Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	March 2, 2018
SUBJECT/REPORT NO:	2017 Assessment Growth (FCS18003) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY: **SIGNATURE:**	Mike Zegarac General Manager Finance and Corporate Services

Council Direction:

N/A

Information:

The final 2017 net assessment growth used for 2018 taxation purposes is 1.4%, which is equivalent to approximately $10.0 M in new tax revenue as shown in Table 1. This net assessment growth is the result of new assessment, changes in assessment due to Requests for Reconsiderations (RfR) and Appeals, as well as MPAC's proactive and ongoing reviews of key property sectors.

TABLE 1

2017 Growth (Gross / Net)		
Increases	$ 13,164,000	1.8%
Decreases	-$ 3,094,000	-0.4%
Total	$ 10,069,000	1.4%

For presentation purposes and to maintain consistency with comparisons to previous years, the assessment growth of 1.4% includes a restatement of $429.0 M in assessment that was reclassified as Exempt.

The General Issues Committee (GIC) at its meeting of December 12, 2016 approved staff Report CES16061, "Municipal and Education Property Tax Exemptions for CityHousing Hamilton" which authorized the City to enter into a Municipal Capital Facilities Agreement with CityHousing Hamilton (CHH) to exempt eligible municipal properties from municipal and education taxes. This Agreement resulted in the reclassification of $429.0 M in assessment and a $12.6 M reduction in tax revenue which is fully offset by a reduction in the annual subsidy provided by the City to CHH. There was also a reduction of Education taxes in the amount of $866 K which the City and CHH can now use to support capital infrastructure. Including this exemption, the final 2017 net assessment growth used for 2018 taxation purposes is a decrease of -0.2%. However, as mentioned, for presentation purposes the assessment growth has been restated to exclude the exemption resulting in growth of 1.4%.

Table 2 provides a historical look at the City's recent assessment growth.

TABLE 2

	Assessment Growth (Net)				
	2013	**2014**	**2015**	**2016**	**2017**
Total Growth	**0.8%**	**1.3%**	**1.6%**	**0.7%**	**1.4%**
Residential	0.9%	1.0%	1.3%	0.6%	1.4%
Non-Residential	-1.0%	0.3%	0.3%	0.1%	0.0%

Note – 2017 has been restated to exclude CHH exemption.

It is important to note that the 1.4% 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). In addition, MPAC conducts regular reviews of properties, both individually and at the sector level, analyzing changing market conditions and economic trends to determine any potential changes in valuation in order to ensure that assessments are up to date and are reflective of the properties' current state.

A major factor negatively affecting the City's growth is the assessment appeals and reductions in the Industrial class. For example, in 2017, the Municipal Property Assessment Corporation (MPAC) initiated a review of its own valuation of the properties owned by Stelco Inc. resulting in an assessment reduction of $44 M which is equivalent to 0.2% growth.

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 2017 tax ratio of 3.4122) 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.

Assessment Growth by Class

Table 3 breaks down the 2017 assessment growth into major property classes.

TABLE 3

2017 TOTAL ASSESSMENT GROWTH

BY CLASS

	Change in Unweighted Assessment	Change in Municipal Taxes	% Class Change[1]	% of Total Change
Residential	$ 917,864,000	$ 9,583,000	1.7%	1.3%
Multi-Residential	$ 74,049,000	$ 684,000	0.9%	0.1%
Commercial	$ 51,579,000	$ 1,124,000	0.8%	0.2%
Industrial	$ (32,192,000)	$ (1,562,000)	-3.6%	-0.2%
Other	$ 11,438,000	$ 240,000	3.3%	0.0%
Total	**$ 1,022,738,000**	**$ 10,069,000**	**1.4%**	**1.4%**

[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 1.7% from last year, which represents additional tax revenue of $9.6 M. Wards 9, 10, 11 (Glanbrook) and 15 continue to be the areas with higher residential assessment growth in the City. The Residential property class contributed 1.3% to the total assessment growth of 1.4%.

Multi-Residential Property Class

The Multi-Residential Property class had an assessment increase of $74.0 M which is reflected in additional taxes of $684 K or 0.1% of the City's assessment growth. The City has seen a number of rental buildings being built or renovated in the last several years which are now ready for occupancy. The most significant developments during 2017 were the building at 140 Main Street West and the rental units at 220 Dundurn Street (former National Hosiery Mills building). These new developments are classified as New Multi-Residential which have a tax ratio equal to the Residential property class. Multi-Residential growth was realized primarily in wards 1 and 2.

Some declines observed in the Multi-Residential property class are due to successful appeals and change in the use of the properties. Changing the use of the property may change the classification to one that has a lower tax ratio (from Multi-Residential of 2.6913 to Residential of 1.0000).

Commercial Property Class

Assessment growth in the Commercial property class is driven by new developments as well as renovations and expansions. During 2017, the Commercial property class had a net increase in assessment of $51.6 M which represents $1.1 M in additional tax revenue to the City, contributing 0.2% to the overall assessment 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).

The most significant commercial development in 2017 was the Mountain Shopping Plaza which had an assessment increase of approximately $27 M.

Other significant increases in the commercial property class include:

- Commercial Units at 150 Main Street West
- Canadian Tire at Rymal and Upper Centennial
- Dundas Self Storage
- Trinity Wilson Common at Wilson Street West, Ancaster (Longos, Lowe's, McDonalds)
- Fortinos at Upper Centennial Parkway
- Heritage Hill Plaza at Mud and Paramount (Winners, Home Sense, Bouclair)
- Walmart Superstore, Ancaster
- NoFrills Supermarket (Flamborough)

Some notable decreases are:

- Jackson Square (change in tenants)
- Wentworth Arenas (Request for Reconsideration)
- Home Depot at Stone Church Road East (excess land adjustment / incorrect facts)

At this moment, we do not have sufficient information to analyze the impact of the closing of the three Sears stores in the City. This impact will likely be reflected for the 2019 taxation year.

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 decrease of -$32.2 M resulting in forgone revenue of -$1.6 M and reducing the overall assessment growth by -0.2%. The largest reduction is due to an independent review initiated by MPAC of its own previous valuation of the properties owned by Stelco. As a result of this review, unleased lands were re-evaluated from about $101,000 to $100 per acre for a total assessment decrease of -$44 M, which had a negative impact of -0.2% in the total assessment growth. MPAC also corrected its valuation of ArcelorMittal Long Products reducing it by -$2.7 M which reduced the total assessment growth by -0.01%.

On a positive note, there is a wide variety of industries that are experiencing growth which partially mitigates the decreases in the Industrial property class assessment. Some examples include:

- Sorcast Development Corp. (Fibracast)
- Coco Paving
- Costa's Wine Country Inc.
- Canada Bread

Changes between Industrial and Commercial Property Class

Some of the mixed-used properties (properties with more than one property class) have assessment changes 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. The change for each individual class in recorded in its respective category.

Other Classes

The increase in assessment in the Other classes of $11.4 M is mostly the result of Union Gas pipeline expansions which is partially mitigated by reduction in the Farm property class. Overall, the changes in the Other classes are not substantial and don't have a significant impact on the City's assessment growth.

Assessment Growth by Ward

Table 4 breaks down the 2017 assessment growth by Ward.

TABLE 4

2017 TOTAL ASSESSMENT GROWTH

BY WARD

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change[1]	% of Total Change
Ward 1	$ 27,330,000	$ 265,000	0.5%	0.0%
Ward 2	$ 108,967,000	$ 1,213,000	2.2%	0.2%
Ward 3	$ (38,615,000)	$ (1,908,000)	-4.4%	-0.3%
Ward 4	$ 18,000	$ (11,000)	0.0%	0.0%
Ward 5	$ 17,847,000	$ 281,000	0.5%	0.0%
Ward 6	$ 11,439,000	$ 153,000	0.3%	0.0%
Ward 7	$ 93,413,000	$ 1,324,000	1.5%	0.2%
Ward 8	$ 33,943,000	$ 345,000	0.5%	0.0%
Ward 9	$ 109,774,000	$ 1,147,000	2.7%	0.2%
Ward 10	$ 82,316,000	$ 744,000	1.8%	0.1%
Ward 11	$ 170,516,000	$ 2,215,000	2.8%	0.3%
Ward 12	$ 174,913,000	$ 1,910,000	2.4%	0.3%
Ward 13	$ 25,499,000	$ 271,000	0.7%	0.0%
Ward 14	$ 17,338,000	$ 110,000	0.5%	0.0%
Ward 15	$ 188,040,000	$ 2,011,000	3.6%	0.3%
Total	**$ 1,022,738,000**	**$ 10,069,000**	**1.4%**	**1.4%**

[1] % change in respective property class
Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in the Appendices.

Appendices and Schedules Attached

Appendix "A" – 2017 Assessment Growth by Ward and Class

GR/dt