INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	March 2, 2020
SUBJECT/REPORT NO:	2019 Assessment Growth (FCS20019) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

N/A

INFORMATION

Assessment growth is the change in the assessment base due to new properties, deleted rolls, as well as changes in the assessment of existing properties. Positive net assessment growth from 2019 has a positive impact on 2020 taxation by generating additional property tax revenue.

The final 2019 net assessment growth used for 2020 taxation purposes is 1.2%, which is equivalent to approximately $10.6 M in new tax revenue as shown in Table 1.

TABLE 1

2019 ASSESSMENT GROWTH

(Gross/Net)			
Increases	$	11,878,100	1.3%
Decreases	$	(1,243,300)	-0.1%
Total	$	10,634,800	1.2%

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

TABLE 2

NET ASSESSMENT GROWTH 2015 - 2019

	2015	2016	2017	2018	2019
Total	**1.6%**	**0.7%**	**1.4%**	**1.2%**	**1.2%**
Residential	1.3%	0.6%	1.3%	0.9%	1.1%
Non-Residential	0.3%	0.1%	0.1%	0.3%	0.1%

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 (RfR) 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, Municipal Property Assessment Corporation (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.

It is important to note that year-over-year increases in assessment that are related to the four-year phase-in reassessment cycle do not count as assessment growth and, therefore, do not result in additional tax revenue for the City.

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 2019 tax ratio of 3.3696) 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 reduce the overall net assessment growth, regardless of large growth in the residential property class.

Table 3 breaks down the 2019 assessment growth into major property classes.

TABLE 3

**2019 TOTAL ASSESSMENT GROWTH
BY CLASS**

	Change in Unweighted Assessment	Change in Municipal Taxes	% Class Change	% of Total Change
Residential	$ 1,010,370,800	$ 9,788,000	1.6%	1.1%
Multi-Residential	$ 3,395,700	$ (167,400)	-0.2%	0.0%
Commercial	$ 30,052,900	$ 491,100	0.3%	0.1%
Industrial	$ 11,476,700	$ 232,500	0.6%	0.0%
Other	$ 15,455,600	$ 290,700	3.9%	0.0%
Total	**$ 1,070,751,600**	**$ 10,634,800**	**1.2%**	**1.2%**

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 2019 of $1,071 M is in line with the strong construction activity in the City. The value of building permits has exceeded the $1.0 B mark for eight consecutive years and reached a record of $1.4 B in 2019. 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 1.6% from last year, which represents additional tax revenue of $9.8 M. The residential property class contributed approximately 90% of the total assessment growth of 1.2%.

Ward 9 continues to be the area of the City with the largest year-over-year assessment growth (5.6%) with a large number of residential developments including single homes, townhouses and condos. Wards 10, 12 and 15 also continue to have significant residential assessment growth.

Additional details of the residential property class assessment growth by ward can be found in Appendix "A" to Report FCS20019 "2019 Assessment Growth".

Multi-Residential and New Multi-Residential Property Classes

Assessment changes in the multi-residential property class (combined) resulted in a net decline in municipal property taxes of $167 K or -0.2% from the previous year. This is mostly the result of multi-residential properties being converted to condominiums. The negative effect of these conversions is partially mitigated by a new multi-residential high rise on Cannon Street East.

Conversions affect the tax revenue for the City since the property tax classification changes from multi-residential which has a tax ratio of 2.5671 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 2017 when restrictions were imposed on the multi-residential property class preventing municipalities from increasing taxes beyond the 2016 level, effectively reducing the valuation and 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

During 2019, the commercial property class had a minimal net increase of 0.3% which represents $0.5 M in additional tax revenue to the City, contributing 0.1% to the overall assessment growth. It is important to note that although there were a large number of assessment increases of approximately $53 M, the commercial property class experienced a notable decrease in the assessment base due to appeals and requests for reconsiderations (RfR). The total assessment decrease was approximately $23 M. Report FCS20019 will present a summary of some of the most significant changes, but details of the appeals will be brought for Council's consideration in the "Annual Assessment Appeals as of December 31, 2019" report, scheduled for the spring of 2020.

Assessment increases in the commercial property class are partially driven by previously reported developments that have continued their expansion and have been occupied by new tenants. Some of these commercial developments include Winona Crossing Shopping Centre, Clappison Power Centre, Heritage Green Shopping Centre as well as the commercial plaza on Portia Drive (Ancaster). It is important to note that these developments are spread across the City reflecting commercial trends and community needs.

Other assessment increases recorded in 2019 in the commercial property class include:

- Stryker in Flamborough (development in progress)
- Commercial plaza on Upper Sherman and Rymal in Hamilton (No Frills)
- New commercial / flex building in the Stoney Creek commercial park
- New warehouse in Stoney Creek
- New Medical Building in Ancaster
- Hamilton Volkswagen on Upper James, Hamilton
- Terra Greenhouse in Glanbrook
- Restoration projects in downtown Hamilton (Bread Bar, Prowind, Hifyre)
- New / Change of tenants in the Ancaster Industrial Park
- New / Change of tenants in the Hamilton Port Authority
- Renovations at The Keg on Upper James, Hamilton

In addition, there are a number of large pieces of land that are in the process of being developed and, therefore, are not fully taxable as of yet. Some examples are the L3 Wescam headquarters in Flamborough and a commercial plaza at Trinity Church and Rymal Road East (Hamilton).

As previously mentioned, notwithstanding all the expansions and new developments, the commercial property class has experienced a notable decrease in the assessment base. The main reason is the large number of appeals and RfR's that are being settled with significantly lower assessments. Some of the most notable appeals are:

- Flamborough Power Centre
- Smart Centres on Centennial Parkway
- Waterdown Supercentre
- Eastgate Shopping Mall
- Other commercial plazas across the City
- Commercial Warehouse in Stoney Creek
- Walmart
- Large office building downtown (1 King Street West)
- Medical building (part of former Chedoke Hospital)
- Hamilton Hyundai
- Lowe's

Industrial Property Class

The industrial property class had an overall assessment growth of 0.6% resulting in additional tax revenue of $0.2 M.

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

- Industrial lands on Nebo Road and Twenty Road (development in progress)
- New industrial lands on Tradewind Drive (converted from farm)
- New industrial mall in Dundas
- Bennet Mechanical Installations
- Nova Steel
- Green Relief Cannabis

As in 2018, most of the assessment decreases in the Industrial property class were 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. 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 is recorded in its respective category.

Other Classes

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had a minimal increase of $0.3 M in tax revenue. Due to low tax ratio of these classes, assessment increases do not result in significant tax revenue. Changes in these classes are also due to RfR 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 2019 assessment growth by Ward.

TABLE 4

2019 TOTAL ASSESSMENT GROWTH

BY WARD

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change	% of Total Change
Ward 1	$ 39,331,700	$ 454,200	0.8%	0.1%
Ward 2	$ 87,666,100	$ 818,600	1.4%	0.1%
Ward 3	$ 16,882,600	$ 178,500	0.4%	0.0%
Ward 4	$ 7,244,900	$ 38,600	0.1%	0.0%
Ward 5	$ (13,488,800)	$ (303,400)	-0.5%	0.0%
Ward 6	$ 14,432,800	$ 159,400	0.3%	0.0%
Ward 7	$ 24,944,800	$ 317,900	0.5%	0.0%
Ward 8	$ 5,337,100	$ 3,300	0.0%	0.0%
Ward 9	$ 233,291,600	$ 2,356,500	5.1%	0.3%
Ward 10	$ 169,843,200	$ 1,656,900	2.2%	0.2%
Ward 11	$ 40,527,300	$ 513,400	1.2%	0.1%
Ward 12	$ 264,165,000	$ 2,681,900	2.9%	0.3%
Ward 13	$ 34,451,700	$ 400,400	0.7%	0.0%
Ward 14	$ (810,800)	$ (60,600)	-0.1%	0.0%
Ward 15	$ 146,932,400	$ 1,419,400	2.4%	0.2%
Total	**$ 1,070,751,600**	**$ 10,634,800**	**1.2%**	**1.2%**

Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in Appendix “A” to Report FCS20019 “2019 Assessment Growth”.

APPENDICES AND SCHEDULES ATTACHED
Appendix “A” to Report FCS20019 – 2019 Assessment Growth by Ward and Class

GR/dt