Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	March 6, 2015
SUBJECT/REPORT NO:	2014 Assessment Growth (FCS15024) (City Wide)
WARD(S) AFFECTED:	City Wide
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Council Direction:

N/A.

Information:

The final 2014 net assessment growth used for 2015 taxation purposes is 1.3%, which is equivalent to approximately $9.7 Million in new tax revenue.

The table below identifies the net assessment growth for the last five years:

Assessment Growth (net)				
2010	**2011**	**2012**	**2013**	**2014**
1.3%	**1.1%**	**0.8%**	**0.8%**	**1.3%**

A major contributor to the 1.3% increase in assessment growth is the strong permit activity experienced in the City over the last few years. This includes an assessment increase of approximately $35 Million from the Maple Leaf Foods plant, which reassessment and reclassification from Industrial Vacant Land to Large Industrial Land results in approximately $1.4 Million in additional tax revenue. This is a significant component to the improved growth in the Industrial property class. The Residential property class continues to experience strong growth.

This figure of 1.3% 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 2014 tax ratio of 3.1752) 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 2014 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	$657,946,000	$ 657,946,000	$7,306,900	1.5%	1.0%
Multi-Residential	$ (41,317,000)	$ (128,128,900)	($1,521,700)	-1.8%	-0.2%
Commercial	$105,814,800	$ 208,074,300	$2,298,000	1.9%	0.3%
Industrial	$ 40,232,600	$ 158,769,800	$1,648,900	4.4%	0.2%
Other	$ (7,904,100)	$ (2,277,000)	($25,800)	-0.4%	0.0%
Total	**$754,772,400**	**$ 894,384,300**	**$ 9,706,300**	**1.3%**	**1.3%**

[1] % change in respective property class weighted assessment

[2] % change in total weighted assessment

As previously mentioned, the assessment growth is primarily driven by the Residential property class which had an increase of 1.0%. The Multi-Residential property class shows a decrease of -0.2% which is mainly the result of a shift between the Multi-Residential and Residential property classes that occurred in 2013 and reversed back in 2014 (The Village of St. Elizabeth properties). The Commercial and Industrial property classes had increases in their weighted assessment by 1.9% and 4.4% respectively, which contributed to the overall city growth by 0.3% and 0.2% respectively. The total change in the Industrial property class is particularly significant when compared with past years' results of (-0.4%) in 2013 and 0.0% in 2012. As previously mentioned, the Maple Leaf Foods plant had the most significant increase in the Industrial property class. In the Commercial property class, one of the most significant developments was the Mountain Plaza Mall (Upper James & Fennell).

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 1.3% realized in 2014.

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change [1] (Growth)
Increase (existing property)	$ 488,554,200	$ 688,416,900	$ 7,767,900	3,101	1.0%
Decrease (existing property)	$ (77,124,500)	$ (127,621,900)	$ (1,430,200)	787	-0.2%
Mixed Change (existing property) [2]	$ 67,782,300	$ 92,939,800	$ 749,800	338	0.1%
Deleted Roll	$ (81,377,200)	$ (133,473,000)	$ (1,536,400)	121	-0.2%
New Roll	$ 356,937,600	$ 374,122,600	$ 4,155,200	2,024	0.5%
Total Change	**$ 754,772,400**	**$ 894,384,400**	**$ 9,706,300**	**6,371**	**1.3%**

1 % change in total weighted assessment

2 properties with a combination of both increases and decreases

As identified above, assessment decreases (primarily due to successful assessment appeals, in-year adjustments, corrections) drove down the assessment growth by -0.2%. This represents a reduction in municipal taxes of approximately $1.4 million, which is significantly improved from what was reported in 2013 (-0.6% or $4.8 million) and 2012 (-0.4% or $3.1 million).

Further details on the breakdown of the 2014 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.

<u>Assessment Increase (existing property)</u>:
Approximately 3,100 existing properties experienced an increase in their respective assessment totalling $488.5 million. The resulting higher municipal tax revenues amounted to $7.8 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 following table further breaks down these increases into the major property classes.

Increase (existing property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change [1]
Residential	$ 345,160,700	$ 345,160,700	$ 3,965,500	2,965	0.5%
Multi-Residential	$ 5,302,800	$ 13,644,600	$ 161,600	12	0.0%
Commercial	$ 74,725,500	$ 145,815,300	$ 1,689,100	40	0.2%
Industrial	$ 38,913,100	$ 154,831,500	$ 1,610,900	5	0.2%
Farm/Pipeline	$ 2,301,000	$ 3,644,600	$ 38,100	19	0.0%
Mixed Use	$ 22,151,100	$ 25,320,200	$ 302,600	60	0.0%
	$ 488,554,200	**$ 688,416,900**	**$ 7,767,900**	**3,101**	**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: Maple Leaf Foods reclassified from Vacant Industrial at $3.8 million to Large Industrial at $38.6 million
- Commercial development includes: Mountain Plaza Mall (Upper James), Homewood Suites by Hilton (Bay St.), Gateway Ice Centre (Stoney Creek), Centre Mall (Barton St.), Eastgate Mall (Stoney Creek) and several commercial plazas across the City.
- Increases in the Residential Property class include Chartwell Senior Housing and Columbia College student residences.
- Mixed Use: Navistar, Coreslab Structures (Dundas) and the Union Gas facility in Stoney Creek.

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, e.g., where a portion of a Hamilton Port Authority property (which pays PILT) is subsequently leased to a taxable tenant. The opposite would occur due to properties moving from taxable to exempt (or are now subject to PILT).

Assessment Decrease (existing property):
Approximately 790 existing properties experienced a decrease in their respective assessment totalling -$77 million. The resulting lower municipal tax revenues amounted to -$1.4 million or -0.2% 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.

Decrease (existing property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change [1]
Residential	$ (40,920,700)	$ (40,920,700)	$ (436,100)	586	-0.1%
Multi-Residential	$ (1,323,000)	$ (3,405,400)	$ (40,200)	5	0.0%
Commercial	$ (20,305,600)	$ (39,957,300)	$ (459,000)	119	-0.1%
Industrial	$ (2,264,800)	$ (7,354,100)	$ (74,300)	15	0.0%
Farm/Pipeline	$ (962,900)	$ (476,100)	$ (4,600)	21	0.0%
Mixed Use	$ (11,347,500)	$ (35,508,300)	$ (416,000)	41	-0.1%
	$ (77,124,500)	**$ (127,621,900)**	**$ (1,430,200)**	**787**	**-0.2%**

1 % change in total weighted assessment

Examples of some of the larger appeals in 2014 include ArcelorMittal Dofasco, the Robert Thomson Building (Commercial to Exempt) and the Good Shepherd Centre (Commercial to Exempt).

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

It is important to note that, as property assessments are reviewed due to appeals, changes made, as a result of factual appeals, should ensure that the properties are more accurately assessed in the future, thus ensuring increased revenue stability for future taxation years. For example, ArcelorMittal Dofasco had requested a review of assessment for several properties which were previously under appeal and settled for the 2009-2012 assessment cycle. Further, factual changes were brought forward during the subsequent assessment cycle, which were then settled in 2013 and 2014. These recent reductions were significantly less than in previous years under appeal. As some of the recent large appeals have been settled, MPAC is making the correct factual changes to their costing systems to ensure any future appeals are limited in scope and size on these properties.

With respect to large developments, staff is in constant contact with MPAC to ensure that these properties are included, as soon as possible, both for assessment and taxation purposes. Staff are also requesting that MPAC consult with the tax consultants for these large developments to hopefully limit any challenges to the assessments in the future.

<u>Mixed Change (existing property)</u>:
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.

Approximately 340 properties experienced a combination of both increases and decreases to their respective assessments, resulting in a total assessment increase of approximately $67.8 million. The resulting higher municipal tax revenues amounted to $0.7 million or 0.1% growth. The overall result is an increase in growth and taxes due to more assessment increases on properties with high tax ratios (or higher tax burdens) than properties with lower tax ratios (or lower tax burdens); or a class change from a property with a lower tax ratio to one with a higher tax ratio. However, it is important to note that this is not always the case.

For example, The Village of St. Elizabeth properties were changed from "RT" to "MT" during 2013 but reclassified back to "RT" in 2014 after discussions with MPAC. The result for the 2014 year is higher assessment (approximately $6 million) but lower taxes (approximately $670,000) because the tax ratio of the Residential property class is lower than that of the Multi-Residential property class.

Another example is when Multi-Residential properties ("MT") are converted to condominiums ("RT") but the units are not listed for sale and the owner retains title on the properties. Although the newly converted condominiums are assessed at a higher value than Multi-residential units, the valuation usually comes lower than comparable properties in the market and are taxed at the lower Residential rate, resulting in a loss of revenue to the City.

Mixed Change (existing, mixed use property)

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change [1]
Net CVA increase	$ 81,114,200	$ 119,408,400	$ 1,218,400	152	0.2%
Net CVA decrease	$ (13,331,900)	$ (26,923,600)	$ (289,200)	186	0.0%
No net CVA change	$ -	$ 454,900	$ (179,300)	0	0.0%
	$ 67,782,300	**$ 92,939,800**	**$ 749,800**	**338**	**0.1%**

1 % change in total weighted assessment

Deleted Roll:

There were just over 120 roll numbers deleted, totalling approximately -$81.4 million in assessment reduction, resulting in approximately -$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 -$81.4 million reduction in assessment would therefore be generally off-set by a corresponding increase in assessment in another roll number(s) and typically captured under the “new roll” section below.

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]
Residential	$ (41,525,500)	$ (41,525,500)	$ (454,700)	87	-0.1%
Multi-Residential	$ (16,383,500)	$ (44,890,800)	$ (528,700)	6	-0.1%
Commercial	$ (8,106,300)	$ (16,050,500)	$ (190,100)	24	0.0%
Industrial	$ -	$ -	$ -	0	0.0%
Farm	$ (5,133,900)	$ (3,848,800)	$ (41,300)	2	0.0%
Mixed Use	$ (10,228,100)	$ (27,157,500)	$ (321,600)	2	0.0%
	$ (81,377,200)	**$ (133,473,000)**	**$ (1,536,400)**	**121**	**-0.2%**

1 %change in total weighted assessment

New Roll:

There were just over 2,000 new roll numbers added totalling $358 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 $4.6 million or 0.5% growth.

New Roll

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	# of Properties	% Change [1]
Residential	$ 342,663,000	$ 342,663,000	$ 3,790,300	2,001	0.5%
Multi-Residential	$ 2,326,000	$ 6,373,200	$ 75,500	2	0.0%
Commercial	$ 10,057,800	$ 19,914,400	$ 230,200	14	0.0%
Industrial	$ 1,883,500	$ 5,170,700	$ 59,100	6	0.0%
Farm	$ 7,400	$ 1,400	$ -	1	0.0%
Mixed Use	$ -	$ -	$ -	0	0.0%
	$ 356,937,600	**$ 374,122,600**	**$ 4,155,200**	**2,024**	**0.5%**

1 %change in total weighted assessment

The net result of new and deleted rolls is an assessment increase of $275.6 million, which represents additional $2.6 million in taxes or a 0.4% growth.

Assessment Growth by Former Area Municipality and Ward:

The following tables summarize the 2014 net assessment growth of 1.3% by former area municipality and ward.

	Change in Unweighted Assessment	Change in Weighted Assessment	Change in Municipal Taxes	% Area Muni Change[1]	% Total Change[2]
Stoney Creek	$ 142,741,600	$ 174,018,900	$ 1,861,200	1.8%	0.3%
Glanbrook	$ 145,867,900	$ 266,593,800	$ 2,745,100	7.5%	0.4%
Ancaster	$ 96,105,000	$ 116,604,300	$ 1,256,200	1.7%	0.2%
Hamilton	$ 261,681,700	$ 208,258,300	$ 2,466,200	0.6%	0.3%
Dundas	$ 4,072,300	$ 3,055,600	$ 32,700	0.1%	0.0%
Flamborough	$ 104,304,000	$ 125,853,600	$ 1,344,900	2.0%	0.2%
Total	**$ 754,772,400**	**$ 894,384,300**	**$ 9,706,300**	**1.3%**	**1.3%**

[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	$ 5,808,000	$ 6,619,500	$78,400	0.2%	0.0%
Ward 2	$ 60,040,400	$ 70,702,100	$837,300	1.6%	0.1%
Ward 3	$ 1,235,400	$ (7,742,200)	($91,700)	-0.2%	0.0%
Ward 4	$ 5,289,900	$ 11,888,600	$130,000	0.3%	0.0%
Ward 5	$ 30,690,800	$ 12,951,800	$32,600	0.1%	0.0%
Ward 6	$ 10,808,300	$ 14,604,100	$172,900	1.0%	0.0%
Ward 7	$ 46,910,900	$ 66,133,300	$783,200	1.0%	0.1%
Ward 8	$ 100,898,000	$ 44,211,900	$523,500	0.8%	0.1%
Ward 9	$ 81,382,900	$ 93,540,900	$1,016,600	2.8%	0.1%
Ward 10	$ 23,188,800	$ 34,534,500	$375,300	1.0%	0.1%
Ward 11	$ 184,037,800	$ 312,372,100	$3,214,400	5.0%	0.5%
Ward 12	$ 93,602,600	$ 113,219,400	$1,223,300	1.7%	0.2%
Ward 13	$ 4,072,300	$ 3,055,600	$32,700	0.1%	0.0%
Ward 14	$ 5,574,300	$ 5,839,500	$56,800	0.3%	0.0%
Ward 15	$ 101,232,100	$ 123,398,900	$1,321,000	2.8%	0.2%
Total	**$ 754,772,400**	**$ 894,384,300**	**$9,706,300**	**1.3%**	**1.3%**

[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.