



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 21, 2016
SUBJECT/REPORT NO:	<i>Assessment Act</i> Amendments Providing a Property Tax Exemption to Non-Profit Long-Term Care Homes (FCS16076) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Mike Zegarac General Manager Finance & Corporate Services
SIGNATURE:	

RECOMMENDATIONS

- (a) That given the significant impact the change in taxation status for Non-Profit Long-Term Care (LTC) facilities has on the City of Hamilton, the Province be requested to continue with the Transitional Mitigation Grant for a multi-year period;
- (b) That the Mayor corresponds with the Honourable Charles Sousa, Minister of Finance, to request the extension of the Transitional Mitigation Grant.

EXECUTIVE SUMMARY

In December 2015 the Assessment Act and Ontario Regulation 282/98 were amended by Ontario Regulation 429/15 to prescribe charitable and Non-Profit LTC homes, previously fully taxed at the commercial or residential rate, to be exempted from property taxes. The letter to Head of Council outlining the amendments has been included in "Appendix A" to Report FCS16076.

The City has been informed that the following properties meet the new criteria and are therefore exempt from property taxes starting in 2016:

- St. Peter's Care Centre
- Heritage Green Nursing Home

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- Liuna Local 837 Health Property Corporation
- Sons of Italy (Hamilton)

Prior to the assessment change, Non-Profit LTC facilities paid property tax (municipal & education) and were being reimbursed for 85% of the cost by the Ministry of Health and Long Term Care (MOHLTC). The exemption will now eliminate the cost for the Non-Profit LTC facilities and reduce the grant paid by the MOHTLC, resulting in a net savings to the Province.

The City of Hamilton will lose approximately \$1 M in tax revenue starting in 2016.

For 2016, the Province is providing a one-time Transitional Mitigation Grant to any municipality where the loss of revenue on these exemptions is more than 0.02% of the 2015 municipal revenue. The City of Hamilton will qualify for a one-time grant of about \$972,000 which will cover the majority of the revenue loss for 2016 (about \$988,000). The letter from the Ministry of Finance dated August 9, 2016 outlining the payment has been included as "Appendix B" to Report FCS16076.

Staff are recommending that the Province be requested to continue the transitional grant for a number of years to phase in the impact of this change.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The loss in taxable assessment, due to a change in the tax status on Non-Profit LTC homes, of approximately \$59 M results in a loss of approximately \$1.0 M in municipal tax revenue. For 2016 it will be reported as an operating budget variance item (Tax Write-Offs), offset by increased provincial grants. For 2017 it will result in reduced growth of about -0.1%, with no offset unless the Province announces continued transitional funding

Staffing: There are no staffing implications as a result of Report FCS16076.

Legal: There are no legal implications in respect of Report FCS16076.

HISTORICAL BACKGROUND

Prior to 2016, the majority of charitable and Non-Profit LTC homes across the province were already exempt from property taxation through special legislation. Therefore, in

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order to ensure consistent and equitable treatment, effective January 1, 2016, the Province passed legislation providing all of these homes to become exempt from property taxation.

The government announced the exemption in the 2014 Ontario Budget.

Even though City staff participate in provincial-municipal consultation groups including a Treasurers group with Provincial representation and a Provincial/Municipal assessment/taxation group, this item proceeded with very little consultation. A draft regulation was posted on the Ontario Regulatory Registry in the Fall of 2015. To staff's knowledge no other communication regarding this change occurred until after the regulation was passed in December 2015.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

There are no policy implications related to the recommendations within Report FCS16076.

RELEVANT CONSULTATION

Staff from Corporate Services - Taxation Division were consulted in reviewing the change in tax status of LTC homes and the corresponding impact to the City of Hamilton.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

For 2016, the Province has essentially mitigated the loss of tax revenue to the City by providing a Transitional Mitigation Grant (about \$1 M). However, the Province has indicated that this is one-time funding. For 2017, the exemption will result in a loss of tax revenue of about \$1 M, or -0.1% assessment growth.

Staff are recommending that the Province be requested to extend the Transitional Mitigation Grant into a multi-year program that phases in the impact over time. Since the exemption results in a savings to the Province, the Province should be able to apply that savings to a longer transitional period.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

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Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS16076 – Notice of Amendments to Ontario Regulation 282/98 under the Assessment Act, letter to Head of Council dated August 9, 2016

Appendix “B” to Report FCS16076 – 2016 Transitional Mitigation Payment Notice from Ministry of Finance, letter dated August 9, 2016

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