Hamilton

INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 28, 2019
SUBJECT/REPORT NO:	2018 Assessment Growth (FCS19013) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

N/A

INFORMATION

Assessment growth representing changes in assessed values of properties on new properties and changes in assessed values of existing properties is used for taxation purposes. Positive net assessment growth from 2018 has a positive impact on 2019 taxation by generating additional property taxation revenue.

The final 2018 net assessment growth used for 2019 taxation purposes is 1.2%, which is equivalent to approximately $10.6 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, Municipal Property Assessment Corporation's (MPAC's) proactive and ongoing reviews of key property sectors.

TABLE 1

2018 ASSESSMENT GROWTH

(Gross / Net)		
Increases	$ 12,066,400	1.4%
Decreases	-$ 1,504,200	-0.2%
Total	$ 10,562,200	1.2%

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

TABLE 2
NET ASSESSMENT GROWTH 2014 - 2018

	2014	2015	2016	2017	2018
Total	**1.3%**	**1.6%**	**0.7%**	**1.4%**	**1.2%**
Residential	1.0%	1.3%	0.6%	1.3%	0.9%
Non-Residential	0.3%	0.3%	0.1%	0.1%	0.3%

It is important to note that the 1.2% 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: a change 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.

Since each property class has its own specific tax ratio, some assessment changes have a larger impact on the net assessment growth than others. An assessment change on an industrial property (with a 2018 tax ratio of 3.4115) has a far greater impact on the net assessment 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 and commercial property classes) can significantly reduce the overall net assessment growth, in spite of large growth in the residential property class.

Table 3 breaks down the 2018 assessment growth into major property classes.

TABLE 3

2018 TOTAL ASSESSMENT GROWTH BY CLASS

	Change in Unweighted Assessment		Change in Municipal Taxes		% Class Change[1]	% of Total Change
Residential	$	776,293,300	$	7,827,800	1.3%	0.9%
Multi-Residential	$	37,671,000	$	90,700	0.1%	0.0%
Commercial	$	102,462,500	$	2,062,200	1.4%	0.2%
Industrial	$	23,694,500	$	703,800	1.7%	0.1%
Other	$	(31,546,000)	$	(122,500)	-1.6%	0.0%
Total	**$**	**908,575,300**	**$**	**10,562,000**	**1.2%**	**1.2%**

[1] % change in respective property class

Anomalies due to rounding

The change in unweighted assessment is the net change in the assessment base for each property class. The change in municipal taxes is the increase or decrease in the tax revenue for the City resulting from the change in unweighted assessment.

The percentage of class change column is the change in municipal taxes from the previous year for the class, while the percentage of total change column represents the contribution of each class to the total assessment growth increase.

The change in unweighted assessment recorded in 2018 of $908.6 M is in line with the strong construction activity in the City which has exceeded the $1.0 B mark for the seventh consecutive year. The value of building permits includes the construction value of Government / Institutional properties which are tax exempt and, therefore, will not result in additional revenue for the City.

Residential Property Class

The residential property class continues to have a strong building activity and remains the main driver of the assessment growth in the City with an increase of 1.3% from last year, which represents additional tax revenue of $7.8 M. The residential property class contributed 0.9% to the total assessment growth of 1.2%.

The residential developments in Ward 9 had a year-over-year increase of 4.4% and is by far the ward with the highest assessment growth, followed by Ward 15 (3.3% increase) and Ward 2 (3.1% increase). Additional details of the residential property class assessment growth by ward can be found in Appendix “A” to Report FCS19013 “2018 Assessment Growth”.

Multi-Residential and New Multi-Residential Property Classes

The multi-residential property class had a minimal increase of 0.1% or $91 K from the previous year. Two new multi-residential developments (The William Thomas Building at 20 Rebecca Street and a conversion / expansion from multi-residential to new multi-residential on Upper Wellington Street) were mostly mitigated by the conversion of two rental properties into residential condominiums. Conversions affect the tax revenue for the City since the property tax classification changes from multi-residential, which has a tax ratio of 2.5582 to residential, which has a tax ratio of 1.0000. In addition, although the newly converted condominiums are assessed at a higher value than the multi-residential units, the valuation is generally lower than comparable properties in the market.

The tax revenue from the multi-residential property class has also been affected negatively since 2016 when restrictions imposed on the multi-residential property class prevented municipalities to increase taxes beyond the 2016 level, effectively reducing the tax rate for the multi-residential property class. Therefore, any increases in the multi-residential property class are taxed at a lower rate than in previous years.

Commercial Property Class

Assessment growth in the commercial property class is driven by new developments as well as renovations and expansions. During 2018, the commercial property class had a net increase of 1.4% which represents $2.1 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).

Two major developments were recorded during 2018: the new Costco Wholesale facility in Stoney Creek and the Heritage Highland Plaza on Upper Red Hill Valley Parkway and Stone Church Road East, which tenants include Sobeys, The Brick, Wendy's and Pet Valu.

Other significant increases in the commercial property class include:

- SmartStop Self Storage
- Winona Crossing Shopping Centre (LCBO, Starbucks, RBC, Turtle Jacks)
- New tenants at the Centre on Barton
- Health care facilities in the previous location of Chedoke Hospital
- Seven Star Medical Centre and Pharmacy (Upper Gage)
- BMW Dealership (Upper James)
- Commercial Plaza on Clappison Avenue (Waterdown)
- New commercial plaza in Dundas (Tim Hortons, Gord's Service Centre)

Some notable decreases are:

- Canadian Tire (Assessment appeal)
- Home Depot (Assessment appeal)
- Football Hall of Fame (Changed to Exempt)

Other changes in the commercial property class are due to reclassification to tax qualifiers with lower tax rates (from fully taxable to excess). In addition, in 2018 several pieces of land were reclassified from commercial to residential. These changes in classification have a negative impact as the lower tax ratio of vacant or residential properties result in lower tax revenue, even if there is no change in the actual assessment of the property.

Industrial Property Class

The industrial property class had an overall assessment growth of 1.7% resulting in additional tax revenue of $0.7 M. The industrial property class contributed 0.1% to the overall assessment growth.

The following are some examples of properties in the industrial property class that experienced growth either through expansions, renovations or new developments:

- Hamilton Central Business Park (development in progress)
- Stryker new facility (Waterdown) Robertson Electric Wholesale
- Stackpole International
- Vulcruft Canada facility
- Volm Companies facility
- Penske Truck Leasing Canada

It is worth highlighting that the assessment growth in the industrial property class is occurring in a variety of industries (electrical solutions, autoparts, packing, medical devices). This is of significant importance since diversification of the assessment base is key for a sustainable and robust economy.

Another positive finding in the industrial property class is that unlike the previous two years where the City saw significant reductions of the assessment base, the decrease in tax revenue recorded in 2018 is mostly due to reclassification from the industrial property class to the commercial property class and not from erosion of the assessment base.

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 net change for each individual class in recorded in its respective category.

Other Classes

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had a minimal reduction of $122 K in tax revenue. The majority of the assessment reduction experienced in these classes was in the farm property class due to reclassification from farm to residential.. However, due to the low tax ratio, the impact in the tax revenue is not significant. Changes in these classes are also due to Request for Reconsiderations (Pipelines) and reclassifications from farmland awaiting development to residential, multi-residential or commercial. Overall, the changes in the other classes are not substantial and do not have a significant impact on the City's assessment growth.

Assessment Growth by Ward

Table 4 breaks down the 2018 assessment growth by Ward.

TABLE 4
2018 TOTAL ASSESSMENT GROWTH
BY WARD

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change[1]	% of Total Change
Ward 1	$ 16,987,500	$ 175,100	0.3%	0.0%
Ward 2	$ 89,105,800	$ 1,182,700	2.2%	0.1%
Ward 3	$ 28,097,300	$ 376,700	0.8%	0.0%
Ward 4	$ 22,658,900	$ 327,000	0.6%	0.0%
Ward 5	$ 40,349,000	$ 334,900	0.5%	0.0%
Ward 6	$ 22,896,900	$ 345,900	0.6%	0.0%
Ward 7	$ 34,496,200	$ 309,700	0.5%	0.0%
Ward 8	$ 35,909,000	$ 452,200	0.9%	0.1%
Ward 9	$ 173,100,500	$ 2,035,000	4.7%	0.2%
Ward 10	$ 80,148,200	$ 773,300	1.1%	0.1%
Ward 11	$ 73,342,700	$ 742,200	1.8%	0.1%
Ward 12	$ 93,231,300	$ 1,285,400	1.4%	0.1%
Ward 13	$ 17,668,800	$ 143,200	0.2%	0.0%
Ward 14	$ 32,016,500	$ 513,200	1.2%	0.1%
Ward 15	$ 148,566,700	$ 1,565,600	2.7%	0.2%
Total	**$ 908,575,300**	**$ 10,562,000**	**1.2%**	**1.2%**

[1] % change in respective property class

Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in Appendix “A” to Report FCS19013 “2018 Assessment Growth”.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – 2018 Assessment Growth by Ward and Class

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