

Affordable Housing Tax Relief Policy

Date adopted by Council: October 14, 2025



1. POLICY STATEMENT

The Town of Lunenburg is committed to supporting the creation of affordable housing by using municipal property tax incentives.

2. PURPOSE

The purpose of this policy is to encourage the development of affordable housing in the Town of Lunenburg by offering time-limited property tax relief to eligible projects. The policy aims to alleviate financial barriers for developers and housing providers, while ensuring that designated units remain affordable for residents over a specified period.

3. SCOPE

This policy applies to private developers and housing providers undertaking new construction, conversions, or substantial renovations that create self-contained dwelling units within the Town of Lunenburg. Property tax relief under this policy only applies to the share of municipal taxes connected to the affordable units. The rest of the property remains fully taxable.

4. DEFINITIONS

“Affordable Housing Dwelling Unit” means a rental unit that meets one of the following conditions:

1. **Income-Based Affordability:** The monthly rent is priced at or below 30% of the gross annual income of the median renter household, based on the best available data in the following order of priority:
 - A local or regional housing needs assessment accepted by Council (preferred source);
 - Provincial Household Income Limits (HILs);
 - Statistics Canada income data.
2. **Average Market Rent (AMR):** The monthly rent is at least 20% below the Average Market Rent for the project location, based on the best available data as outlined above.

“Affordability Period” means the ten (10) year period during which designated Affordable Housing Dwelling Units must remain affordable under this policy.

“Base Property Assessment” means the assessed value of the property, as determined by the Property Valuation Services Corporation (PVSC), before any new development, conversion, or renovation is completed.

“Dwelling Unit” means one or more habitable rooms designed or intended for use by an individual or household as an independent living space, with its own kitchen and bathroom facilities and a private entrance from outside the building or from a common hallway or stairway.

“Incremental Assessment” means the difference between the property’s assessed value prior to development and its reassessed value after the development or conversion is completed, as determined by the Property Valuation Services Corporation (PVSC).

“Market-Rate Unit” means a dwelling unit within a development that is not designated as an Affordable Housing Dwelling Unit under this policy.

“Occupancy Permit” means a permit issued by the authority having jurisdiction under the Nova Scotia Building Code, confirming that a building or portion of a building is suitable and safe for residential occupancy.

“Property Owner” means the person, corporation, or other legal entity shown on the assessment roll as the owner of the property, or a duly authorized representative of that owner.

“Tax Adjustment Agreement” means a written agreement between the property owner and the Town that sets out the terms and conditions of participation in the Affordable Housing Tax Relief Program.

5. ELIGIBILITY

Projects must meet all of the following criteria to qualify for this program:

- **Applicant:** The applicant must be a private developer or housing provider. This program is not intended for individual homeowners creating small secondary suites or basement suites.
- **Type of development:** Eligible projects must involve either new construction or the conversion of an existing residential or non-residential structure into housing. Projects must be located on a single site (one coordinated development) or within a single building.
- **Housing units:** The project must create self-contained dwelling units, with a portion designated as affordable under this policy.
- **Affordability commitment:** Affordable units must remain affordable for the full Affordability Period, as defined in this policy.

- Standards: The development must meet or exceed Nova Scotia Building Code minimum standards for energy efficiency and accessibility.

6. MINIMUM NUMBER OF AFFORDABLE UNITS

To qualify for this program, a development must provide at least three Affordable Housing Dwelling Units, or 20% of the total units in the project, whichever number is higher, as defined in this policy.

7. INCENTIVE MODEL AND STRUCTURE OF THE CREDIT

For eligible developments, the base property assessment and all subsequent reassessments are determined by the Property Valuation Services Corporation (PVSC). The Town will rely on these assessments to calculate the incremental increase in assessed value – the difference between the original property assessment and the updated assessment after the development or renovation is completed. Only the portion of the incremental assessment attributable to affordable housing units will be used to calculate the credit; the Town will continue to collect the full amount of taxes on the property's original assessed value and on all new taxes generated by Market-Rate Units.

The credit will be provided on a 10-year step-down schedule, as follows:

- Years 1–2: 90% credit
- Years 3–4: 75% credit
- Years 5–6: 60% credit
- Years 7–8: 45% credit
- Years 9–10: 30% credit

No credit will apply beyond Year 10.

Affordable units receiving this credit must remain affordable for the full 10-year period.

The Town may withhold any tax credit while a property assessment appeal is in progress, pending final determination by the Property Valuation Services Corporation (PVSC). If the assessed value of a property is reduced after a tax credit has been issued, future year tax credit entitlements may be adjusted accordingly. Any overpayment of tax credits resulting from such reductions will be considered a debt owing to the Town.

8. CONDITIONS FOR CREDIT

The tax credit will begin in the taxation year following:

- the issuance of an Occupancy Permit for the affordable units, and
- the first reassessment of the property by the Property Valuation Services Corporation (PVSC) that reflects the completed development.

At the time the credit is issued, the applicant must be in good standing with the Town, with no outstanding taxes, fees, or orders.

9. AGREEMENT AND COMPLIANCE

Participation in this program requires the applicant to enter into a Tax Adjustment Agreement with the Town as a condition of receiving the tax credit.

Applications must include a valid development permit, a description of the project including the number and type of units, and any documentation the Town requires to verify eligibility. The Town may also require supporting materials such as site plans, ownership information, and an affordability plan demonstrating how designated units will remain affordable for the full Affordability Period.

The agreement must set out, at minimum:

- the number and location of affordable housing units within the development;
- the affordability period, which will be 10 years to match the duration of the tax credit;
- the tax credit schedule;
- the process for annual reporting; and
- the obligation to notify the Town if an affordable unit remains vacant for more than 90 consecutive days or ceases to meet eligibility requirements.

As a condition of receiving the tax credit, the agreement will be registered on the property title to ensure that the affordability requirements remain binding for the full term, even if the property is sold.

A valid development permit must be in place before the Town and the applicant may execute a Tax Adjustment Agreement. The property owner must also provide proof of an Occupancy Permit for the affordable units before the tax credit can be issued.

The property owner must submit an annual report verifying that all affordable units continue to meet the requirements of this policy. At minimum, each annual report must include:

- a rent roll listing all affordable units and the rents charged; and
- a signed statement from the property owner confirming compliance with the affordability definitions in this policy.

The Town may, at its discretion, request additional documentation to verify compliance, such as copies of current leases or proof of tenant eligibility.

The Town reserves the right to audit participating projects at any time during the affordability period to confirm compliance.

Affordable units may be vacant from time to time due to normal tenant turnover, maintenance, or other reasonable circumstances. If an affordable unit remains vacant for more than 90 consecutive days, the property owner must notify the Town and demonstrate good-faith efforts to re-rent the unit at or below the permitted rent to an eligible tenant. The Town may prorate, suspend, or revoke the tax credit for any period in which an affordable unit is not maintained in accordance with this policy.

In the event of a breach of agreement, including failure to maintain the required affordability, the property will become fully taxable in that year and in all subsequent years. The tax credit will also cease if the affordable units are demolished or removed, unless replaced by equivalent or greater affordable housing within the same development.

10. STACKING WITH OTHER INCENTIVES

Nothing in this policy prevents a project from combining the municipal tax credit with other housing incentives or funding programs. Applicants are responsible for confirming their eligibility under any provincial or federal program they wish to access, in addition to this program.

11. POLICY REVIEW OR REPEAL

This policy will be reviewed every three years after adoption to assess its effectiveness, uptake by developers, and financial impact on the Town. If the policy is amended or repealed, any Tax Adjustment Agreement entered into before the date of amendment or repeal will remain valid and in effect until the agreement term is completed.

12. LEGISLATIVE AUTHORITY

This policy is adopted under the authority of Section 57(4) of the Municipal Government Act.

ADMINISTRATIVE PROCEDURES

Affordable Housing Tax Relief Policy

Date approved by CAO: December 8, 2025



1. APPLICATION INTAKE

Responsibility: Community Development

- Receive and log applications.
- Confirm completeness of application (development permit, affordability plan, project description, site plans).
- Conduct preliminary eligibility review against policy criteria.
- Maintain applicant communication.

2. TAX ADJUSTMENT AGREEMENT

Responsibility: Multiple Staff Roles

- Department of Community Development
 - Review agreement for consistency with the Affordable Housing Tax Relief Policy (unit counts, affordability period, reporting requirements).
- Clerk
 - Register the agreement on title.
 - File the official signed copy in the Town's records.
- CAO
 - Review and sign the agreement.

3. CALCULATION OF RELIEF

Responsibility: Finance

Finance is responsible for calculating and applying the annual tax credit.

3.1 Confirm Inputs

- Receive an affordable unit ratio from Community Development.
- Finance will utilize the documentation received from the Clerk that confirms the agreement is registered and in effect.

3.2 Determine Incremental Assessment

Finance will calculate the incremental assessment as follows:

- Incremental Assessment = (Post-Development Assessment) – (Base Assessment)

Where:

- Base Assessment is the PVSC value before development, and
- Post-Development Assessment is the PVSC reassessed value after project completion.

3.3 Allocate to Affordable Units

Apply the ratio (affordable ÷ total units) provided by Community Development.

3.4 Apply Step-Down Credit

Multiply the affordable portion of the incremental assessment by the credit percentage for that year:

- Years 1–2: 90%
- Years 3–4: 75%
- Years 5–6: 60%
- Years 7–8: 45%
- Years 9–10: 30%

3.5 Apply to Tax Bill

Apply the credit beginning in the first taxation year after:

- The Occupancy Permit for the affordable units has been issued; and
- PVSC has issued a reassessment that reflects the completed development.

Enter the calculated credit into the tax system so that the property's tax bill reflects the reduced charge for that year.

3.6 Adjustments

- Recalculate if PVSC modifies the assessment.
- Cease applying the credit if Community Development notifies Finance of non-compliance. Finance will complete this adjustment within 30 days of receiving the notice.

3.7 Record-Keeping

Maintain annual calculation records, PVSC assessment information, and credit histories for each property participating in the program.

4. ANNUAL COMPLIANCE

Responsibility: Community Development

- Request and collect the required annual reports from the property owner, including:
 - Rent roll listing all affordable units and the rents charged; and

- A signed statement confirming compliance with the affordability definitions in the policy.
- Request additional documentation as needed to verify compliance (e.g., sample leases, tenant eligibility information), and coordinate any audits if directed by the Town.
- Monitor for extended vacancies: If an affordable unit has been vacant for more than 90 consecutive days, require the owner to notify the Town, and demonstrate good-faith efforts to re-rent the unit in accordance with the policy.
- Recommend to Finance if credits should be prorated, suspended, or revoked for periods of non-compliance or prolonged vacancy.
- Provide Finance with an Annual Compliance Confirmation Memo by June 30 each year, indicating whether the project remains in good standing and whether any adjustments are recommended.

5. CREDIT APPLICATION

Responsibility: Finance

- Apply annual tax credits only after receiving the Annual Compliance Confirmation Memo from Community Development (to be provided by June 30 of each year).
- Adjust, suspend, or revoke credits based on Community Development's recommendation.

6. BREACH OF AGREEMENT

Responsibility: Multiple Staff Roles

- Community Development: Identify and document non-compliance, notify Clerk & Finance.
- Finance: Terminate credits effective the year of breach and subsequent years.
- Clerk: Update property title records and retain breach documentation in official files.

7. POLICY REVIEW

Responsibility: Community Development

Community Development will lead a review of the Affordable Housing Tax Relief Policy every three (3) years after adoption, consistent with the policy.

The review will consider:

- Number of applications received and approved

- Number of affordable units created or maintained
- Compliance and enforcement issues
- Program effectiveness and uptake
- Clarity and consistency of the policy and procedures
- Unintended financial or market impacts
- Alignment with Council's goals and housing objectives
- Operational and administrative challenges