



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 25, 2022
SUBJECT/REPORT NO:	2021 Assessment Growth (FCS22014) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

Net Assessment Growth

Assessment growth is the change in the assessment base due to new properties, deleted rolls and changes in the assessment of existing properties. Positive net assessment growth from 2021 has a positive impact on 2022 taxation by generating additional property tax revenue.

The final 2021 assessment growth used for 2022 taxation purposes is 1.2%, which is equivalent to approximately \$11.1 M in new tax revenue as shown in Table 1.

TABLE 1
2021 ASSESSMENT GROWTH – Gross and Net Tax Impact

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

Anomalies due to rounding

Table 2 provides an historical look at the City’s recent assessment growth.

**TABLE 2
NET ASSESSMENT GROWTH 2017 - 2021**

	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%

Table 2 shows a change in the trend that the City had been experiencing in previous years in which the residential property class had an average growth of 1.1% (2017-2020) and in 2021 was only 0.7%. In contrast, the non-residential classes had an assessment growth of 0.4% even though the City received notice of several appeals for the 2017-2021 assessment cycle. For 2021, these appeals resulted in reduced assessment of over \$85 M, including approximately \$23 M from 30 properties owned by ArcelorMittal Dofasco, which represent a revenue loss of approximately \$1.8 M. Additional details will be provided later in Report FCS22014.

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.

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 2021 tax ratio of 3.2493) 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 limit the total net assessment growth.

Assessment Growth by Property Class

Table 3 breaks down the 2021 assessment growth into major property classes.

**TABLE 3
2021 TOTAL 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%

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 net unweighted assessment recorded in 2021 of \$933 M is lower than that recorded in 2020 (\$1.2 B) and 2019 (\$1.1 B) with the largest difference being in the residential property class. Although the previously mentioned appeals have a significant weight on these results, construction activity, not only in Hamilton but across the country, has been affected by the COVID-19 pandemic resulting in a lack of readily available materials (reduced output, delays in deliveries) and labour (required social distancing, reduced workforce) which has led to project delays of several weeks.

The reduced construction activity in 2021 is also evident when looking at the gross assessment change which was \$1.097 B in 2021 compared to \$1.291 B in 2020 and \$1.138 B in 2019. However, as the City reached the \$2 B mark in building permits in 2021 for the first time, with increases of 77.3% in the non-residential property classes and 50.1% in the residential property class when compared to the previous three-year average, staff expects that assessment growth will return to the positive trend experienced in the previous years. It is important to note that building permit values are calculated using 2021 values, while MPAC assessed values reflect 2016 market values.

Residential Property Class

Even though construction activity in the residential property class in 2021 was not as strong as in previous years, it continues to be the main driver of the assessment growth in the City with an increase of 1.1% from last year, which represents additional tax revenue of \$7.0 M.

Ward 9 continues to be the area of the City with the largest year-over-year assessment growth (3.4%) with a large number of residential developments including single homes, townhouses and condos. Wards 11, 12 and 14 also had significant residential assessment growth.

Additional details of the residential property class assessment growth by ward can be found in Appendix “A” to Report FCS22014.

Multi-Residential and New Multi-Residential Property Classes

Assessment changes in the multi-residential property class (combined) resulted in a net increase 0.7% which represents additional \$551 K in municipal property taxes. There are three major changes driving this result: the increase in revenue from the development known as Marquee Residence on George Street (\$67.7 M) and the decrease in revenue resulting from two condo conversions known as The Gatsby on Bold Street and Scenic Trail Condos (-\$11.6 M).

Conversions affect the tax revenue for the City since the property tax classification changes from multi-residential, which has a tax ratio of 2.4407, 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.

Of note, there are two affordable housing projects (The Oaks and Roxborough) that have been reclassified from commercial to multi-residential vacant lands. Once these projects are completed, the assessment is expected to increase and the classification will change to either residential or new multi-residential. Two other properties have been reclassified from exempt to commercial (Wentworth Baptist Church and Mountain Secondary School) but the expected developments are also affordable housing projects and, therefore, the valuation and classification of the properties will also change to residential or new multi-residential. The final impact in terms of taxes will depend on the valuation of the new properties.

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 and Industrial Property Classes

During 2021, the commercial property class had an increase of 0.9% which represents \$1.4 M in additional tax revenue to the City, contributing 0.1% to the overall assessment growth. The industrial property class had an increase of 5.1% which represents \$2.2 M in additional tax revenue to the City, contributing 0.2% to the overall assessment growth. These results are of utmost relevance as this growth was achieved even though there were several large appeals settled in 2021 with a value of over \$85 M. This represents a revenue loss of approximately \$1.8 M.

On the positive side, some developments that had been expected for a few years have now been included in the 2022 assessment roll. The most significant ones are the L3 Harris Wescam property and developments around the airport which include a new DHL Cargo building.

Other developments that contributed to the assessment growth of the commercial and industrial classes include:

- 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 condos on Ditton Road
- Commercial / industrial condos on Dartnall Road
- Erik Cabinets
- Mountain Hyundai
- Additional developments in Wilson Commons (Giant Tiger)
- 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

There are a number of lands that have been reclassified as vacant for either industrial or commercial developments and will be fully taxable in the future. However, final classification will be known only when the project is completed. Some of these lands include:

- 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

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.

As it was previously mentioned, there are a large number of appeals that were settled for the 2017-2021 assessment cycle effectively reducing the assessment base. For 2021, the most significant appeal is the one settled for 30 properties owned by ArcelorMittal Dofasco in the commercial, industrial and large industrial property classes that resulted in an assessment reduction of \$22.6 M (\$460 K revenue loss which is approximately 0.05% of total municipal taxes).

These appeals were successful on the basis that the valuation method used to determine the original assessment did not properly reflect the accurate value of the property. Special Purpose Properties, such as steel mills, are assessed based on the cost approach (value is estimated as the current cost of reproducing or replacing the improvements on the land (including buildings, structures and other taxable components) less any loss in value resulting from depreciation).

Some other notable appeals include:

- The Centre on Barton
- Big box stores (Fortinos, Home Depot, Canadian Tire)
- Hamilton Mountain Supercentre (Walmart)
- Heritage Green Plaza
- Canada Bread
- Stone Church Square
- Navistar

In most cases, these appeals reduced the assessment value on the basis of income / fair market rent, local market adjustments, equity adjustments and changes in classification.

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, 2021" report, scheduled for the spring of 2022.

It is important to note that the assessment roll for 2022 also recorded several changes in classification from industrial to commercial with no changes in the assessment value. However, since the tax ratio of the industrial property class is higher than that of the commercial property class (3.2493 and 1.9800 in 2021, respectively), the net result is a reduction in the tax revenue. For example, Max Aicher was reclassified from commercial to industrial resulting in a tax differential of \$110 K even though the assessment value remained unchanged.

Other Classes

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had a minimal increase of \$20 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
2021 TOTAL ASSESSMENT GROWTH
BY WARD**

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change	% of Total Change
Ward 1	\$ 8,803,000	\$ 89,600	0.1%	0.0%
Ward 2	\$ 78,137,200	\$ 749,100	1.2%	0.1%
Ward 3	\$ 19,303,500	\$ 48,500	0.1%	0.0%
Ward 4	\$ (10,631,000)	\$ (401,400)	-0.7%	0.0%
Ward 5	\$ 41,603,700	\$ 480,200	0.7%	0.1%
Ward 6	\$ 9,099,700	\$ 211,600	0.4%	0.0%
Ward 7	\$ 18,776,600	\$ 145,400	0.2%	0.0%
Ward 8	\$ 35,084,900	\$ 634,400	1.1%	0.1%
Ward 9	\$ 138,580,600	\$ 1,124,100	2.1%	0.1%
Ward 10	\$ 64,153,900	\$ 641,700	0.8%	0.1%
Ward 11	\$ 129,053,900	\$ 1,456,900	3.2%	0.2%
Ward 12	\$ 200,271,100	\$ 2,306,300	2.3%	0.2%
Ward 13	\$ 24,948,500	\$ 194,400	0.3%	0.0%
Ward 14	\$ 54,195,600	\$ 475,200	1.0%	0.0%
Ward 15	\$ 121,696,800	\$ 2,987,500	4.4%	0.3%
Total	\$ 933,078,000	\$ 11,143,500	1.2%	1.2%

Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in Appendix "A" to Report FCS22014.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS22014 – 2021 Assessment Growth by Ward and Class

GR/dt