



INFORMATION REPORT

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: June 19, 2013	
SUBJECT/REPORT NO: Municipal Tax Competitiveness Study - 2012 (FCS13047) (City Wide)	
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Council Direction:

N/A

Information:

The City of Hamilton has participated in an annual tax competitiveness study since 2001. Each year, staff report on the results of this study – mainly highlighting how Hamilton’s property tax burden compares to other municipalities both for the current year and the trend experienced over the previous years.

This information report deals with the main focus of the study – **comparison of relative taxes**. The full study will be made available through the City’s website (www.hamilton.ca).

Generally, when compared to the entire survey (which currently includes 86 Ontario municipalities ranging in population from 4,000 to 2.6 million), Hamilton’s ranking in relative tax burden, by major property class, remains “high”, with the exception of Office Building and Large Industrial, which continue to be ranked “mid”. When compared to a smaller, more representative sample (either in population or location), the general trend

shows that Hamilton's position, over the long-term, has generally improved. Over the last several years, however, Hamilton has remained relatively stable. This smaller, more representative sample is now made up of 17 municipalities (previously there were 18; Brantford is no longer included as it did not participate in the 2012 study). Staff have selected these municipalities based on the criteria that the municipality has been included in the study since 2001 and either has a population greater than 100,000 or is in close proximity to the City of Hamilton. With the exception of Brantford, this same sample has been used consistently when reporting the results of this annual study.

When comparing the tax burden on specific property classes to the results of previous years, some improvements have been seen in Hamilton's position when compared to the smaller sample average. In the case of the Residential property class, the tax burden has increased, but remains stable in comparison to the smaller sample average. More significant improvements, in terms of tax burden, have been seen in the non-residential property classes. One exception to this is the Standard Industrial property class, which has seen significant increases above the sample average over the last three years, mainly due to reassessment impacts (whereby the Hamilton Standard Industrial properties in the study are increasing greater than the average increase for the Hamilton Industrial property class as a whole) and the Provincial Business Education Tax (BET) reduction plan, which has benefited comparator municipalities to a far greater extent than the City of Hamilton.

What influences tax burden?

It should be noted that the objective of this report is to identify the general trend, and not a specific year-over-year result. There are many factors that affect a municipality's ranking (both compared to prior years and to the sample average) in any particular year, some of which include;

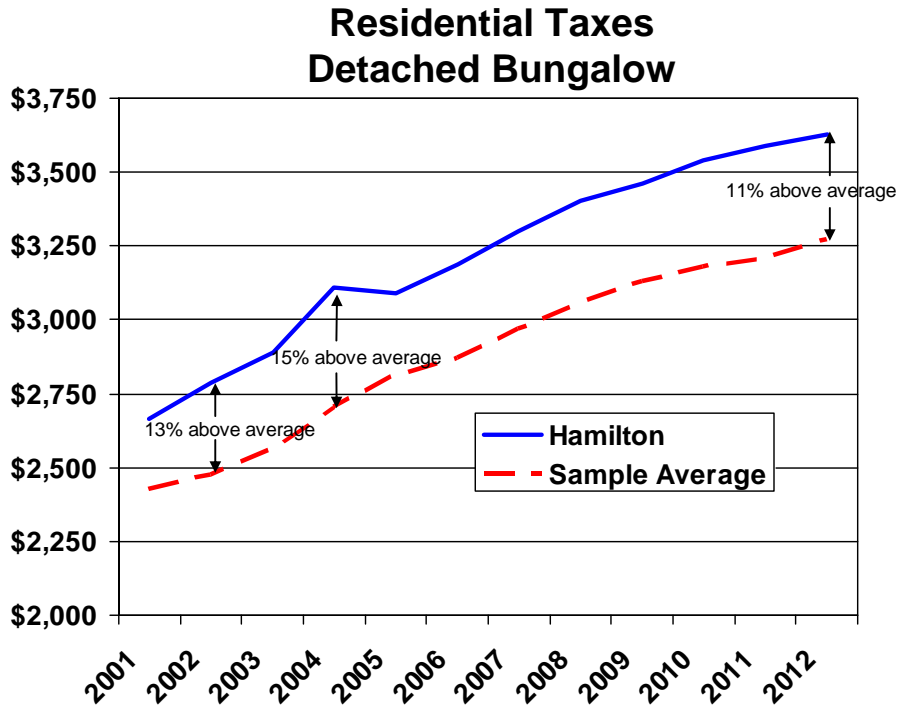
- changes to the sample properties included in the study (either for Hamilton or any of the comparator municipalities)
- sample properties experiencing an impact that differs from the respective municipal average (change in value either due to reassessment or a physical change to the property)
- tax policies (i.e. reduction of tax ratio)
- Provincial Business Education Tax (BET) reduction plan (particularly for municipalities above the annual ceiling rates)

By focusing on the general trends, and not concentrating on the results of one specific year, one can determine if the municipality is moving in the right direction.

The following section highlights some key findings of the comparison of relative taxes for each of the main property classes.

Residential Property Taxes

As shown below, in 2012, Hamilton is 11% above the sample average property taxes for a detached bungalow. This is consistent with the results over the last seven years.

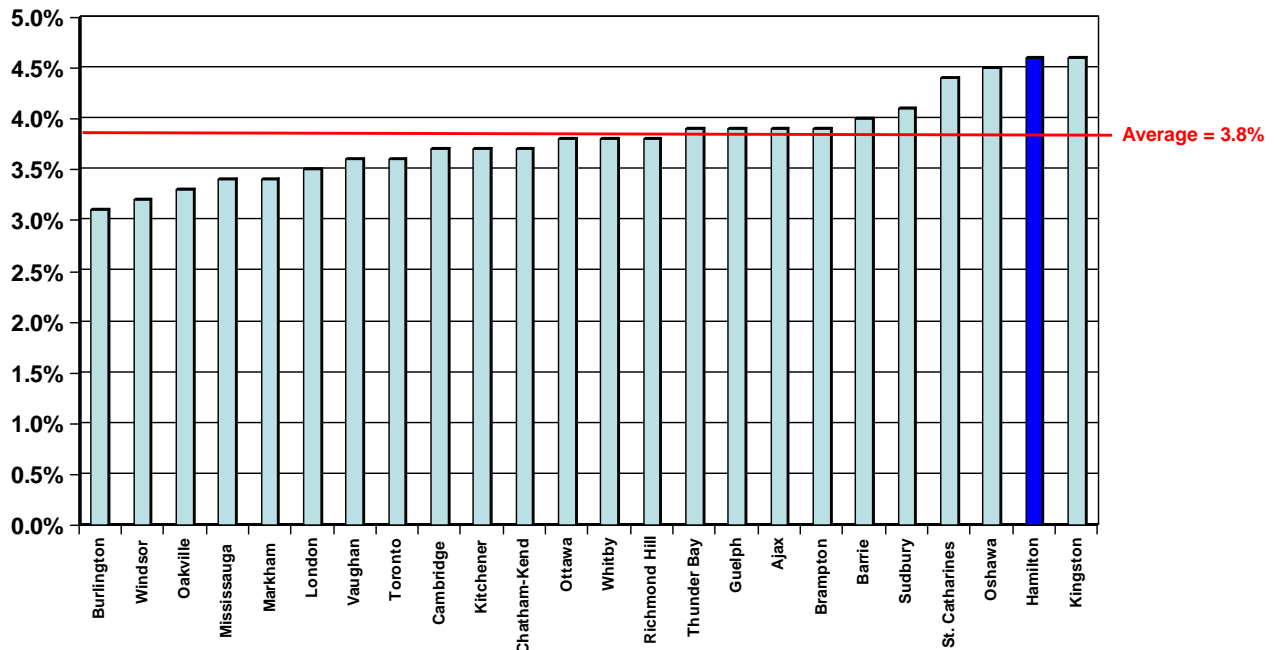


Hamilton has maintained its position even though it continues to be negatively impacted by the levy restriction on the Industrial property class. Hamilton is just one of three municipalities (of the seventeen municipalities in the sample) with a levy restriction. This levy restriction results in an added tax burden on Hamilton's Residential property class. Despite this obstacle, Hamilton's residential taxes have declined from a high of 15% above the sample average in 2004 to its current stable position of 11% above the sample average.

With Hamilton's above average residential taxes, combined with a relatively low average household income, Hamilton continues to be ranked "high" when comparing property taxes as a percentage of income.

Property Taxes as a % of Income

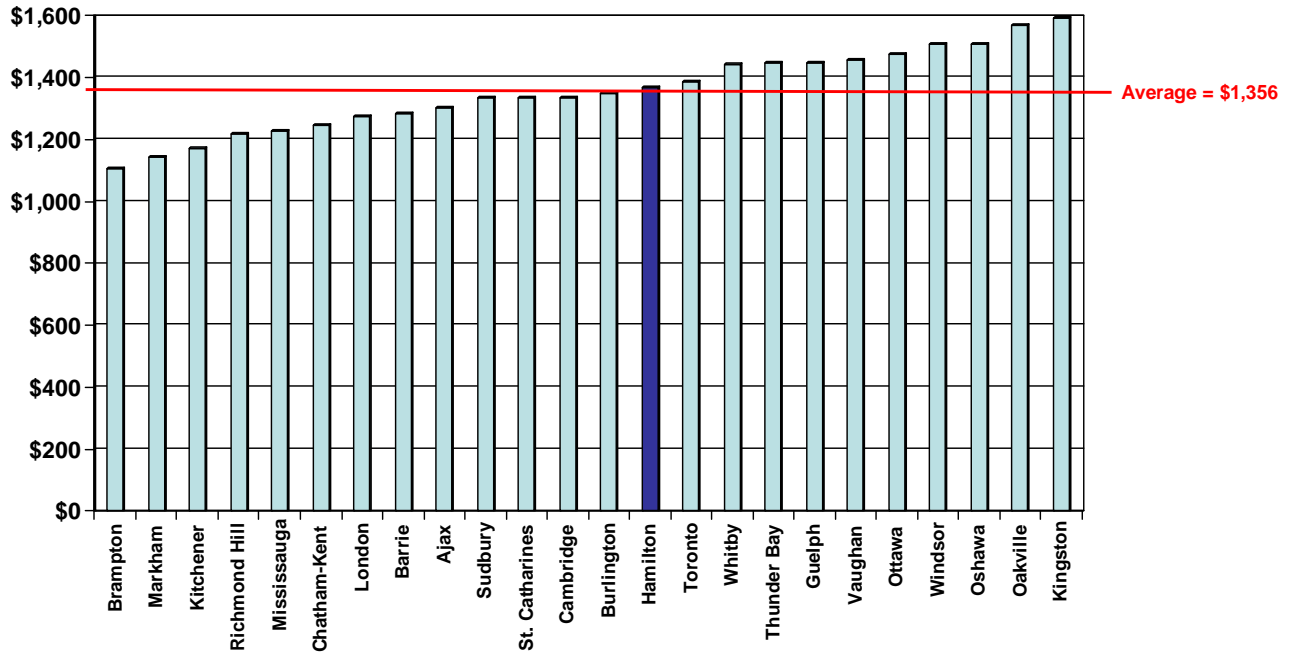
(Municipalities with population > 100,000)



In 2012, Hamilton's property taxes as a percentage of income is 4.6%, which is 21% above the sample average of 3.8% and the highest of the sample municipalities. This is consistent with the 2010 and 2011 results. As shown in the graph above, the same results occur when compared to larger municipalities (with populations greater than 100,000). Although Hamilton continues to be one of the highest among the larger municipalities (tied with Kingston), when compared to this average (2012 = 21% above the average of larger municipalities), Hamilton has improved compared to previous years, whereby Hamilton was 24% above the average in 2009 and 32% above the average in the 2008 study.

Hamilton's average household income is approximately 15% below the average of the larger municipalities (with populations greater than 100,000).

2012 Net Levy per Capita
(Municipalities with population > 100,000)

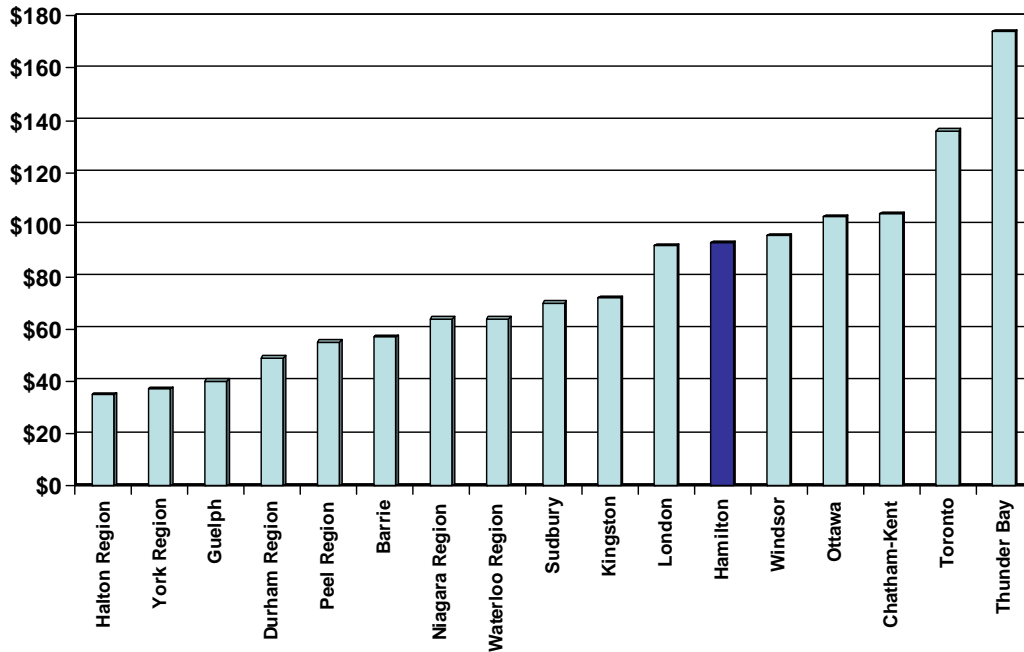


As shown above, Hamilton’s 2012 levy per capita of \$1,369 is basically equal to that of the average levy per capita of larger municipalities (at \$1,356). Again, these results are consistent with previous years. Property taxes, however, are levied based on assessment, not on a per capita basis. Hamilton’s poorer assessment base, primarily when compared to the GTA municipalities, has a negative impact on Hamilton’s ranking of property taxes (due to less assessment base to spread the costs of municipal services).

Although Hamilton’s net levy per capita is at par with similar sized communities, as the graph below identifies, when isolating social service costs (general assistance), Hamilton’s cost per capita of \$93 is relatively high.

2011 General Assistance per Capita

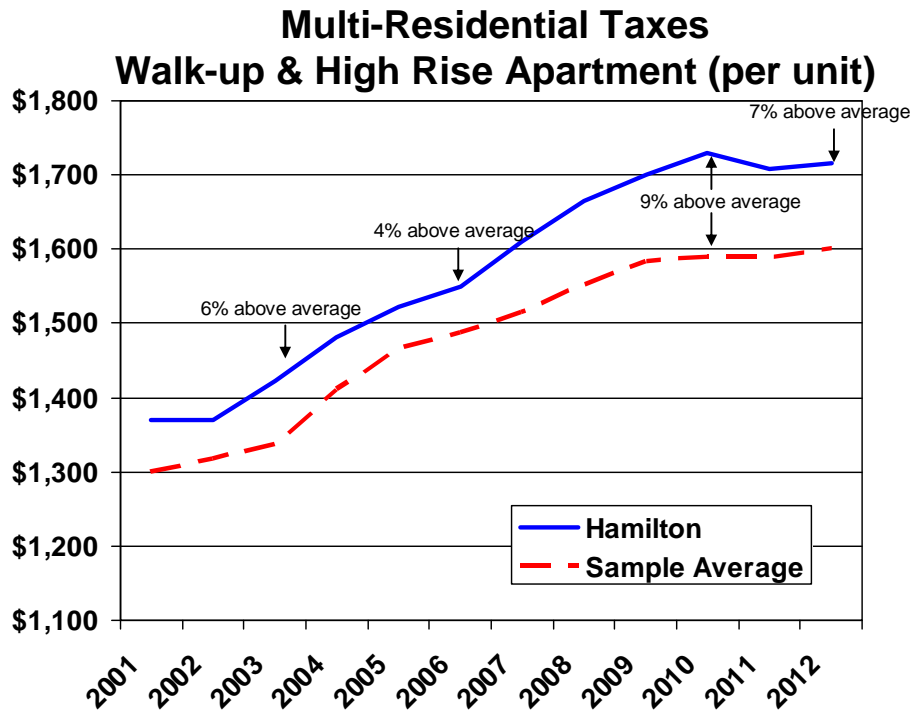
(Municipalities with population > 100,000)



Note: exclusive of OMPF/special funding, if applicable

Multi-Residential Property Taxes

Since 2010, Hamilton's average taxes per unit for an apartment (both Walk-up and High Rise) has been declining when compared to the sample average (9% above the sample average in 2010, 8% above the sample average in 2011 and now 7% above the sample average in 2012). Although this property class is above the sample average, it continues to be more competitive than Hamilton's Residential property class.



Commercial and Industrial Property Classes

Hamilton's tax burden on the Commercial and Industrial property classes have improved significantly when compared to the first few years of the study. This can be attributed to several factors, primarily as a result of:

- ◆ a commitment to lower business taxes during the early years of amalgamation,
- ◆ the Province's commitment to lower business education taxes,
- ◆ generally favourable reassessment impacts; and
- ◆ the levy restriction (for property classes above the Provincial threshold).

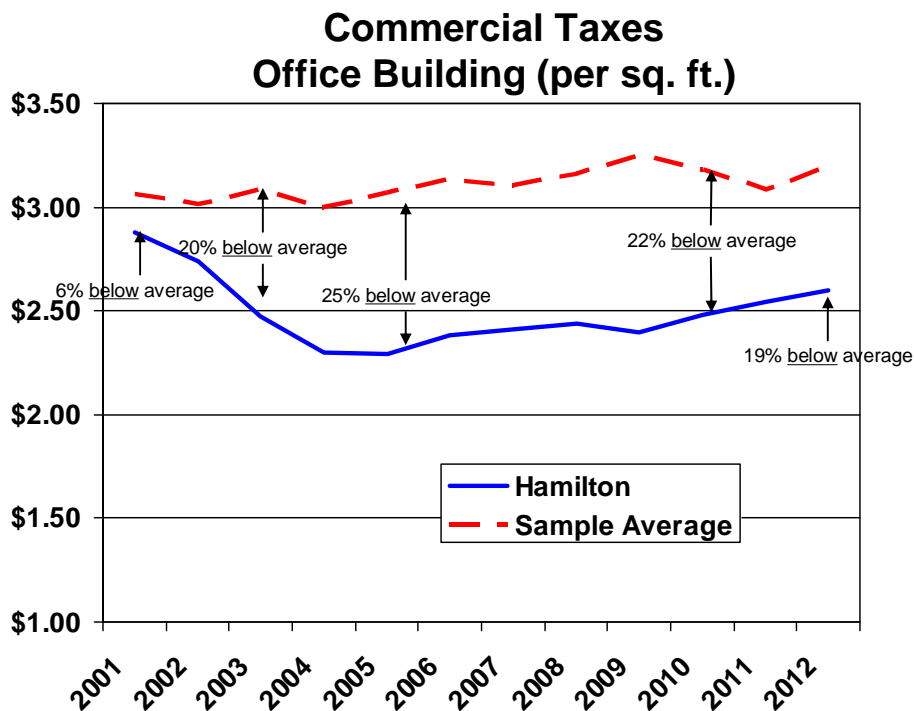
Over the last several years, however, Hamilton has remained relatively stable.

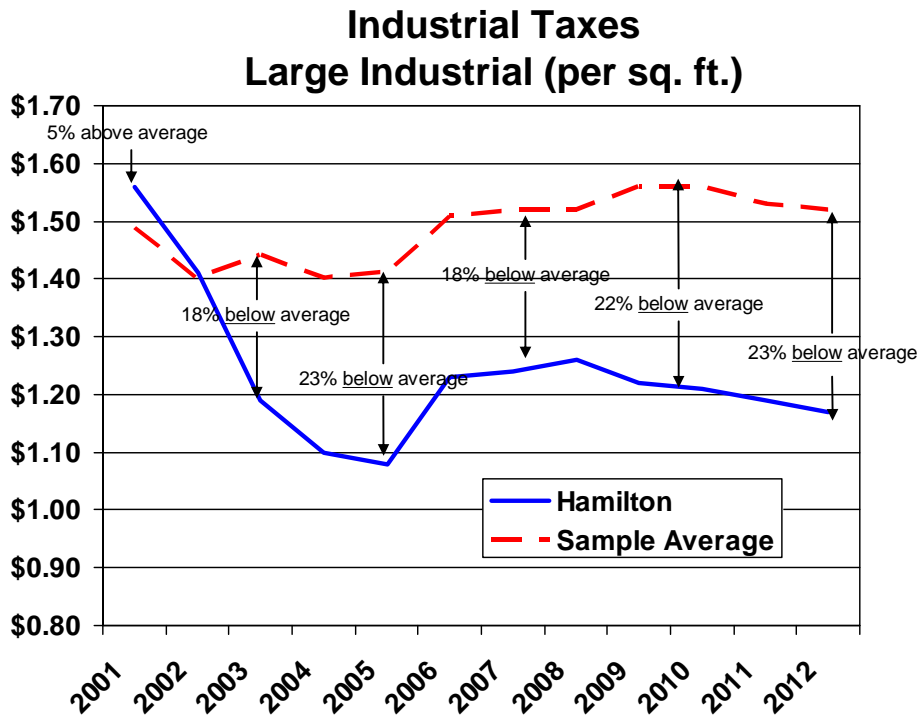
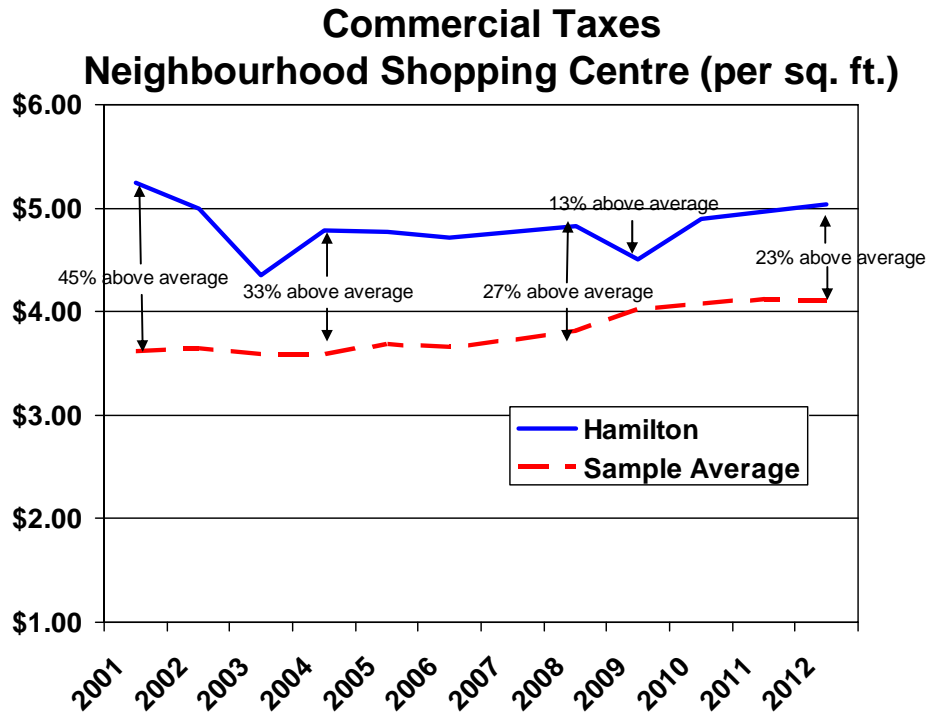
The graphs on the following pages illustrate how the non-residential property classes have either maintained their position well below the sample average (Office Buildings, Large Industrial) or have generally made improvements towards the sample average (Neighbourhood Shopping). The exception to this is the Standard Industrial class which has seen increases in the last few years.

The table below further highlights the general, positive trend in Hamilton’s non-residential taxes per square foot.

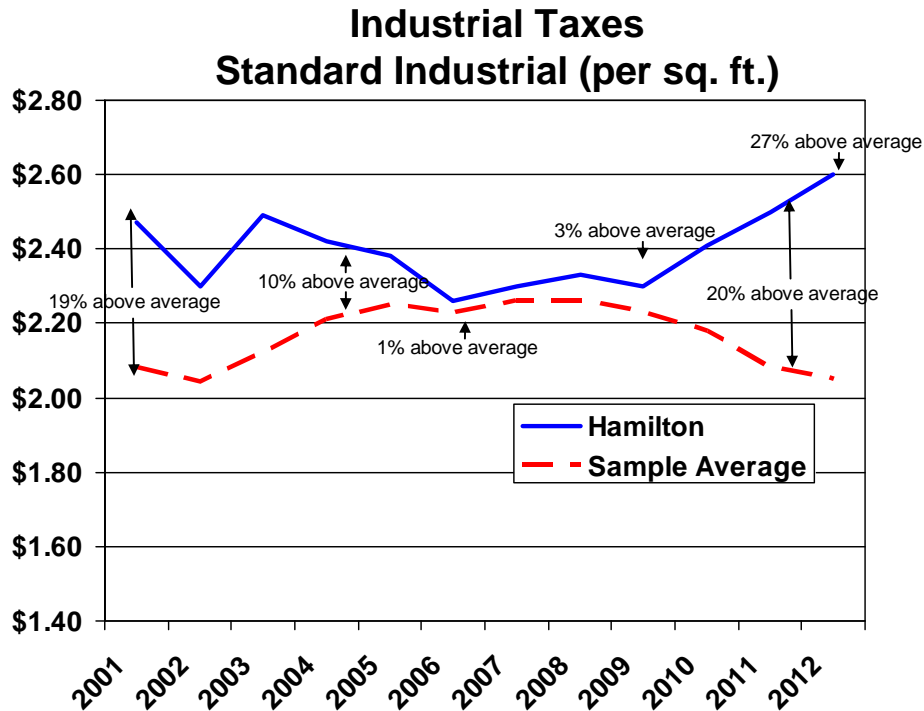
	Taxes per sq. ft.					
	2001 Study		2012 Study		% Change	
	Hamilton	Sample	Hamilton	Sample	Hamilton	Sample
Office Building	\$ 2.88	\$ 3.06	\$ 2.60	\$ 3.19	-10%	4%
Neighbourhood Shopping	\$ 5.25	\$ 3.61	\$ 5.04	\$ 4.10	-4%	14%
Large Industrial	\$ 1.56	\$ 1.49	\$ 1.17	\$ 1.52	-25%	2%
Standard Industrial	\$ 2.47	\$ 2.08	\$ 2.60	\$ 2.05	5%	-2%

As shown above (with the exception of Standard Industrial), non-residential taxes per square foot have fallen in Hamilton when compared to the results of the 2001 study, while the sample average has increased. This is further identified in the following three graphs.





The result of the Standard Industrial class has been somewhat volatile. Hamilton's significant increase over the last three years in the Standard Industrial class, when compared to the sample average, may be attributed to impacts of the reassessment on the Hamilton sample properties (which increased greater than the average for the property class as a whole), as well as the Provincial Business Education Tax (BET) reduction plan, which has significantly benefited some of the comparator municipalities.



As shown above, prior to 2010, the tax burden of the Standard Industrial class was improving when compared to the sample average. The Standard Industrial increase in the last three years may be more a result of the reassessment (in which the Hamilton properties selected had above average reassessment impacts) and the Provincial Business Education Tax (BET) reduction plan. Eleven of the seventeen municipalities in the sample saw reductions in the Business Education tax rate in 2012 ranging from -7% to -19% as a result of the Provincial reduction plan which lowered their Industrial education tax rate to the annual ceiling. The City of Hamilton did not experience a similar reduction to its Industrial education tax rate, as it is already below the annual ceiling. As education taxes comprise approximately 40% of the total Standard Industrial tax rate, this has reduced the sample average, thereby negatively impacting Hamilton's ranking when compared to this average.

Business education tax rates for all municipalities are reduced to offset reassessment. In addition to this, the Provincial BET reduction plan establishes annual ceiling rates,

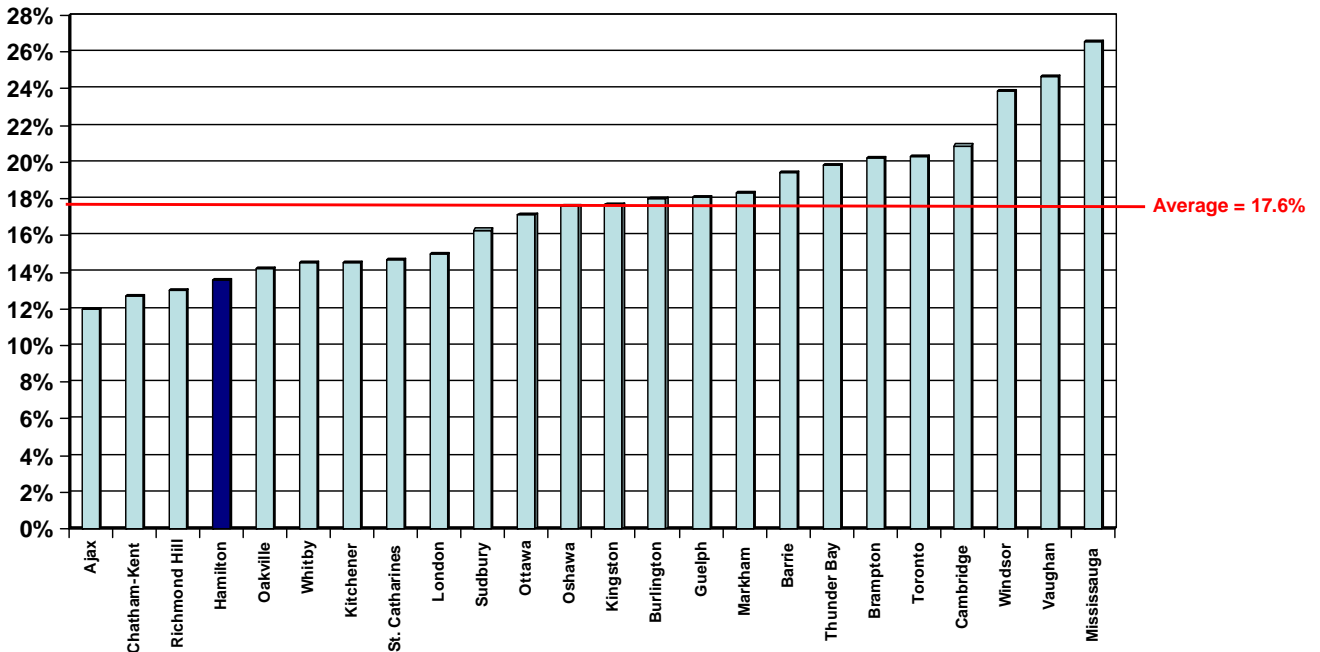
whereby municipalities above the ceiling rate in a particular year, benefit from a reduction in their BET rate to match the ceiling rate. Hamilton's BET rates are below this annual ceiling rate. Since Hamilton's BET rates are still above the maximum rate (yet below the ceiling rate), Hamilton's BET rates are marginally reduced by an amount which represents 2% of the difference between Hamilton's rate and the maximum rate. This additional reduction is not very significant. There were, however, many municipalities in the sample with industrial BET rates well above the annual ceiling rates. These municipalities benefited significantly from this Provincial BET reduction plan, which saw their industrial BET rates drop significantly to the annual ceiling rate.

Residential vs. Non-Residential Split

Hamilton's 2012 unweighted assessment is comprised of 86.4% Residential and 13.6% Non-Residential. Hamilton's share of non-residential assessment has decreased slightly compared to the 2011 study (13.7%) yet is still an improvement when compared to the non-residential share in previous years (2006 – 2010). Although Hamilton is equal to the 2012 study average (for all 86 Ontario municipalities), as shown in the graph below, Hamilton continues to have a lower percentage share of non-residential unweighted assessment when compared to larger municipalities (populations greater than 100,000), which averaged 82.3% Residential vs. 17.6% Non-Residential.

2012 Non-Residential Assessment as a % of Total Assessment (unweighted)

(Municipalities with population > 100,000)



The following table identifies Hamilton's Residential vs. Non-Residential split since 2001. As shown below, Hamilton's share of Non-Residential Assessment declined from 2001 to 2009. Commencing in 2010, however, Hamilton's share of Non-Residential assessment has started to rebound, with the exception of 2012 which has seen a slight decrease.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Residential	85.6%	85.6%	85.7%	86.5%	86.4%	87.3%	87.4%	87.4%	87.5%	86.6%	86.3%	86.4%
Non-Residential	14.4%	14.4%	14.3%	13.5%	13.6%	12.7%	12.6%	12.6%	12.5%	13.4%	13.7%	13.6%

Note: Commencing in 2010, BMA study includes PIL assessment, however if PIL assessment is excluded, Hamilton still experienced an increase in Non-Residential Assessment in both 2010 and 2011.