tax, the timing and method of collection, and any additional charge-back such as a proportional share of tax for common areas;
- tenant turnover, sub-leasing or informal 'shared' occupancy;
- the expiry, termination, holdover of a lease agreement, abandonment or refusal to surrender occupancy.

Property tax concessions are "budget neutral" meaning that the opportunity cost (tax not paid by some parties) is absorbed by other taxpayers, including other nonprofits and charities, businesses and homeowners throughout the region.

Technically, social services are outside the Municipality's jurisdictional responsibility. Therefore, any expansion of municipal assistance to nonprofit organizations delivering social services would need to be clearly defined and targeted to address municipal priorities. Because such consideration is discretionary (not a mandated municipal service) there is an element of volatility. Further, there is no assurance that the provision of municipal operating assistance would not result in a reduction in provincial or federal operating funding.

Staff's analysis confirms that a reasonable estimate of the annual budget implications, including additional municipal staff and administrative costs, to develop a separate tax grant program to subsidize tenancy in private property cannot be determined. At a minimum, a robust estimate would require baseline data to gauge the extent, type, and cost of municipal assistance currently provided to social services through a variety of in-kind (opportunity costs) and cash expenditures. The proliferation of municipal programs exacerbates this task in the absence of any centralized municipal reporting².

Notwithstanding these limitations, the Regional Council could direct that an additional grant program be developed and funded through:

- a reduction, elimination, or rationalization of municipal assistance to redirect financial and staff resources to support the development of a new centralized operating grant program, or
- an increase to the general tax rate, or
- targeted funding to expand below market-value leasing opportunities.

Hence, the need to confirm if in fact annual "tax grants" (aka operating grants) to support social service providers leasing in the private sector is a priority of the Council given current fiscal constraints in the provision of mandated municipal services.

Tax Relief Program Redesign

In 2024, property leasing was addressed under a redesign of the Tax Relief Program and a new Administrative Order 2024-001-ADM adopted.

- (i) Appendix 1: Tenants Recognized Under Eligible Property Owner's Tax Relief was created to monitor nonprofit tenancy in property owned by a nonprofit or charity accepted into the tax relief program. The intent is to incentivize nonprofit tenancy in preference to for-profit or private interests while supporting the owner's ability to generate earned revenue which contributes to viability independent of government funding. This form of reporting also demonstrates the extent of eligible nonprofit and charitable organizations who indirectly receive assistance. Occupancy by a for-profit entity or private interest is ineligible for tax relief and these exclusions are monitored under Appendix 2 of policy.
- (ii) Property owned by a for-profit or private entity was removed from the program and the six

² The development of a centralized reporting system is under consideration but expected to take several years to develop and fully implement across all departments with sufficient quality assurance.

nonprofit tenants impacted by this corrective action were assisted through an annual grant equivalent to tax relief, for a term of up to 3 years (ending March 31, 2027). The interim funding is to help recipient’s transition to an alternate arrangement or budget for payment of property tax.

Profile of Current Tenancy (2025): Nonprofit and Government Property

The data used to compile a profile of tenancy is for fiscal 2025 but does not presume Council’s approval and may be subject to amendments. Hence the qualifier “proposed”. The data is a ‘single-point-in-time’ sample and not indicative of past or future trends. The distribution of tenancy by nonprofit or government ownership is shown below in Table 1.

Table 1. Tax Relief Program Appendix 1 – Distribution of Tenancy by Ownership (Fiscal 2025 Proposed)						
	Property Ownership		Number of Properties		Tenant Organizations	
	#	%	#	%	#	%
Federal	1	5%	52	48%	10	8%
Provincial	1	5%	8	7%	8	6%
HRM	1	5%	32	29%	40	31%
Nonprofit	16	85%	17	16%	70	55%
TOTAL	19		109		128	

In the current program, most tenants occupy property owned by a nonprofit or charitable organization. Although this finding is encouraging in terms of incentivizing co-location within the nonprofit sector, the number of tenant organizations is primarily due to Sport Nova Scotia’s office building in Halifax. This property accommodates forty-five (45) tenants, most of which are provincial sport umbrella organizations, and accounts for 64% of the combined total of all tenant organizations listed in Appendix 1 of policy. Recognition of nonprofit tenancy in property owned by a nonprofit or charity realizes efficiencies for both HRM and the owner, encourages co-location, and provides a gauge of the number of organizations that benefit from the program albeit indirectly.

Alternative Approach: Incentivize Co-Location to Enhance Access to Opportunity

In preference to the complexity inherent in tax assistance programs, the Council could consider a strategy to incentivize co-location in property owned (or jointly owned) and operated by nonprofit or charitable organizations through assistance in the acquisition of property or conversion/expansion of property owned by a nonprofit or charity to provide flexible, shared office/program space equipped for remote work/smaller organizations, and foster collaboration and networking. A staff-initiated report will be tabled for the Council’s consideration regarding the development of an Administrative Order for contribution agreements. Typically, such agreements are used for grants issued outside an established grant program or for large-scale capital projects that exceed the budget capacity of an existing municipal program. Conceivably, the policy could incentivize co-location thereby promoting efficiencies, affordability, and broaden the impact of municipal assistance.

FINANCIAL IMPLICATIONS

There are no financial implications if the Council accepts staff’s position not to expand the tax relief program to include private property/commercial leasing.

RISK CONSIDERATION

It is anticipated that any expanded scope of inclusion in the existing tax relief program, or the development of a separate tax rebate grant program for small, local charities directly delivering social services to residents will prompt requests for “same” from other nonprofit and charitable organizations leasing in the private sector. The cost to other taxpayers and administrative capacity cannot be forecast with any reasonable degree of accuracy.

COMMUNITY ENGAGEMENT

No community engagement has been undertaken.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

The Council could direct staff to develop a conceptual framework, eligibility criteria, and funding formula for a new grant program, including an analysis of the means to fund such a program without increasing the general tax rate through, for example, rationalization of existing municipal programs and practices. The report should include an analysis of the administrative implications to the Municipality in terms of municipal resources.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, SNS 2008, c 39:

7A The purposes of the Municipality are to (a) provide good government; (b) provide services, facilities and other things that, in the opinion of the Council, are necessary or desirable for all or part of the Municipality; and (c) s. 11. develop and maintain safe and viable communities.

79A (1) Subject to subsections (2) to (4), The Municipality may only spend money for municipal purposes if
(a) The expenditure is included in the Municipality’s operating budget or capital budget or is otherwise authorized by the Municipality.

Tax exemption by-law for organizations

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.

(2) The Council may, by policy, to the extent and under the conditions set out in the policy, provide that the tax payable with respect to all or part of the taxable commercial property of any non-profit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization named in the policy be reduced to the tax that would otherwise be payable if the property were residential property, inclusive of area rates.

Taxes in respect of other properties

128 Where property is

- (a) vested in His Majesty or any person for Imperial, Dominion or Provincial purpose; and
- (b) occupied by a person other than in an official capacity,

the occupant shall be taxed in respect of the property, but the property may not be sold for taxes.

- *Administrative Order 2019-007-ADM Respecting Reporting Public Disclosure of Municipal Grants*
- *Administrative Order 2024-001-ADM the Tax Relief Administrative Order*
- *Municipal Grants Act, RSNS 1989, c 302.*
- *Payments in Lieu of Taxes Act, RSC, 1983, c M-13 as amended.*

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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