



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning & Policy Division

TO:	Chair and Members Finance, Audit and Administration Committee
COMMITTEE DATE:	June 8, 2015
SUBJECT/REPORT NO:	Changes to the New Multi-Residential Property Tax Class (FCS15034) - Outstanding Business List (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Tom Hewitson 905 546 2424 x 4159 Gloria Rojas 905 546 2424 x 6247
SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That the City of Kingston’s motion regarding changes to the New Multi-Residential Property Tax Class, attached as Appendix “A” to report FCS15034, be supported.
- (b) That a letter of support be copied to the Premier of Ontario, AMO, the local area MPPs and the Mayor of Kingston.
- (c) That “Changes to the New Multi-Residential Property Tax Class” be considered complete and removed from the Audit, Finance and Administration Committee Outstanding Business List.

EXECUTIVE SUMMARY

Under Ontario Regulation 282/98 of the Assessment Act, the New Multi-Residential property class consists of land that would otherwise be in the Multi-Residential property class but that satisfies the following requirements:

- 1. The units on the land have been built or converted from a non-residential use pursuant to a building permit issued after the by-law adopting the New Multi-Residential property class was passed.

When an existing residential property is expanded beyond six units, the existing residential construction is reclassified in the Multi-Residential property tax class and under the current legislation only the newly constructed units will qualify for the New

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Multi-Residential property tax class. The existing units will be now be classified as Multi-Residential (was Residential previously).

On March 3, 2015 The City of Kingston approved a resolution to encourage the Ontario government to amend the legislation to allow for an increase in units up to a maximum of ten units and that the tax class be established as New Multi-Residential for the entire property. This resolution is being shared with the Premier of Ontario and leaders of the Opposition, AMO, FCM and all Ontario Municipalities with a population greater than 30,000. The intent of this proposal is to ensure that property tax classification is not a disincentive to intensification initiatives.

The current legislation could be perceived as a disincentive to construct additional units since, in the majority of municipalities, Multi-Residential properties have a higher tax ratio than that of the Residential property class and therefore will have relative higher tax burdens.

At the present time the City of Hamilton does not have any properties that have been established as Multi-Residential as a result of an increase in the number of units and therefore a change in the legislation will not have any financial impact on the City.

Staff are recommending that Council supports the proposal by the City of Kingston, attached as Appendix "A" to report FCS15034, to amend legislation to allow for residential properties to be increased up to a maximum of ten units and that the tax class be established as New Multi-Residential for the entire property.

Alternatives for Consideration –Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: N/A

Staffing: N/A

Legal: The authority to amend current legislation regarding property tax classes rests on the Minister of Finance. Should the legislation change, affected properties will be classified accordingly by MPAC. Municipalities have no discretion on property tax classes.

HISTORICAL BACKGROUND (Chronology of events)

The City of Kingston Council at its regular meeting held on March 3, 2015 passed a motion in which the City encourages the Ontario Government to change the legislation to allow a Residential property to be expanded to up to ten units and establish the entire property as New Multi-Residential. Copies of the motion were shared with the Premier of Ontario and leaders of the Opposition, AMO, FCM and all Ontario Municipalities with a population greater than 30,000.

The existing legislation could be perceived as a disincentive to construct additional units as this may increase property taxes to landlords, which contravene the Provincial Policy Statement to increase housing stock and affordability.

City of Hamilton Council received the motion at its meeting of March 11, 2015 (item 5.10) and referred it to the General Manager of Corporate Services for action.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

The Taxation Division was consulted regarding the number of properties for which the potential change in legislation may have an impact.

ANALYSIS AND RATIONALE FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)

Under Ontario Regulation 282/98 of the Assessment Act, the New Multi-Residential property class consists of land that would otherwise be in the Multi-Residential property class but that satisfies the following requirements:

1. The units on the land have been built or converted from a non-residential use pursuant to a building permit issued after the by-law adopting the New Multi-Residential property class was passed.

When an existing residential construction is expanded beyond six units, the existing residential construction is reclassified in the Multi-Residential property tax class and only the newly constructed units will qualify for the New Multi-Residential property tax class.

The current legislation could be perceived as a disincentive to construct additional units since, in the majority of municipalities, Multi-Residential properties have a higher tax ratio than that of the Residential property class and therefore will have relative higher

tax burdens. Based on the 2014 Municipal Competitiveness Study, with very few exceptions (Barrie, Muskoka, York Region), the Multi-Residential property class in Ontario municipalities has a tax ratio higher than that of the Residential and New Multi-Residential property classes. Approximately 35% of the municipalities that participate in the study have adopted the New Multi-Residential optional class and of those, only two municipalities have a New Multi-Residential property class ratio higher than that of the Residential property class.

The City of Hamilton has adopted the New Multi-Residential property class with a tax ratio of 1.0 while the Multi-Residential property class has a tax ratio of 2.74 and the Residential property tax class has a tax ratio of 1.0

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The intent of this proposal is to encourage further intensification initiatives on current buildings per the Ontario Government's Places to Grow Strategy.

At the present time the City Hamilton does not have any properties that have been established as Multi-Residential as a result of an increase in the number of units and therefore a change in the legislation would not have any financial impact on the City. Should the legislation be amended, the City would forego the potential tax gains of moving a property from the residential property class to the multi-residential property class.

The potential gains, however, are difficult to quantify since a change in property classification may also trigger a change in assessment. Residential properties are valued at market rates while Multi-Residential properties are valued based on income approach.

Based on the negligible, if any, financial impact to the City, staff are recommending that Council support the proposal by the City of Kingston to amend legislation to allow for residential properties to be increased up to a maximum of ten units and that the tax class be established as New Multi-Residential for the entire property.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

N/A

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS15034 – Kingston City Council New Motion 1