Hamilton

INFORMATION REPORT

TO: Mayor and Members General Issues Committee	**WARD(S) AFFECTED:** CITY WIDE
COMMITTEE DATE: February 28, 2013	
SUBJECT/REPORT NO: 2012 Assessment Growth (FCS13021) (City Wide)	
SUBMITTED BY: Mike Zegarac Acting General Manager Finance & Corporate Services	**PREPARED BY:** M. Di Santo (905) 546-2424 ext 6247 L. Friday (905) 546-2424 ext 2425 D. Janaszek (905) 546-2424 ext 4546
SIGNATURE:	

Council Direction:

Not Applicable.

Information:

The final 2012 net assessment growth (for 2013 taxation purposes) is 0.8% and is equivalent to approximately $5.2 million. This full amount is being used to offset the 2013 budgetary pressures.

As identified below, the net assessment growth reported for 2012 is lower than what the City of Hamilton has realized in the last five years.

Assessment Growth				
2008	2009	2010	2011	2012
1.0%	1.3%	1.3%	1.1%	0.8%

Although 2012 growth is lower than previous years, Hamilton did see reasonable growth; however, this was offset by appeals and lower-valued new properties. Included in this growth is 0.12% attributed to Canada Bread.

This figure of 0.8% is a net figure which takes into account both new construction/ supplementary taxes (increase in assessment), as well as, write-offs/successful appeals, etc., (decrease in assessment). An existing property's assessment can change, for many reasons, some of which include: as a result of a Request for Reconsideration or Assessment Review Board decision; a change to the actual property (i.e., new structure, addition, removal of old structure); or a change in classification (i.e., property class change).

Since each property class has its own specific tax ratio, some assessment changes have a larger impact on the net growth than others. An assessment change on an Industrial property (with a 2012 tax ratio of 3.2465) has a far greater impact on the net growth than a similar assessment change on a Residential property (with a tax ratio of 1.0000). As such, assessment reductions on a few properties (particularly in the Industrial, Large Industrial, Commercial and Multi-Residential property classes) can significantly reduce the overall net growth, in spite of large growth in the Residential property class.

The following table breaks down the 2012 assessment growth into major property class:

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	% Class Change[1]	% Total Change[2]
Residential	$ 551,562,110	$ 551,562,110	$6,014,130	1.3%	0.9%
Multi-Residential	$ (41,542,080)	$ (87,309,940)	($1,033,310)	-1.3%	-0.1%
Commercial	$ 6,180,020	$ 17,043,890	$187,050	0.2%	0.0%
Industrial	$ 2,410,410	$ 12,456,180	$34,380	0.3%	0.0%
Other	$ 6,439,740	$ (681,450)	$15,110	-0.1%	0.0%
Total	**$ 525,050,210**	**$ 493,070,800**	**$5,217,370**	**0.8%**	**0.8%**

[1] % change in respective property class weighted assessment

[2] % change in total weighted assessment

As shown above, the 2012 net assessment growth of 0.8% is primarily driven by the Residential property class (0.9%), reduced slightly by reductions in the Multi-Residential property class (-0.1%). Changes (either increasing or decreasing) in the remaining classes, as a whole, did not have an overall impact on the net growth realized. Although growth was experienced in the remaining classes (for example Industrial assessment growth as a result of Canada Bread), significant write-offs and successful appeals have offset this growth, resulting in marginal growth of the Commercial and Industrial property classes of 0.2% and 0.3% respectively. When compared to the entire assessment base, however, this marginal growth did not improve the overall net growth of 0.8%.

As assessment growth is not just simply an indication on new construction, the following table breaks down the assessment growth into the different components (both assessment increases and decreases) that resulted in the net growth of 0.8% realized in 2012.

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Assessment Increase (existing property)	$ 456,568,990	$ 610,240,470	$ 6,589,370	6,898	1.0%
Assessment Decrease (existing property)	$ (165,042,950)	$(270,762,010)	$ (3,077,970)	2,251	-0.4%
Assessment Increase & Decrease (existing property)	$ 13,756,470	$ (5,011,440)	$ (57,300)	346	0.0%
Deleted Roll	$ (79,296,300)	$(144,828,190)	$ (1,550,360)	333	-0.2%
New Roll	$ 299,064,000	$ 303,431,970	$ 3,313,630	2,187	0.5%
Total Change	**$ 525,050,210**	**$ 493,070,800**	**$ 5,217,370**	**12,015**	**0.8%**

[1] % change in total weighted assessment

As identified above, assessment decreases (primarily due to successful assessment appeals) drove down the assessment growth by -0.4%. This represents a reduction in municipal taxes of approximately $3.1 million. This reduction, however, is actually less than what was reported in 2011 (-0.5% or $3.6 million) when net growth equated to 1.1%. What appears to have affected the less than anticipated growth of 0.8% is the growth pertaining to new roll numbers being created by MPAC. When taking into account the deleted rolls (as they are generally offset by a corresponding increase in assessment in another roll number(s) typically captured under “new roll”), this equates to growth of just 0.3% or $1.8 million in 2012. This is significantly less than the 2011 amount realized of 0.7% or $4.5 million.

Further details on the breakdown of the 2012 assessment growth are provided in the following section. The following tables attempt to provide some *general* explanations for the assessment changes (both positive and negative) after the release of the assessment roll. These changes are subsequently captured in a municipality’s net assessment growth and would be incorporated into the following year’s final assessment roll.

Assessment Increase (existing property):
Approximately 6,900 existing properties experienced an increase in their respective assessment totalling $456.6 million. The resulting higher municipal tax revenues amounted to $6.6 million or 1.0% growth. Generally speaking, these increases are due to an addition or improvement to a property and are reflected in the in-year supplementary and omitted rolls.

The table below further breaks down these increases into the major property classes.

Assessment Increase (existing property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Residential	$ 342,978,680	$342,978,680	$3,589,400	6,711	0.5%
Multi-Residential	$ 3,335,120	$ 5,346,770	$ 64,390	5	0.0%
Commercial	$ 62,070,490	$123,430,030	$1,417,930	50	0.2%
Industrial	$ 21,111,000	$ 80,122,430	$ 830,040	5	0.1%
Farm/Managed Forest/Pipeline	$ 9,496,300	$ 11,202,160	$ 129,140	76	0.0%
Mixed Use	$ 17,577,400	$ 47,160,410	$ 558,470	51	0.1%
	$ 456,568,990	**$610,240,470**	**$6,589,370**	**6,898**	**1.0%**

[1] % change in total weighted assessment

Examples of some of the more significant assessment increases (either previously reflected as vacant land or partial development) are:

- Industrial development: primarily all of the growth identified as “Industrial” above is for Canada Bread (Nebo Rd)
- Commercial development includes: Walmart (Centennial Parkway N), Smart Centre (Rymal Rd E), Costco (Legend Crt), Newalta (Upper Centennial Pkwy), Starsky’s (Queenston Rd), Best Western Hotel (StoneChurch Rd E), Country Wide Recycling (Nebo Rd)
- Approximately ¾ of the increase in Residential assessment identified above are for previous vacant lots now having higher assessments to reflect a residential structure value (house/condo) in addition to the existing land value. The remaining ¼ of the increase in Residential assessment identified above are primarily due to improvements to existing residential properties or minor in-year changes.

Also reflected in these assessment increase figures are properties which were previously exempt or paid payment-in-lieu of taxes and are now taxable. An example of exempt to taxable may be where a school is sold to a developer for residential or commercial purposes. A payment-in-lieu (PILT) to taxable property example would be where a portion of a Hamilton Port Authority property (which pays PILT) is subsequently leased to a taxable tenant.

Assessment Decrease (existing property):
Approximately 2,250 existing properties experienced a decrease in their respective assessment totalling -$165 million. The resulting lower municipal tax revenues amounted to -$3.1 million or -0.4% growth. These decreases in assessment may be due to successful assessment appeals, partial demolitions or due to properties moving from taxable to exempt (or are now subject to payment-in-lieu of taxes).

The following table breaks down these decreases into the major property classes.

Assessment Decrease (existing property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Residential	$ (62,747,330)	$ (62,747,330)	$ (697,970)	1,940	-0.1%
Multi-Residential	$ (1,284,000)	$ (3,518,160)	$ (42,370)	5	0.0%
Commercial	$ (52,665,020)	$ (102,447,280)	$ (1,197,230)	139	-0.2%
Industrial	$ (10,318,500)	$ (36,803,370)	$ (422,800)	30	-0.1%
Farm/Managed Forest/Pipeline	$ (9,909,400)	$ (13,904,510)	$ (134,230)	88	0.0%
Mixed Use	$ (28,118,700)	$ (51,341,370)	$ (583,370)	49	-0.1%
	$ (165,042,950)	**$ (270,762,010)**	**$ (3,077,970)**	**2,251**	**-0.4%**

[1] % change in total weighted assessment

Assessment appeals can be initiated on any property, old or new. The number of appeals challenging MPAC's assessments have been increasing. Many appeals are being settled, resulting in reductions in assessment. Of particular concern, are the commercial and industrial properties which have many factors that go into their assessment valuations. As these properties are complex, they take a while to settle, and when they do, the resulting impact is significant. Based on the table above, the average municipal tax reduction resulting from assessment decreases in the Residential property class is -$360. The impacts are much higher for the Commercial and Industrial property classes, which average -$8,613 and -$14,093 respectively.

Examples of some of the larger appeals in 2012 include: three golf course appeals settled with the appeals dating back to 2003. There were also appeals on the new McMaster Innovation Park due to space that was initially assessed as commercial, however, as it was subsequently used by the University, it became exempt. Appeals also included development land (i.e. Hwy 5&6) in which property owners successfully challenged the high land values determined by MPAC.

Due to the Provincial four year assessment cycle, there is a spike in the number of properties appealed during a re-assessment year. These appeals are submitted for both new and long-time existing properties. In many cases, it takes four or more years to have appeals heard and settled through the Assessment Review Board. Several appeals on properties in the commercial sector are Province-wide appeals and not specific to just Hamilton.

Decreases identified in the Residential property class are a result of Request for Reconsideration, minutes of settlement, demolitions and minor in-year changes.

Assessment Increase & Decrease (existing property):
Just under 350 properties experienced a combination of both increases and decreases to their respective assessments, resulting in a total assessment increase of approximately $13.8 million. Although the assessment (unweighted) increased by $13.8 million, the weighted assessment actually decreased by $5 million, resulting in a small reduction to the municipal tax levy, however, no overall impact on the net growth. This is as a result of more assessment decreases to properties with high tax ratios (or higher tax burdens) than properties with lower tax ratios (or lower tax burdens). As mentioned previously, an assessment reduction to an Industrial property has a far greater impact than a similar assessment reduction to a Residential property. A class change from a property with a high tax ratio to one with a lower tax ratio will reduce the overall weighted assessment.

The properties identified in this section are mixed-use properties (more than one property class), with one or more property classes increasing and the remaining property classes decreasing. The total change may be either an increase or decrease to the property's total assessment as a whole. The reason for the change in assessment may be due to a successful assessment appeal, a change in class or a change in use of the property.

Assessment Increase & Decrease (existing, mixed use property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Net CVA increase	$ 37,067,100	$ 65,553,220	$ 715,070	130	0.1%
Net CVA decrease	$ (23,310,630)	$ (59,480,930)	$ (645,320)	91	-0.1%
No net CVA change	$ -	$ (11,083,730)	$ (127,050)	125	0.0%
	$ 13,756,470	**$ (5,011,440)**	**$ (57,300)**	**346**	**0.0%**

[1] % change in total weighted assessment

Deleted Roll:
There were just over 330 roll numbers deleted, totalling approximately -$79.3 million in assessment reduction, resulting in just over -$1.5 million reduction in municipal tax revenues (or -0.2% growth). These are as a result of roll numbers being retired (and now being part of a subdivision/condo property) or a consolidation with another property / roll number. Note that although the roll number is deleted, the assessed value has been apportioned to another new or existing roll number(s). The -$79.3 million reduction in assessment would therefore be generally offset by a corresponding increase in assessment in another roll number(s) and typically captured under the "new roll" section below.

One example of this is a condo conversion whereby a roll number for an apartment building (identified as “mixed use” below as it has both multi-residential and commercial assessment) is deleted and subsequently 283 new roll numbers being added for the condo units.

The following table splits out these deleted roll numbers into major property class.

Deleted Roll

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Residential	$ (31,570,800)	$ (31,570,800)	$ (345,900)	80	-0.1%
Multi-Residential	$ (10,870,000)	$ (28,292,620)	$ (335,860)	4	0.0%
Commercial	$ (18,334,500)	$ (36,302,310)	$ (283,030)	245	-0.1%
Industrial	$ (128,000)	$ (290,890)	$ (3,060)	1	0.0%
Farm/Managed Forest/Pipeline	$ (62,000)	$ (12,290)	$ (130)	1	0.0%
Mixed Use	$ (18,331,000)	$ (48,359,290)	$ (582,380)	2	-0.1%
	$ (79,296,300)	**$(144,828,190)**	**$ (1,550,360)**	**333**	**-0.2%**

[1] % change in total weighted assessment

<u>New Roll</u>:
There were just under 2,200 new roll numbers added totalling $299.1 million in increased assessment, primarily all in the Residential property class. In terms of the municipal tax levy, these new properties resulted in higher tax revenues of $3.3 million or 0.5% growth.

New Roll

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change[1] (Growth)
Residential	$ 295,129,000	$ 295,129,000	$ 3,223,020	2,145	0.5%
Commercial	$ 2,186,000	$ 4,328,280	$ 48,040	40	0.0%
Industrial	$ 1,749,000	$ 3,974,690	$ 42,570	2	0.0%
	$ 299,064,000	**$ 303,431,970**	**$ 3,313,630**	**2,187**	**0.5%**

[1] % change in total weighted assessment

When taking into account the $-79.3 million decrease in assessment due to deleted roll numbers, however, this represents a combined increase in assessment of $219.8 million, which represents just $1.8 million in municipal taxes or 0.3% growth. This is significantly less than the 2011 amount identified of $4.5 million in municipal taxes or 0.7% growth.

Staff have reviewed the information, in more detail, and have determined that, with respect to the Residential class, particularly condominiums, new (condo) properties had an average assessment of approximately $240,000 in 2011 while only $120,000 in 2012, a reduction of 50%. This would account for approximately $72 million less in Residential assessment (or -0.1% growth). This is primarily driven by the location of the new growth. Residential vacant land, a large component of the Residential growth in both years, also has a 2012 average assessment of approximately 7% less than in 2011.

The 2011 assessment growth report also identified new roll numbers for two new large industrial properties which accounted for 0.2% growth. As reflected in the table above, new roll numbers for Non-Residential properties were not significant enough to have an impact on the overall net growth.

Assessment Growth vs. Building Permits:

With respect to the difference between assessment growth and building permits, there are some important differences to keep in mind;

- Time lag – depending on the development, a time lag of 2+ years may exist from when a building permit is issued, to when the assessment appears on the assessment roll.
- Difference in valuation – the construction value determined at the time of building permit issuance and the final assessed value of the property as determined by MPAC may not necessarily be comparable. The general reassessment occurs once every four years and is based on the current value as of a particular valuation date (in the past). Assessment increases are also phased-in over the four year cycle. Therefore, the assessed value determined as of the base year valuation date may be years behind the current market value and thus different from the project value determined or estimated at time of the permit application/approval date. The difference may also be attributed to items or costs incorporated into the estimated project value of the building permit but which are not assessable (e.g. equipment).
- Property Type – Government/Institutional properties may result in a large construction value for building permits, however these types of properties are not taxable (may be either exempt or be subject to payment-in-lieu of taxes) and as such do not contribute to the assessment growth. As identified in the table below, over the last five years (2008-2012), the construction value for Institutional/Government building permits accounts for approximately 20%, on average, of the total construction value of all building permits.

	Construction Value		Instit/Gov as
Year	Total	Instit/Gov	a % of Total
2008	818,462,450	202,548,954	25%
2009	692,402,386	85,847,282	12%
2010	1,096,299,091	188,237,078	17%
2011	731,019,287	128,372,726	18%
2012	1,499,627,394	406,642,636	27%

Assessment Growth by Former Area Municipality and Ward:

The following table summarized the 2012 net assessment growth of 0.8% by former area municipality and by ward.

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	% Area Muni Change[1]	% Total Change[2]
Stoney Creek	$ 86,220,950	$ 73,695,110	$766,450	0.8%	0.1%
Glanbrook	$ 167,531,820	$ 225,792,230	$2,298,110	7.6%	0.4%
Ancaster	$ 94,799,510	$ 95,800,940	$1,034,550	1.5%	0.2%
Hamilton	$ 127,504,560	$ 70,676,710	$851,220	0.2%	0.1%
Dundas	$ 3,738,210	$ 1,632,470	$18,380	0.1%	0.0%
Flamborough	$ 45,255,170	$ 25,473,340	$248,660	0.4%	0.0%
Total	**$ 525,050,210**	**$ 493,070,800**	**$5,217,370**	**0.8%**	**0.8%**

[1] % change in respective former area municipality weighted assessment

[2] % change in total weighted assessment

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	% Ward Change[1]	% Total Change[2]
Ward 1	$ 829,540	$ (9,047,120)	($108,960)	-0.2%	0.0%
Ward 2	$ 5,188,030	$ (25,100,840)	($302,300)	-0.6%	0.0%
Ward 3	$ (9,801,610)	$ (33,032,160)	($397,820)	-0.9%	-0.1%
Ward 4	$ 13,246,300	$ (426,460)	($5,140)	0.0%	0.0%
Ward 5	$ 21,206,800	$ 33,652,670	$405,290	0.8%	0.1%
Ward 6	$ 1,444,000	$ 3,450,990	$41,560	0.1%	0.0%
Ward 7	$ 29,737,700	$ 38,891,930	$468,390	0.6%	0.1%
Ward 8	$ 65,653,800	$ 62,287,690	$750,190	1.3%	0.1%
Ward 9	$ 14,115,200	$ 16,620,790	$176,860	0.5%	0.0%
Ward 10	$ 5,229,600	$ 2,470,430	$26,310	0.1%	0.0%
Ward 11	$ 234,407,970	$ 280,396,120	$2,861,380	5.1%	0.4%
Ward 12	$ 94,065,210	$ 94,466,040	$1,021,100	1.6%	0.2%
Ward 13	$ 3,738,210	$ 1,632,470	$18,380	0.1%	0.0%
Ward 14	$ 12,843,870	$ 10,665,790	$105,460	0.5%	0.0%
Ward 15	$ 33,145,600	$ 16,142,460	$156,650	0.4%	0.0%
Total	**$ 525,050,210**	**$ 493,070,800**	**$5,217,370**	**0.8%**	**0.8%**

[1] % change in respective ward weighted assessment

[2] % change in total weighted assessment

Note: tables in the report may have anomalies in totals due to rounding