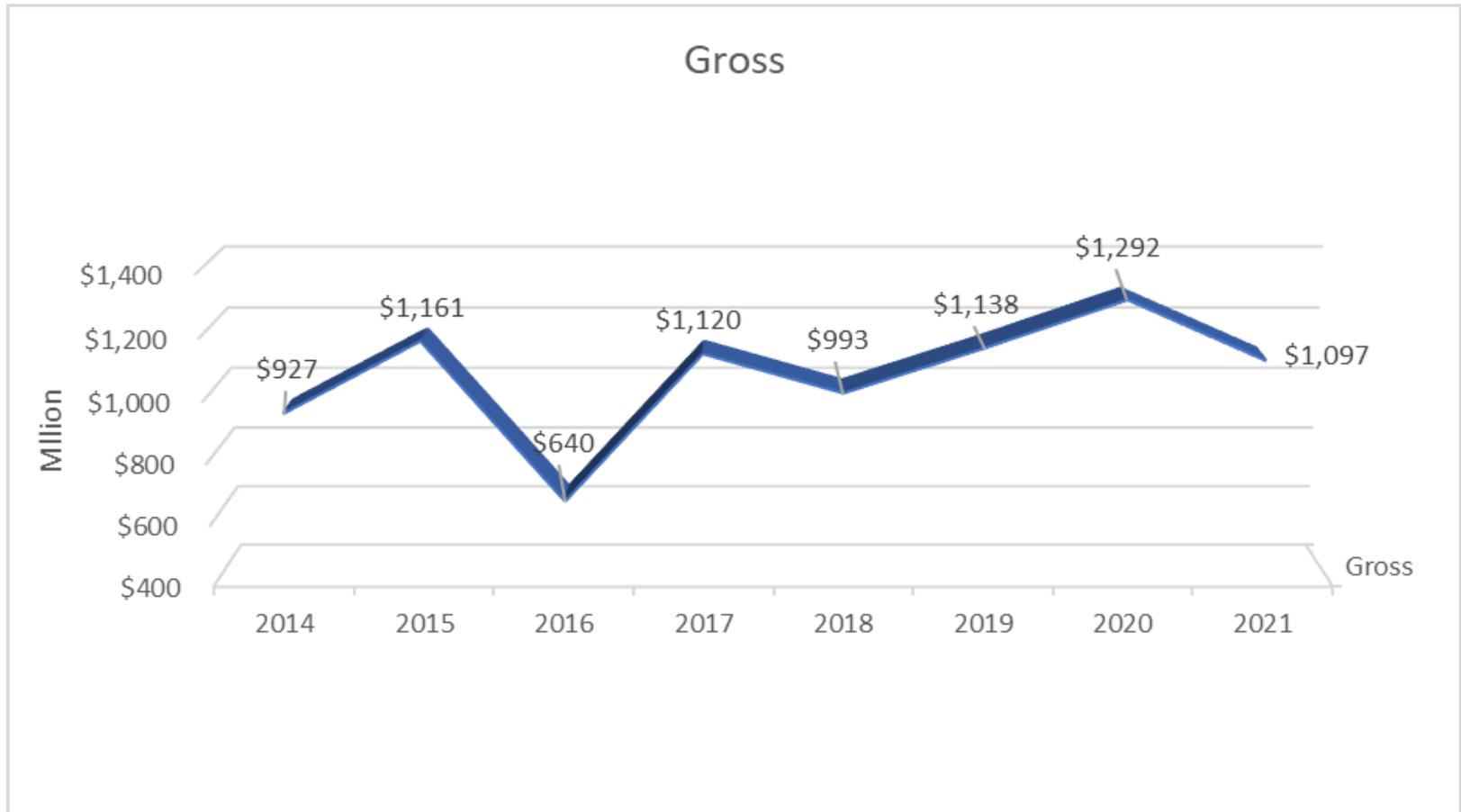


**2021 ASSESSMENT GROWTH
FCS22014**

GENERAL ISSUES COMMITTEE

February 25, 2022

Assessment Growth Activity 2014-2021



2021 Assessment Growth

- Gross assessment growth of 1.4% or \$1.1B assessed value
- Net assessment growth of 1.2% or \$933M assessed value and \$11.1M in municipal tax revenue

(Gross/Net)			
Increases	\$	13,693,382	1.4%
Decreases	\$	(2,549,881)	-0.3%
Total	\$	11,143,500	1.2%

Anomalies due to rounding

- Includes new assessment, changes in assessment due to Request for Reconsiderations (RfR) and Appeals.

Residential vs. Non-Residential Growth

	2017	2018	2019	2020	2021
Total	1.4%	1.2%	1.2%	1.2%	1.2%
Residential	1.3%	0.9%	1.1%	1.2%	0.7%
Non-Residential	0.1%	0.3%	0.1%	0.0%	0.4%

* Differences due to rounding

- Lower growth in the residential property class than in previous years
- Non-residential assessment growth, inclusive of legislative levy restrictions, has a greater tax benefit versus residential
- Multi-year non-res assessment appeals, continue to partially off-set assessment growth

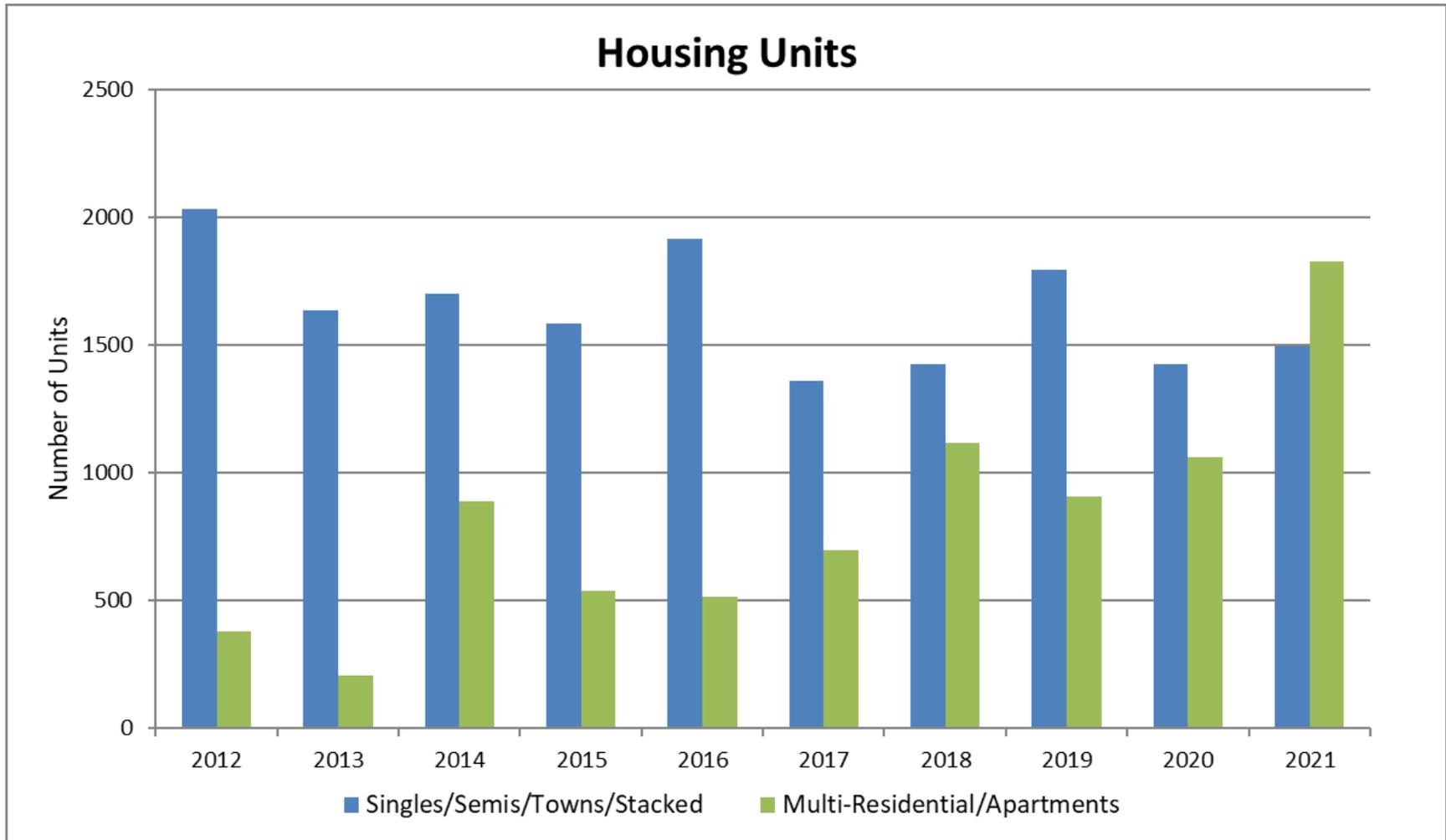
Residential vs. Non-Residential Growth

It's all about the tax ratio...

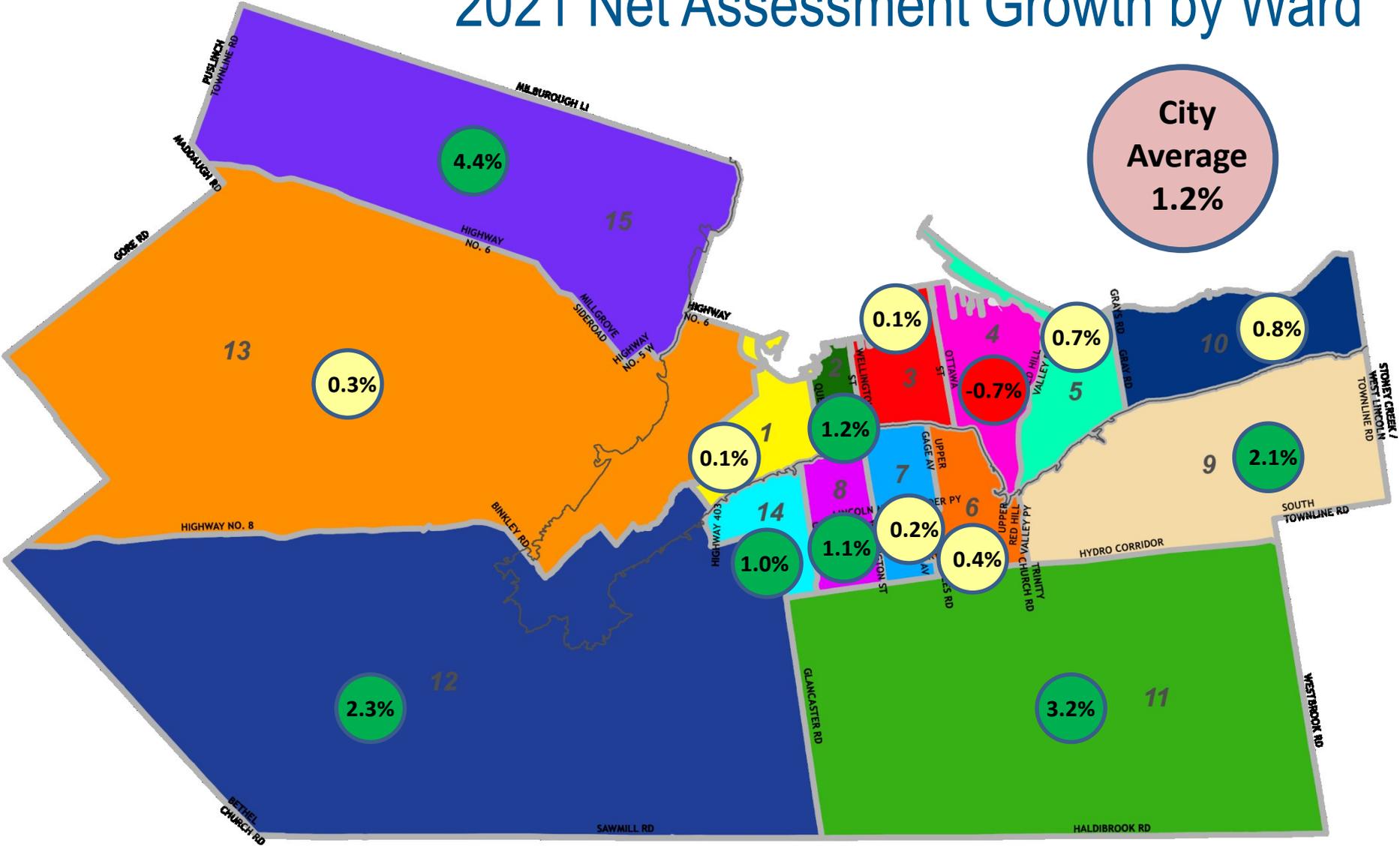
- \$1 million increase in residential assessment results in \$11,000 in additional taxes
- \$1 million increase in commercial assessment results in \$27,600 in additional taxes
- \$1 million increase in industrial assessment results in \$39,800 in additional taxes

Property Class	Tax Ratio
Commercial	1.9800
Industrial	3.2493

Housing Units



2021 Net Assessment Growth by Ward



2021 Net Assessment Growth by Class

	Change in Unweighted Assessment	Change in Municipal Taxes	% Class Change	% of Total Change
Residential	\$ 735,247,200	\$ 7,000,600	1.1%	0.7%
Multi-Residential	\$ 62,143,900	\$ 550,800	0.7%	0.1%
Commercial	\$ 73,218,900	\$ 1,378,500	0.9%	0.1%
Industrial	\$ 61,601,600	\$ 2,193,900	5.1%	0.2%
Other	\$ 866,300	\$ 19,900	0.2%	0.0%
Total	\$ 933,077,900	\$ 11,143,500	1.2%	1.2%

* Differences due to rounding

- \$933M net assessment growth and \$11.1 M in additional revenue
- Residential continues to be the main driver

Multi-Residential Property Class

- Net increase of 0.7% which represents additional \$551 K in municipal property taxes
- Major increase: Marquee Residences
- Major decreases due to conversion of multi-residential buildings to condos
- Condo conversions and levy restrictions continue to affect the revenue from multi-residential properties

Commercial & Industrial Property Classes

- During 2021 the Commercial property class had a net increase of 0.9% which represents \$1.4 M in additional tax revenue
- The industrial property class had an increase of 5.1% which represents \$2.2 M in additional tax revenue
- Net assessment growth was \$134.8 M after assessment appeals of over \$85 M
- Revenue loss of appeals is approximately \$1.8 M

Commercial & Industrial Property Classes

- Some of assessment increases in the Commercial & Industrial property classes include:
 - L3 Harris
 - Developments around the Airport lands – DHL building
 - Bridgestone Distribution Centre
 - TownePlace Suites by Marriot
 - Aeon Studio Group
 - Commercial units at the Marquee Residence
 - Commercial suites and parking at the Royal Connaught
 - Expansion of Benson Tire
 - Carmen's (The Lakeview) at Confederation Park

Commercial & Industrial Property Classes

- Commercial / industrial condos on Dartnall Road
- Erik Cabinets
- Mountain Hyundai
- Additional developments in Wilson Commons
- Columbia International College new campus
- Galer Equipment new dealership
- Denny's Lube Centre
- Commercial condominiums (Highway 56 and Binbrook Road)
- Commercial plaza - Queenston Road and Gray Road
- Commercial plaza - Fifty Road, Stoney Creek

- Successful appeals cover the entire assessment cycle (2017-2020)
- Some appeals are older than the current cycle
- In December 2021 Council approved resources to actively participate in assessment appeals
- 2021: Over \$85 M in assessment reductions and \$1.8 M in revenue loss due to appeals

- ArcelorMittal Dofasco:
 - Assessment reduction of \$22.6 M (12%)
 - \$460 K revenue loss - approximately 0.05% of total municipal taxes
- Some other notable appeals include:
 - Big box stores (Fortinos, Home Depot, Canadian Tire)
 - Several commercial plazas
 - Canada Bread
 - Navistar

Reclassifications

- Several properties changed classification from Industrial to Commercial with no changes in assessment
- Industrial tax ratio is higher than commercial which results in lower tax revenue
- Example: Max Aicher reclassification resulted in \$110 K lower tax revenue

In the Horizon.....

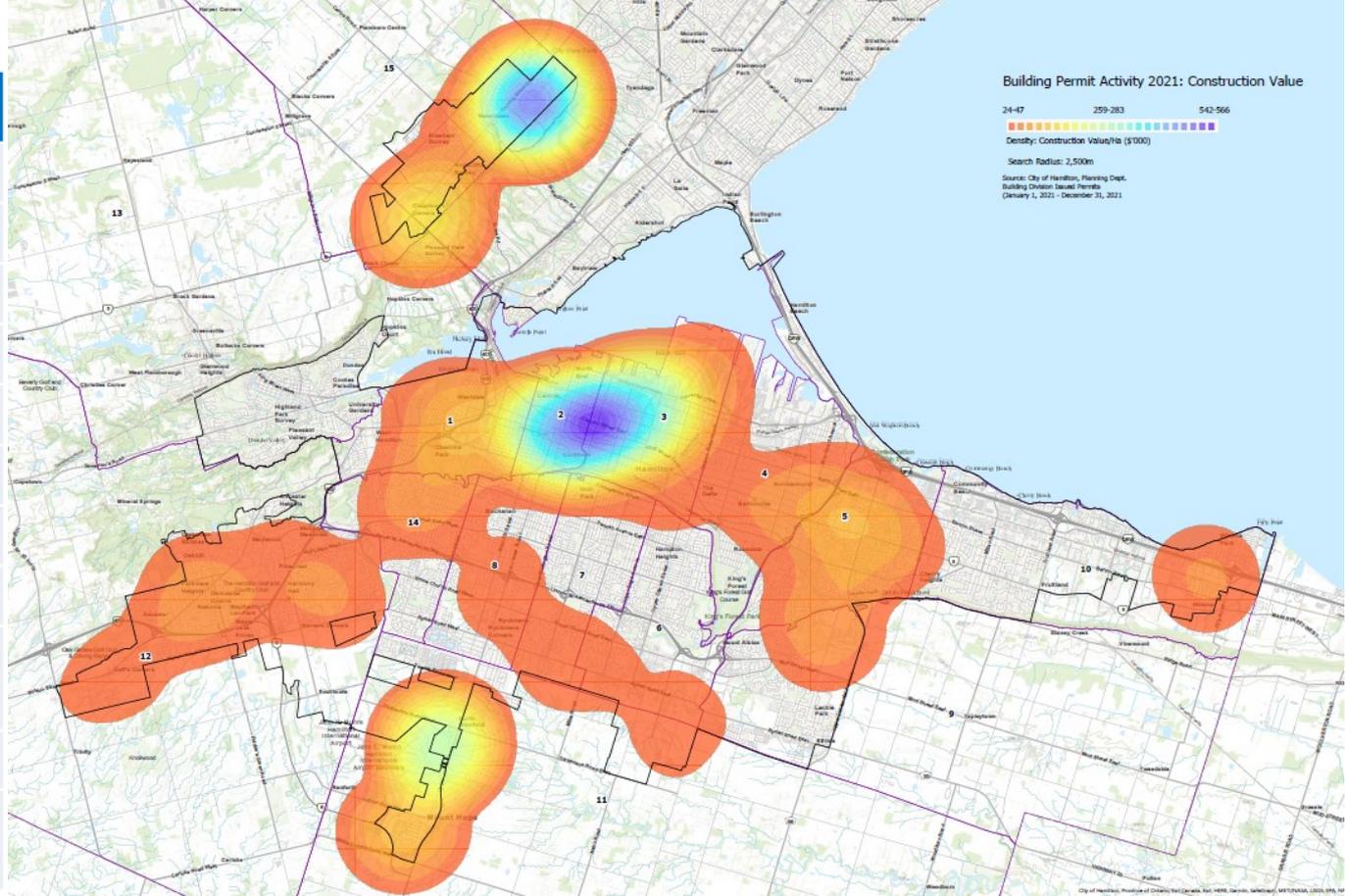
- A number of lands have been reclassified as vacant for either industrial or commercial developments including:
 - Land for the new McMaster grad residences
 - Commercial lands on Upper James and Stone Church
 - Additional developments in Wilson Commons
 - Industrial lands on Fruitland Road
 - Lands on 925 Main Street West
 - Newly created commercial lands on Airport Road



VALUE OF BUILDING PERMITS VS. ASSESSMENT GROWTH

Building Permits

Year	Construction Value
2011	\$731,019,287
2012	\$1,499,627,394
2013	\$1,025,785,000
2014	\$1,143,192,846
2015	\$1,108,192,846
2016	\$1,056,237,746
2017	\$1,364,145,418
2018	\$1,264,757,129
2019	\$1,408,521,764 / \$1,538,521,764
2020	\$1,380,775,409
2021	\$2,120,631,421



Assessment Growth vs. Building Permits

- There are three main reasons for the difference between assessment growth and building permits:
 1. Time lag
 2. Difference in valuation:
 - Jan. 2016 assessment vs current construction value
 3. Property Type

Assessment Approaches

- Three industry standard approaches to assess properties
- Direct Comparison Approach
 - Analyzes recent sales of comparable properties to provide an indication of value
 - Used for residential properties, commercial and industrial condominiums, vacant land

Assessment Approaches

- Income Approach
 - Used when the market value is directly tied to the property's ability to generate revenue
 - Examples include industrial malls, office buildings, retail properties, shopping centres, hospitality properties, multi-residential buildings

Assessment Approaches

- Cost Approach
 - Mainly used for property types where the market value is related to its cost
 - Examples include general purpose industrial properties, large and special purpose properties (automotive assembly plants, steel mills), grain elevators, marinas

Assessment Growth vs. Value of Building Permits

Property Type	Building Permit Value	Increase in Assessment	Assessment to Building Permit Ratio
Typical Subdivision House (Ancaster)	\$250,000	\$224,000	90%
Custom Built House (Ancaster)	\$3,070,000	\$2,190,000	71%
Apartment Building (Downtown)	\$7,936,110	\$10,164,000	128%
Hotel (Downtown)	\$6,983,000	\$10,531,000	151%
Industrial Building (Ancaster)	\$7,175,000	\$12,198,000	170%
Industrial Building (Waterdown)	\$12,256,750	\$11,662,000	95%
Industrial Building (Glanbrook)	\$26,601,700	\$20,095,500	76%
Hotel (Downtown)	\$30,215,000	\$14,347,500	47%
Institutional/Industrial Building (Hamilton)	\$55,000,000	\$15,366,000	28%
Industrial Building (Glanbrook)	\$85,531,933	\$34,406,000	40%

Assessment Growth vs. Value of Building Permits (Cont'd)

Property Type	Building Permit Year	MPAC Assessment	Assessment Effective Date	Taxes Received	Time Lag (Years)
Typical Subdivision House (Ancaster)	2013	2015	2015	2016	3
Custom Built House (Ancaster)	2012	2016	2015	2016	4
Apartment Building (Downtown)	2014	2015	2015	2016	2
Hotel (Downtown)	2011	2013	2012	2014	3
Industrial Building (Ancaster)	2012	2015	2014	2015	3
Industrial Building (Waterdown)	2017	2019	2019	2019	2
Industrial Building (Glanbrook)	2010	2012	2011	2012	2
Hotel (Downtown)	2012	2014	2014	2015	3
Institutional/Industrial Building (Hamilton)	2009	2016	2014	2014	5
Industrial Building (Glanbrook)	2012	2014	2014	2015	3



THANK YOU