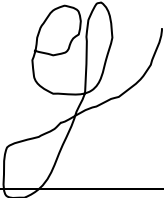




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	September 19, 2018
SUBJECT/REPORT NO:	Assessment Act Amendments Providing a Property Tax Exemption to Non-Profit Long-Term Care Homes - Update (FCS16076(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247 Tom Hewitson (905) 546-2424 Ext. 4159
SUBMITTED BY:	Cindy Mercanti Director, Customer Service and POA Acting Director, Financial Planning and Policy Corporate Services
SIGNATURE:	

RECOMMENDATION

- (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 identify a plan to continue with the Transitional Mitigation Payment for a multi-year period;
- (b) That the Mayor correspond with the Honourable Victor Fedeli, Minister of Finance, to request the extension of the Transitional Mitigation Payment;
- (c) That the unbudgeted transitional funds provided for 2018, in the amount of \$972,307, be allocated to reducing the impact of 2018 assessment appeals.

EXECUTIVE SUMMARY

In September of 2016, staff advised Council of the Province's decision to exempt charitable and non-profit long-term care homes from property taxation (Report FCS16076) starting with the 2016 taxation year. The City lost approximately \$59M in taxable assessment or about \$988,000 in tax revenues annually. These Long-Term Care Facilities no longer pay property taxes, though the savings to the facilities are relatively minor as the Province was paying for 85% of that cost. The majority of the savings accrue to the Province.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

SUBJECT: Assessment Act Amendments Providing a Property Tax Exemption to Non-Profit Long-Term Care Homes – Update (FCS16076(b)) (City Wide)
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For 2016, 2017 and 2018, the Province has provided the City a one-time Transitional Mitigation Payment of \$972,307 each year which largely offset the loss in tax revenues. Council has requested that the Province continue the Transitional Mitigation Payment for a multi-year period and although no response has been received, the payment to eligible municipalities has continued on a year-by-year basis.

The Transitional Mitigation Payment is provided to any municipality where the loss of revenue on these exemptions was more than 0.025% of the 2015 municipal revenue. The letter from the Minister of Finance dated August 7, 2018 outlines the payment for 2018 but does not commit to continue the grant beyond 2018. The letter has been included as “Appendix A” to Report FCS16076(b).

Staff continues to recommend that the Province be requested to identify a plan to continue the transitional grant for a number of years to phase in the impact of this change.

Staff also recommends that the unbudgeted revenue of \$972,307 be allocated to offset the general 2018 tax appeal write-offs. As per the report on Annual Assessment Appeals as of December 31, 2017 (Report FCS18028), the five-year average municipal loss due to appeals equates to approximately \$8.9M per year. This average annual loss represents approximately 1% of the municipal tax levy. In 2017, the City realized a \$1.5M unfavourable variance in the tax write-off account which was partially offset by the 2017 transitional payment for a net deficit of approximately \$0.5M.

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 \$59M, resulted in a loss of about \$988,000 in annual municipal tax revenue. For 2017, it resulted in reduced assessment growth of approximately -0.12%. The impact of this reduced assessment was incorporated into the 2017 tax rates.

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

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

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 order to ensure consistent and equitable treatment, effective January 1, 2016, the Province passed legislation extending the exemption to all of these homes. The government announced the exemption in the 2014 Ontario Budget.

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 City was informed that the following properties meet the new criteria and were therefore exempt from property taxes starting in 2016:

- St. Peter's Care Centre
- Heritage Green Nursing Home
- Liuna Local 837 Health Property Corporation
- Sons of Italy (Hamilton)

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

The City of Hamilton lost approximately \$988,000 in annual municipal tax revenue starting in 2016.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

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

RELEVANT CONSULTATION

Staff from Corporate Services Department, 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 RECOMMENDATIONS

As discussed, the Province has essentially mitigated the loss of tax revenue to the City by providing a Transitional Mitigation Payment (approximately \$972K for each year since 2016). However, the Province has made no commitment beyond 2018.

Staff is recommending that the Province be requested to extend the Transitional Mitigation Payment into a multi-year program to phase in the impact over time.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – 2018 Transitional Mitigation Payment Notice from Ministry of Finance, letter dated August 7, 2018

GR/TH/dt