



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 27, 2017
SUBJECT/REPORT NO:	2016 Assessment Growth (FCS17022) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

Council Direction:

N/A

Information:

The final 2016 net assessment growth used for 2017 taxation purposes is 0.7%, which is equivalent to approximately \$5.8 M in new tax revenue.

2016 GROWTH (GROSS / NET)

Increases	\$8,140,500	1.0%
Decreases	<u>(2,332,000)</u>	(0.3%)
Total	<u>\$5,808,500</u>	0.7%

Although during 2016 the City continued to see a strong building-permit activity hitting the \$1 B mark for the fifth consecutive year and reaching a record number of building permits (8,987), the 2016 figure is significantly lower than the assessment growth in 2015 (1.6%).

The lower than expected growth could be attributed to a variety of factors:

- MPAC resources focussed on reassessment;
- Not-for-profit nursing homes reclassified as Exempt; and,
- Large appeals in the Industrial property class;

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The 0.7% growth 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 2016 tax ratio of 3.0900) 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 assessment growth, in spite of large growth in the Residential property class.

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

NET ASSESSMENT GROWTH 2012 - 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total	0.8%	0.8%	1.3%	1.6%	0.7%
Residential	0.9%	0.9%	1.0%	1.3%	0.6%
Non-Residential	(0.1%)	(0.1%)	0.3%	0.3%	0.1%

Following the trend of the last five years, the residential property class continues to be the driving factor. Some of the most significant increases in the non-residential property classes are from new commercial developments (i.e. - Lowe's Canada, Commercial Plazas in Stoney Creek and Ancaster, and Honda Dealership) as well as the new industrial development of Orlick Industries in the Aeropark. Decreases are notable in Lafarge Lime Canada Inc., Max Aicher North America, and Arcelor-Mittal Dofasco.

The following table breaks down the 2016 assessment growth into major property classes:

2016 TOTAL ASSESSMENT GROWTH (By Class)

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Class Change¹</u>	<u>% of Total Change</u>
Residential	\$460,155,000	\$4,805,500	0.9%	0.6%
Multi-Residential	15,268,300	(3,200)	0.0%	0.0%
Commercial	50,404,900	1,033,100	0.8%	0.1%
Industrial	3,188,800	(427,400)	(1.0%)	(0.1%)
Other	<u>30,233,400</u>	<u>400,500</u>	<u>6.1%</u>	<u>0.0%</u>
Total	<u>\$559,250,400</u>	<u>\$5,808,500</u>	<u>0.7%</u>	<u>0.7%</u>

¹ % Change in respective property class
Anomalies due to rounding

Residential Property Class

Continuing with the trend observed in the last several years, the Residential property tax class is the main driver of the assessment growth in the City with an increase of 0.9% from last year, which represents additional tax revenue of \$4.8 M. Wards 9, 11 and 15 continue to be the areas with higher residential development in the City. The Residential property class represents 0.6% of the total assessment growth of 0.7%.

Multi-Residential Property Class

The Multi-Residential Property class had an assessment increase of \$15.3 M but a decrease of \$3,200 in taxes. The main reason for this contradictory result is that the majority of the assessment increase is the New Multi-Residential property class which has a lower tax rate than the older Multi-Residential properties. In addition, the Royal Connaught condominium property was reclassified at a lower value from Multi-Residential to Commercial Vacant, which resulted in a reduction of \$188 K in taxes.

Commercial Property Class

During 2016, the Commercial property class had an increase in assessment of \$50.4 M which represents \$1.0 M in additional revenue to the City, contributing 0.1% to the overall growth.

This net increase is the result of both assessment increases (either expansions, previously reflected as vacant land or partial development) and assessment decreases (successful

assessment appeals, partial demolitions or due to properties moving from taxable to exempt).

In December 2015, the *Assessment Act* was amended to prescribe the conditions under which properties used as Non-Profit Long-Term Care (LTC) facilities, previously fully taxed at the Commercial or Residential rate, are now exempt from property taxes. The loss in taxable assessment due to this regulation is approximately \$59 M and results in a loss of approximately \$1.0 M in municipal tax revenue and reduced growth of about 0.1%.

Some other notable decreases are:

- Commercial Plaza / Entertainment Complex in Ancaster;
- Canadian Tire Properties;
- VW Centennial Inc. (VW Dealership);
- Mercedes / Subaru Dealership in Upper James; and,
- Office Mortgage Investments (Office building).

Increases in the commercial property class include:

- Commercial Plaza in Wilson St., Ancaster;
- Commercial Plaza in Stone Church Rd. East., Stoney Creek;
- Lowe's Companies Canada;
- Honda Dealership in Upper James;
- Hamilton Port Authority tenant changes; and,
- New tenants in formerly vacant commercial units.

Other changes in the commercial property class are due to reclassification to tax qualifiers with lower tax rates (from fully taxable to excess) or from Industrial to Commercial (and vice versa). Additional explanations can be found later in this Report.

Industrial Property Class

The Industrial property class had an overall assessment increase of \$3.2 M but the tax revenue for the City decreased by \$427,000 reducing the overall growth by 0.1%. During 2016, the City received notice of successful appeals by a number of industrial properties. Some of the most notable appeals are Max Aicher North America and Lafarge Canada.

The most significant new development in the Industrial property class is the Orlick Aeropark assessed as Industrial Vacant land at \$7.7 M.

Changes Between Industrial and Commercial Property Class

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

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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. Some examples include:

- Arcelor-Mittal Dofasco;
- Mike Taylor Leaseholds;
- McNally International; and,
- Wingbury Holdings.

Other Classes

The increase in assessment in the other classes of \$30.2 M is normally the result of lands awaiting development that have been reclassified to the Residential or Commercial property classes. The impact in total growth is minimal as these properties have a lower tax ratio than properties in the Residential and Commercial property classes.

Assessment Growth by Ward

The following table breaks down the 2016 assessment growth by ward:

2016 TOTAL ASSESSMENT GROWTH (By Ward)

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Ward Change¹</u>	<u>% of Total Change</u>
Ward 1	\$ 9,128,900	\$ 160,800	0.3%	0.0%
Ward 2	18,584,800	(28,400)	(0.1%)	0.0%
Ward 3	(2,631,700)	(392,400)	(0.9%)	0.0%
Ward 4	38,700	(22,600)	0.0%	0.0%
Ward 5	17,252,800	209,700	0.4%	0.0%
Ward 6	4,150,900	57,700	0.1%	0.0%
Ward 7	34,092,500	436,000	0.5%	0.1%
Ward 8	(10,332,600)	(286,900)	(0.4%)	0.0%
Ward 9	106,684,600	1,299,500	3.2%	0.2%
Ward 10	22,789,500	65,800	0.2%	0.0%
Ward 11	195,648,600	2,278,200	3.0%	0.3%
Ward 12	63,137,500	911,300	1.2%	0.1%
Ward 13	4,094,100	59,700	0.1%	0.0%
Ward 14	9,285,700	(88,600)	(0.4%)	0.0%
<u>Ward 15</u>	<u>87,326,100</u>	<u>1,148,800</u>	<u>2.1%</u>	<u>0.1%</u>
Total	<u>\$559,250,400</u>	<u>\$5,808,500</u>	<u>0.7%</u>	<u>0.7%</u>

¹ % Change in respective property class
Anomalies due to rounding

Assessment Growth by Former Municipality and Class

The following tables summarize the assessment growth by class and by former municipality:

**2016 RESIDENTIAL ASSESSMENT GROWTH
(By Former Area Municipality)**

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Area Muni Change¹</u>	<u>% of Total Change</u>
Stoney Creek	\$135,495,200	\$1,432,000	1.9%	0.2%
Glanbrook	141,849,300	1,436,000	4.0%	0.2%
Ancaster	42,816,000	437,100	0.7%	0.1%
Hamilton	73,995,200	872,300	0.3%	0.1%
Dundas	4,316,900	45,600	0.1%	0.0%
Flamborough	61,682,400	582,600	1.0%	0.1%
Total	<u>\$460,155,000</u>	<u>\$4,805,500</u>	<u>0.9%</u>	<u>0.6%</u>

¹ % Change in respective property class
Anomalies due to rounding

**2016 MULTI-RESIDENTIAL ASSESSMENT GROWTH
(By Former Area Municipality)**

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Area Muni Change¹</u>	<u>% of Total Change</u>
Stoney Creek	\$ 901,000	\$26,700	0.5%	0.0%
Glanbrook			0.0%	0.0%
Ancaster			0.0%	0.0%
Hamilton	15,579,300	(31,200)	0.0%	0.0%
Dundas	(1,154,000)	3,000	0.1%	0.0%
Flamborough	(58,000)	(1,700)	(0.1%)	0.0%
Total	<u>\$15,268,300</u>	<u>\$(3,200)</u>	<u>0.9%</u>	<u>0.0%</u>

¹ % Change in respective property class
Anomalies due to rounding

**2016 COMMERCIAL ASSESSMENT GROWTH
(By Former Area Municipality)**

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Area Muni Change¹</u>	<u>% of Total Change</u>
Stoney Creek	\$11,686,600	\$ 267,200	1.3%	0.0%
Glanbrook	14,171,700	279,000	5.9%	0.0%
Ancaster	27,617,800	578,800	4.7%	0.1%
Hamilton	(13,626,000)	(318,500)	(0.4%)	0.0%
Dundas	876,400	10,900	0.3%	0.0%
Flamborough	<u>9,678,500</u>	<u>215,800</u>	<u>2.5%</u>	<u>0.0%</u>
Total	<u>\$50,405,000</u>	<u>\$1,033,100</u>	<u>0.8%</u>	<u>0.1%</u>

¹ % Change in respective property class
Anomalies due to rounding

**2016 INDUSTRIAL ASSESSMENT GROWTH
(By Former Area Municipality)**

	<u>Change in Unweighted Assessment</u>	<u>Change in Municipal Taxes</u>	<u>% Area Muni Change¹</u>	<u>% of Total Change</u>
Stoney Creek	\$ 1,894,000	\$ (119,200)	(1.2%)	(0.1%)
Glanbrook	14,347,000	300,100	10.8%	0.0%
Ancaster	(1,723,700)	(58,200)	(2.2%)	0.1%
Hamilton	(5,594,600)	(393,300)	(1.5%)	0.0%
Dundas			0.0%	0.0%
Flamborough	<u>(5,733,900)</u>	<u>(156,800)</u>	<u>(6.5%)</u>	<u>0.0%</u>
Total	<u>\$ 3,188,800</u>	<u>\$ (427,400)</u>	<u>(1.0%)</u>	<u>(0.1%)</u>

¹ % Change in respective property class
Anomalies due to rounding

APPENDICES AND SCHEDULES ATTACHED

None.

GR/dt