INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 25, 2021
SUBJECT/REPORT NO:	2020 Assessment Growth (FCS21016) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

N/A

INFORMATION

Net Assessment Growth

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 2020 has a positive impact on 2021 taxation by generating additional property tax revenue.

The final 2020 net assessment growth used for 2021 taxation purposes is 1.2%, which is equivalent to approximately $11.2 M in new tax revenue as shown in Table 1.

TABLE 1
2020 ASSESSMENT GROWTH – Gross and Net

(Gross/Net)			
Increases	$	20,799,000	2.3%
Decreases	-$	9,572,000	-1.0%
Total	$	11,227,000	1.2%

Anomalies due to rounding

This result includes approximately 70 properties that were purchased by Metrolinx with a total assessment of $19 M and an estimated tax revenue of $360 K. Those properties have been reclassified as properties that receive payment in lieu of taxes (PILT) so although there is a reduction in tax revenue, the City will still receive the municipal portion of the taxes and therefore, there will be no lost revenue due to this reclassification.

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

TABLE 2
NET ASSESSMENT GROWTH 2016 - 2020

	2016	2017	2018	2019	2020
Total	**0.7%**	**1.4%**	**1.2%**	**1.2%**	**1.2%**
Residential	0.6%	1.3%	0.9%	1.1%	1.2%
Non-Residential	0.1%	0.1%	0.3%	0.1%	0.0%

It is important to note that the 1.2% growth is a net figure which considers 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, the 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.

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. The reassessment planned for the 2021 tax year did not take place due to COVID-19.

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 2020 tax ratio of 3.3156) 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 lessen the total net assessment growth.

Impact of COVID-19 on Assessment Growth

While the 2020 net assessment growth is in line with the growth observed in previous years, the ongoing lockdowns during 2020 as a result of COVID-19 might have had implications such as:

- The potential for fewer changes being processed due to logistical and / or capacity issues at MPAC due to work disruptions, etc.
- Reduced information flow within local municipalities and between local municipalities and MPAC (building permits and other trigger documents being closed, submitted, etc.).
- Possible slow-down of construction projects and fewer than anticipated completions.

Staff currently have no information verifying or disproving the above referenced potential implications, staff will be reviewing and assessing information leading to 2021 assessment reporting.

In the short term, staff will be reviewing current development activity and related assessment impacts for factors related to the pandemic, which may result in the following impacts:

- Fewer construction starts, particularly in the commercial sector.
- Backlogs in historic changes being processed could result in some additions timing out (omitted rolls not being added within three years).
- Sustainability / viability of existing businesses.

Assessment Growth by Property Class

Table 3 breaks down the 2020 assessment growth into major property classes.

TABLE 3
2020 TOTAL ASSESSMENT GROWTH
BY CLASS

	Change in Unweighted Assessment	Change in Municipal Taxes	% Class Change	% of Total Change
Residential	$ 1,153,196,600	$ 10,777,600	1.7%	1.2%
Multi-Residential	$ 2,930,500	$ (340,700)	-0.5%	0.0%
Commercial	$ 58,937,400	$ 1,012,600	0.6%	0.1%
Industrial	$ (4,595,400)	$ (257,200)	-0.6%	0.0%
Other	$ 12,746,500	$ 34,800	0.4%	0.0%
Total	**$ 1,223,215,600**	**$ 11,227,000**	**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 2020 of $1.2 B is in line with the strong construction activity in the City. For the ninth consecutive year and tenth time in the past eleven years, construction activity within the City of Hamilton exceeded $1 B. In 2020, the City of Hamilton reached the $1.4 B mark, of which $968 M are residential permits, the third highest in the City of Hamilton's history. 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 1.7% from last year, which represents additional tax revenue of $10.8 M. Virtually all the assessment growth for this year, comes from the residential property class.

Ward 9 continues to be the area of the City with the largest year-over-year assessment growth (6.2%) with a large number of residential developments including single homes, townhouses and condos. Wards 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 FCS21016 "2020 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 for the second consecutive year. For 2020, tax revenue decreased by $341 K or -0.5% from the previous year (-$167 K and -0.2% in 2019), even though the net assessment increased by $2.9 M. This is mostly the result of multi-residential properties being converted to condominiums. The negative effect of these conversions is partially mitigated by The Pinnacle, a new multi-residential high rise on Garth Street and Rymal Road West.

Conversions affect the tax revenue for the City since the property tax classification changes from multi-residential which has a tax ratio of 2.4876 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 2020, the commercial property class had an increase of 0.6% which represents $1.0 M in additional tax revenue to the City, contributing 0.1% to the overall assessment growth.

Some of assessment increases recorded in 2020 in the commercial property class include:

- Commercial lands for future commercial development in Waterdown
- Gateway Ice Centre (reclassification)
- Westinghouse HQ Commercial / Industrial building
- Improvements to Columbia International College
- Stoney Creek Airport

It also includes the continued expansion of several commercial plazas across the City including:

- Winona Crossing
- Heritage Highlands (Stone Church and Upper Red Hill Valley)
- Commercial lands along Wilson Street West in Ancaster
- Smart Centres in Stoney Creek (Centennial Parkway North)

It is important to note that these developments are spread across the City reflecting commercial trends and community needs.

Appeals and RfR’s that are being settled with significantly lower assessments continue to be a significant cause of the decrease in the commercial assessment. Many of these appeals are the result of adjustments to the properties’ income due to a revision of market rates and / or in the gross leasable area. Some examples include:

- Commercial condos on 150 Main Street West
- City-owned properties along King Street West (100-120 King Street West)
- Smart Centres on Hamilton Mountain (Upper James and Fennel)
- South Hamilton Square (Upper James and Rymal)
- Other commercial plazas across the City

Industrial Property Class

The industrial property class had an overall assessment reduction of $4.6 M which resulted in a revenue loss of -$257 K (-0.6% from 2019).

The decrease in the assessment value is, in part, due to the reclassification of industrial lands to residential or commercial. The most notable reduction in the class is the property formerly occupied by The Spectator, which is now exempt as it was purchased by McMaster. The industrial property class has also seen a number of appeals that have decreased the assessment value. Some examples include Nelson Steel Co., Nova Steel and Taylor Steel.

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

- Stelco
- New Coppley facility
- Industrial lands on Arvin Avenue (development in progress)
- Gay Lea Dairy (Innovation Centre)
- New Industrial building in the Ancaster Business Park

Details of the most notable appeals in the commercial and industrial classes settled within the last year will be brought forward for Council's consideration in the "Annual Assessment Appeals as of December 31, 2020" report, scheduled for the spring of 2021.

Other Classes

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had a minimal increase of $34 K 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 shows the assessment growth by ward.

TABLE 4
2020 TOTAL ASSESSMENT GROWTH
BY WARD

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change	% of Total Change
Ward 1	$ 35,351,300	$ 57,000	0.1%	0.0%
Ward 2	$ 8,593,200	$ 69,700	0.1%	0.0%
Ward 3	$ 46,162,200	$ 495,900	1.0%	0.1%
Ward 4	$ 10,369,100	$ 79,600	0.1%	0.0%
Ward 5	$ 73,196,100	$ 647,500	1.0%	0.1%
Ward 6	$ 9,441,800	$ 184,500	0.3%	0.0%
Ward 7	$ 9,044,300	$ 45,100	0.1%	0.0%
Ward 8	$ 7,900,800	$ (148,000)	-0.3%	0.0%
Ward 9	$ 317,407,700	$ 3,094,900	6.2%	0.3%
Ward 10	$ 107,918,000	$ 1,173,700	1.5%	0.1%
Ward 11	$ 45,118,000	$ 437,500	1.0%	0.0%
Ward 12	$ 202,544,900	$ 1,993,400	2.1%	0.2%
Ward 13	$ 35,133,300	$ 266,400	0.4%	0.0%
Ward 14	$ 42,046,500	$ 360,000	0.8%	0.0%
Ward 15	$ 272,988,300	$ 2,469,900	3.9%	0.3%
Total	**$ 1,223,215,500**	**$ 11,227,000**	**1.2%**	**1.2%**

Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in Appendix “A” to Report FCS21016 “2020 Assessment Growth”.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS21016 – 2020 Assessment Growth by Ward and Class

GR/dt