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

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	May 4, 2022
SUBJECT/REPORT NO:	2022 Tax Policies and Area Rating (FCS22031) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY: **SIGNATURE:**	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department

RECOMMENDATION(S)

(a) That the following optional property classes be continued for the 2022 taxation year:

(i) Parking Lot and Vacant Land;
(ii) Large Industrial;

(b) That, based on the 2022 final approved Tax Operating Budget, the following final tax ratios be established for the 2022 taxation year:

(i)	Residential	1.0000
(ii)	Multi-Residential	2.3594
(iii)	New Multi-Residential	1.0000
(iv)	Commercial	1.9800
(v)	Parking Lot and Vacant Land	1.9800
(vi)	Industrial	3.1985
(vii)	Large Industrial	3.7506
(viii)	Pipeline	1.7947
(ix)	Farm	0.1767
(x)	Managed Forest	0.2500
(xi)	Landfills	2.9696

(c) That the following tax reductions be established for the 2022 taxation year:

(i)	Farmland awaiting development (1st Subclass)	25%
(ii)	Farmland awaiting development (2nd Subclass)	0%
(iii)	Excess land Subclass (Residual Commercial)	0%
(iv)	Excess land Subclass (Residual Industrial)	0%
(v)	Vacant land Subclass (Residual Industrial)	0%
(vi)	Excess land Subclass (Large Industrial)	0%

(d) That the Deferral of Tax Increases for Seniors and Low Income Persons with Disabilities Program (Deferral of Tax Increases Program) be continued for the 2022 taxation year;

(e) That the Full Tax Deferral Program for Seniors and Low Income Persons with Disabilities Program (Full Tax Deferral Program) be continued for the 2022 taxation year;

(f) That the Seniors' (65+) Tax Rebate Program be continued for the 2022 taxation year;

(g) That the 40% Tax Rebate for eligible charities and similar organizations be continued for the 2022 taxation year;

(h) That, for the 2022 taxation year, the Area Rated Levies be approved as identified in Appendix "A" to Report FCS22031, "2022 Tax Policies and Area Rating", attached hereto;

(i) That the City Solicitor be authorized and directed to prepare all necessary by-laws, for Council approval, for the purposes of establishing the tax policies and tax rates for the 2022 taxation year.

EXECUTIVE SUMMARY

Report FCS22031 highlights the tax policy tools and options for the current taxation year and includes tax impacts. Some of the policies included in this report have been previously approved by Council. Table 3 in the "Analysis and Rationale for Recommendation(s)" section of this report provides details of all the tax policies being recommended.

As identified in Table 1, the combined impacts of the final approved 2022 Tax Supported Operating Budget, inclusive of the final growth, tax policies and education impacts resulted in a total City-wide residential tax impact of 2.8% or $120 for the average residential property valued at $382,000. This is equivalent to a $31 increase for every $100,000 of assessment.

Table 1
2022 Total Average Residential Tax Impact

	$	%
Municipal Taxes	$ 120	3.1%
Education Taxes	$ -	-0.5%
Total Taxes	**$ 120**	**2.8%**

- Anomalies due to rounding
- Updated for growth and levy restrictions

The tax impact identified in Table 1 is simply a City-wide average. On March 30, 2022, Council approved changes to the area rating of recreation, sidewalk snow removal, parkland purchases, sidewalks and streetlights through Report FCS21078(b) – Area Rating Review. Although changes to area rating are revenue neutral, they resulted in a re-distribution of taxes between the urban and rural areas of the City. The average annual tax impact of the approved changes in area rating for 2022 is a decrease of 0% or $2 in the urban areas of the City and an increase of approximately 0.3% or $14 to $19 in the rural areas of the City. The average residential tax impacts by ward and area rating scenarios included in Appendix "B" to Report FCS22031, "2022 Tax Policies and Area Rating" include the tax impact of these changes.

Table 2 identifies the 2022 total average tax impacts by property class.

Table 2
Total Tax Impact by Class

	Municipal				Total Incl. Education
	Reassessment	Tax Policy	Budget	Total	
Residential	0.0%	0.0%	3.2%	3.2%	**2.8%**
Multi-Residential	0.0%	0.0%	0.0%	0.0%	**0.0%**
Commercial	0.0%	0.0%	3.3%	3.3%	**2.3%**
Industrial	0.0%	0.0%	1.6%	1.6%	**1.3%**
Farm	0.0%	0.0%	2.3%	2.3%	**1.9%**

Note: Anomalies due to rounding

As shown in Table 2, the average tax impacts vary between property classes. For 2022, tax impacts vary as a result of budgetary changes and the restrictions on the Multi-Residential and the Industrial property classes.

According to the Province's four-year reassessment cycle, property values were expected to be updated in 2020 for the 2021-2024 cycle, however, as part of "Ontario's Action Plan: Responding to COVID-19" announced on March 25, 2020, the Provincial government postponed the reassessment planned for 2020. On November 4, 2021, the Ontario Government released the 2021 Ontario Economic Outlook and Fiscal Review announcing that Property assessments for the 2022 and 2023 tax years will continue to be based on the same valuation date that was used for 2020 (valuation as of January 1, 2016). The 2022 assessment roll has been updated to reflect assessment changes due to net growth, appeals and request for reconsiderations and the impact of such changes is included in the tax impacts as presented.

As part of the 2020 Provincial Budget it was announced that Business Education Taxes (BET) had been reduced across the Province for properties in the Commercial and Industrial property classes beginning in 2021; no further reductions were announced for 2022.

The final tax impact also includes the effect of the Provincial legislation as it relates to the Multi-Residential property class, in which municipalities with a Multi-Residential tax ratio above 2.0 are not allowed to pass reassessment related increases to the class and are also subject to a full levy restriction. In addition, the Industrial property class continues to be restricted and levy increases cannot be more than 50% of the increase passed onto the Residential property class. Overall, the tax impact varies significantly between classes.

The 2022 Municipal Tax impact for the Residential property class is 3.2%, which is the net result of the budgetary increases and the shifts due to changes in area rating. The total 2022 tax impact including education is 2.8%.

The Multi-Residential property class, including properties in the Multi-Residential and New Multi-Residential property classes, is not experiencing any change in taxes with respect to 2021 (Municipal and with Education). This is the result of several Provincial policies, including the delay in the reassessment, the freeze in the education tax rate and the full levy restriction established in 2017.

The Commercial property class is experiencing a Municipal Tax impact of 3.3% which is the combined impact of the tax shift as a result of the changes in area rating and the budget increase. Including Education Taxes, the total impact is 2.3%.

The Industrial property class is experiencing a Municipal Tax increase of 1.6%, which as mandated by the Provincial levy restriction, is one half of the budgetary increase to the Residential property class. Including Education Taxes, the total impact is 1.3%

The Municipal Tax impact for the farm class is 2.3%, however, normally farm properties also have a residential component and the combined impact is, therefore, below the 2.3% shown in Table 2 for the farm property class. Also, the City's low farm tax ratio of 0.1767, helps to limit the actual tax impact in dollars. The total tax impact including education is 1.9%.

Alternatives for Consideration - Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Current and future tax policies impact the City financially in terms of revenue streams and their sources. The policies recommended in Report FCS22031 have no budget impact since they have all been incorporated into the 2022 approved budget. The benefits of assessment growth have been used to offset the 2022 budgetary pressures.

Staffing: None

Legal: The policies included in Report FCS22031 are recommended in accordance to the legislative requirements contained in the *Assessment Act, 2001.*

HISTORICAL BACKGROUND

Each year, staff bring forward tax policy options as part of the overall annual budget approval. The tax policies being recommended are consistent with the assumptions used when identifying tax impacts to Council during the 2022 budget process.

In 2011, significant changes were approved by Council to the method used for the area rating of specific services. Since that time, Recreation, Fire, Sidewalks and Streetlighting have been area rated based on an urban / rural model. Parkland Purchases, Sidewalk Snow Clearing (Ancaster only) and Transit (urban area only) continued to be area rated by the former area municipality.

On March 30, 2022 through report “Area Rating Review (FCS21078(b))” Council approved the following changes to area rating policies:

- Elimination of the area rating of Sidewalk Snow Removal in the 2023 tax year;
- Elimination of the area rating of Recreation, Sidewalks and Streetlighting in a four-year phase-out period starting in the 2022 tax year;
- Elimination of the area rating of Parkland Purchases once the existing internal debt has been paid off.

Council also deferred information on the possible phase-out of the remaining area rated services (fire, transit and infrastructure levy) to the 2022 to 2026 Council and the 2023 Tax Supported Operating Budget for further discussion.

The final 2022 tax impacts identified in Report FCS22031 incorporate the budget impact as well as tax policies and growth.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report FCS22031 recommends continuation of several existing tax policies and a number of tax policy updates for the 2022 taxation year in accordance with the requirements outlined in the *Assessment Act, 2001.*

RELEVANT CONSULTATION

Staff from the Taxation Section and Legal and Risk Management Services Division, Corporate Services Department has also been consulted.

For the changes in area rating staff consulted with the City departments with services that are currently area rated: Healthy and Safety Communities (Recreation and Fire), Public Works (Sidewalk Snow Removal, Sidewalks, Streetlighting, Parkland Purchases) and Planning and Economic Development (Parkland Purchases). Staff also conducted a scan of single-tier and two-tier municipalities in Ontario with respect to services that they area rate. The results of this scan were presented in Report FCS21078(b)

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Table 3 details the recommendations for the 2022 tax year for each of the tax policy tools available to municipalities.

Table 3

Tax Policy Tool	Mandatory vs. Discretionary	Recommendation
Tax Ratios	Mandatory Discretionary	• Reduction of the Multi-Residential tax ratio to adhere to Provincial legislation that prevents municipalities from passing on any reassessment and budgetary related increases onto this class. • Reduction of the Industrial tax ratio to adhere to the levy restriction and only pass on 50% (maximum allowable) of the residential budgetary tax increase. • Commercial tax ratio to continue at the Provincial threshold (Discretionary).
Optional Property Classes	Discretionary	• Maintain existing Parking Lot and (Commercial) Vacant Land and Large Industrial optional property classes. • The City has not adopted the small-scale on-farm business subclasses or the Small Business Sub-class.
Reduction Programs	Mandatory	• Reductions to the farmland awaiting development 1st subclass.

Tax Policy Tool	Mandatory vs. Discretionary	Recommendation
Seniors Tax Rebate Program	Discretionary	• Continue existing program as approved by Council (Report FCS18005). • 2022 updated rebate amount = $210 (2021 amount of $200 + CPI). • Increase assessment threshold to $498,200 (120% of the updated city-wide average assessed value for a single family dwelling). • Increase income threshold to $38,160 (150% of updated Guaranteed Income Supplement for a couple).
Deferral of Tax Increases Program	Mandatory	• Continue existing program as approved by Council (Report FCS18005). • Update income threshold to $38,160 (150% of updated Guaranteed Income Supplement for a couple).
Full Tax Deferral Program	Discretionary	• Continue existing program as approved by Council (Report FCS18005(a)). • Update income threshold to $38,160 (150% of updated Guaranteed Income Supplement for a couple). • Application fee: $200+HST; Interest at 3% per annum.
Area Rating	Discretionary	• Area rating based on the Council approved (April 2011) Urban/Rural model (Reports FCS09087 / FCS09087a / FCS11042). • Fire Urban/Rural boundaries updated in 2020 (Report HSC19026). • Area rating updated on March 2022 through report FCS21078(b) • Appendix “A” to Report FCS22031 identifies the area rated levies for 2022.
Rebates to Charities and Similar Organizations	Mandatory	• Continue with existing program. • 40% rebate for charities. • 100% rebate for accredited educational institutions that rent their property. • 100% rebate for Veteran’s Clubhouses and Legion Halls that would otherwise be tax exempt.

Tax Ratios

Tax ratios distribute the tax burden across the property classes relative to the Residential property class tax ratio, which is set at 1.0000. For example, a property in a property class with a tax ratio of 2.0 would pay twice the amount of municipal tax as a similarly valued residential property. Tax ratios must be set within flexibility ranges determined by Provincial regulations.

Table 4 identifies the recommended 2022 final tax ratios compared to the 2021 final approved tax ratios and the Provincial thresholds:

Table 4
Recommended 2022 Tax Ratios

	2021 Final Tax Ratios	Recommended 2022 Final Tax Ratios	Provincial Threshold
Residential	1.0000	1.0000	
Multi-Residential	2.4407	2.3594	2.0000
Commercial	1.9800	1.9800	1.9800
Industrial	3.2493	3.1985	2.6300
Industrial - Large	3.8102	3.7506	2.6300
Pipeline	1.7947	1.7947	
Landfills	2.9696	2.9696	3.1189
Farm	0.1767	0.1767	

As shown in Table 4, the Multi-Residential tax ratio has been reduced from 2021 in order to comply with the Provincial legislation that prevents municipalities with tax ratios above 2.0 to pass any reassessment related increases and any budgetary increases onto the Multi-Residential property class.

The Industrial property class continues to be levy-restricted as the City's tax ratio is above the Provincial Threshold and as a result, the 2022 tax ratio has also been reduced from the 2021 tax ratio.

Staff is recommending that the 2021 tax ratios for all other property classes be maintained in 2022 as detailed in Recommendation (b) of Report FCS22031.

Area Rating

On March 30, 2022 through report "Area Rating Review (FCS21078(b))" Council approved the following changes to area rating:

(a) That the area rating of Sidewalk Snow Removal be eliminated in the 2023 tax year;
(b) That the area rating of Sidewalks and Streetlighting be eliminated in a four-year phase-out period starting in the 2022 tax year;
(c) That the area rating of Recreation be eliminated in a four-year phase-out period starting in the 2022 tax year;

(d) That the area rating of Parkland Purchases be eliminated once the existing internal debt has been paid off.

Area rating is a municipal property taxation policy tool permitted by the Provincial government intended to account for either significant differences in service levels or differences in the cost of providing services across different parts of the City. The result of area rating is that tax rates for certain services vary depending on where a property is located, and the level of service offered by the City.

Report FCS21078(b) presented recommendations on the phased elimination of Sidewalk Snow Removal, Sidewalks, Streetlighting, Recreation and Parkland Purchases as area rated services on the basis that these services do not meet the legislative criteria of having different service levels across the City. Changes to area rating are revenue neutral, however, they result in a re-distribution of taxes based on the changes.

The area rating of Recreation, Sidewalks and Streetlighting is now being phased-out in a four-year period starting in 2022. The area rating of sidewalk snow removal will be eliminated in 2023 in recognition that the service has already been provided for the majority of the 2021-2022 winter season. Existing area rated Parkland Purchases levies will be grandfathered and continue to be area rated, but new purchases would not be area rated; this option does not have an immediate tax impact.

Staff also conducted a review of the Fire area rating in consultation with the Fire Department staff and recommended further review and public consultation regarding possible changes in methodology to align with how fire services are delivered. In recognition of possible changes in the near future, staff recommended that similar to 2021, a transfer from reserves in the amount of $1,400,000 be applied to reduce the rural fire levy.

For 2022, being the first year of the phase-out period, the average annual tax impact of the approved changes is a decrease of 0% or $2 in the urban areas of the City and an increase of approximately 0.3% or $14 to $19 in the rural areas of the City. The average residential tax impacts by ward and area rating scenarios included in Appendix “B” to Report FCS22031 include the tax impact of these changes.

Also, on March 30, 2022 and following Council’s previous direction to report back on the impacts of phasing-out all the area rated levies over four, six, eight and 10-year periods, staff presented Report Area Rating Review FCS21078(c) with the following scenarios for each of the requested phase-out periods:

- Phase-out of all the area rated levies to the general levy
- Phase-out of all the area rated levies to the general levy except Infrastructure Levy, which was sustained
- Phase-out of all the area rated levies to the general levy except Infrastructure Levy, which was eliminated

Respecting Report FCS21078(c) the following motion was approved

1. DEFERRAL of Report FCS21078(c), respecting the Area Rating Review

   Report FCS21078(c), respecting the Area Rating Review, was DEFERRED to the 2022 to 2026 Council and the 2023 Tax Supported Operating Budget for further discussion.

Tax Impacts

The final average tax impacts, as identified in Appendix "B" to Report FCS22031, are the result of various factors:

- 2022 approved tax operating budget (Report FCS22002(a));
- Updated area rating methodology, whereby Recreation, Sidewalks and Streetlighting are being phased-out over a four-year period starting in 2022; Sidewalk Snow Removal will be eliminated in 2023 and Parkland Purchases will be eliminated once the existing debt has been paid off. Transit and Fire continue to be area rated based on an urban/rural model and Infrastructure levy continues to be levied to the former Hamilton as per reports FCS09087 / FCS09087a / FCS11042 and FCS21078(b);
- "Hamilton Fire Department Service Delivery Plan (2019 - 2028)" (Report HSC19026);
- Postponement of the new reassessment cycle until at least 2024;
- Reassessment and levy restrictions on the Multi-Residential property class;
- Levy restriction on the Industrial property class; and
- Tax policies as recommended within Report FCS22031.

Further details on the impacts by ward are provided in Tables 5 and 6. Although the Residential City-wide average total impact is 2.8%, due to the various factors identified above, the impacts will vary between wards and between urban and rural areas. While the changes in area rating account for the differences between urban and rural areas, budget pressures and enhancements in other area rated services may also have a greater impact on some wards than others. Appendix "A" to Report FCS22031 identifies the area-rated levies.

Note that 90% of the Residential properties are identified as fully Urban and 9% as fully Rural. Only 1% of the Residential properties fall within "Urban with Rural Fire" or "Rural with Urban Fire".

Residential Tax Impacts (Reassessment + Tax Policies + Budget)

Tables 5 and 6 break down the 2.8% City-wide average residential tax impact into the average urban and rural residential tax impacts by ward. Further detail on the impacts by ward and by all four tax groupings (Urban, Rural, Urban with Rural Fire and Rural with Urban Fire) are provided in Appendix "B" to Report FCS22031 attached hereto.

As previously mentioned, the reassessment scheduled for 2020, which would have been effective for the 2021-2024 cycle has been postponed by the Province and therefore all properties continue to have the same valuation that was in effect for the 2020 taxation year (valuation as of January 1, 2016). This means that there are no reassessment impacts for the 2022 taxation year.

In consideration of the uncertainty that the continued postponement of reassessment is causing, it is important to keep it mind that, generally speaking, an increase in assessment does not mean an increase in property taxes. A property whose assessment is increasing above the city-wide average may see an assessment-related tax increase while conversely, a property whose assessment is increasing less than this city-wide average, may see an assessment-related tax decrease. As a result of reassessment tax shifts occur between property classes and, when comparing averages, shifts between wards can also occur.

Also, since staff is not recommending any tax policy changes that may result in redistribution of taxes, the resulting tax impacts vary amongst wards due to changes in area rating levies and the phasing-out of some of the area rated services as previously explained.

Table 5

2022 Total Residential Tax Impacts (Municipal and Education): Urban - Transit / Urban Fire

(inclusive of reassessment, area rating, tax policies and education taxes)

BY WARD

	Reassessment & Tax Policies	Budget	Area Rating Phase-out	Tax Impact (%)	Tax Impact ($)
Ward 1	0.0%	3.1%	0.0%	3.0%	$ 150
Ward 2	0.0%	3.1%	0.0%	3.0%	$ 103
Ward 3	0.0%	3.1%	0.0%	3.0%	$ 83
Ward 4	0.0%	3.1%	0.0%	3.0%	$ 86
Ward 5	0.0%	3.0%	0.0%	3.0%	$ 112
Ward 6	0.0%	3.1%	0.0%	3.0%	$ 122
Ward 7	0.0%	3.1%	0.0%	3.0%	$ 124
Ward 8	0.0%	3.1%	0.0%	3.0%	$ 135
Ward 9	0.0%	2.8%	0.0%	2.8%	$ 127
Ward 10	0.0%	2.9%	0.0%	2.8%	$ 131
Ward 11	0.0%	2.6%	0.0%	2.6%	$ 113
Ward 12	0.0%	2.5%	0.0%	2.5%	$ 151
Ward 13	0.0%	2.4%	0.0%	2.3%	$ 126
Ward 14	0.0%	3.0%	0.0%	3.0%	$ 147
Ward 15	0.0%	1.9%	0.0%	1.9%	$ 108
City-Wide Average				**2.8%**	**$ 120**

The tax impacts in the urban areas of the City vary from 1.9% in Ward 15 (Flamborough) to 3.0% in the wards within the former Hamilton boundary. These differences are due to changes in transit and parkland purchases.

Regarding transit, the levy increased from $61.3 M in 2021 to $70.5 M in 2022 and overall kilometers increased to 17.9 million versus 16.9 million for 2021. Most of the year 2021 operated at reduced service levels due to COVID-19 ridership reductions and thus the increase for 2022 was expected. Total kilometres increased due to changes in routes 20, 27 and 44 and the increased levy resulted in the former City of Hamilton being allocated additional $7.2 M which is reflected in the above-average tax impacts for the wards within former City of Hamilton (3.0%).

The extension of route 44 with increased peak service for Fall 2021 plus an extension to / from Heritage Greene Plaza in both directions also impacted Ancaster, Stoney Creek and Glanbrook and those impacts will be more noticeable in the following years as the phase-in is completed. In contrast, Ward 15 (Flamborough) had a lower than average impact (1.9%) due to minimal changes in the allocation of kilometres. The myRide program in Flamborough was implemented in the fall 2021 and is on a one-year trial period. At this point, it is not known if this service will continue beyond September 2022 or if a fixed route will return.

Regarding Parkland Purchases, Wards 9 and 10 (Stoney Creek portions) are impacted by the purchase of the lands of the former RL Hyslop Elementary School. According to the changes approved to area rating, this is the last year that new acquisitions will be area rated for former municipality as they will be included in the general levy going forward.

As previously mentioned, the phasing-out of the area rating of recreation, sidewalks and streetlighting in urban areas is minimal (approximately 0% or $2).

Table 6

2022 Total Residential Tax Impacts (Municipal and Education): Rural - No Transit / Rural Fire

(inclusive of reassessment, area rating, tax policies and education taxes)

BY WARD

	Reassessment & Tax Policies	Budget	Area Rating Phase-out	Tax Impact (%)	Tax Impact ($)
Ward 1	N/A	N/A	N/A	N/A	N/A
Ward 2	N/A	N/A	N/A	N/A	N/A
Ward 3	N/A	N/A	N/A	N/A	N/A
Ward 4	N/A	N/A	N/A	N/A	N/A
Ward 5	N/A	N/A	N/A	N/A	N/A
Ward 6	N/A	N/A	N/A	N/A	N/A
Ward 7	N/A	N/A	N/A	N/A	N/A
Ward 8	N/A	N/A	N/A	N/A	N/A
Ward 9	0.0%	2.2%	0.3%	2.5%	$ 106
Ward 10	N/A	N/A	N/A	N/A	N/A
Ward 11	0.0%	2.0%	0.3%	2.3%	$ 93
Ward 12	0.0%	2.0%	0.3%	2.3%	$ 129
Ward 13	0.0%	2.0%	0.3%	2.3%	$ 114
Ward 14	N/A	N/A	N/A	N/A	N/A
Ward 15	0.0%	2.0%	0.3%	2.3%	$ 121
City-Wide Average				**2.8%**	**$ 120**

The rural areas of the City are experiencing a lower than average residential increase of 2.3%. Ward 9 (Stoney Creek) is experiencing a slightly higher increase than the rest of the wards in the rural areas (2.5%) due to the parkland purchase previously mentioned. Area rating phase-out accounts for 0.3% of the total tax increase in the rural areas.

Small Business Optional Property Sub-Class

The 2020 Provincial Budget *"*Ontario's Action Plan: Protect, Support, Recover from COVD-19 Act (Budget Measures)," proposed new authority for municipalities to adopt a new optional property subclass for small business properties that will allow for a lower rate of taxation to be applied to eligible properties. The legislation for this class was enacted through O. Reg 332/21 under the *Municipal Act, 2001* and O. Reg 331/21 under the *Assessment Act, 1990* in May of 2021. Staff had provided Council with preliminary information on this program through Communications Updates "Small Business Property Tax Class Update" in July and October of 2021.

One of the conditions of the program is that "Small Business" would be defined by each municipality in a way that best meets local needs and priorities. The assessment roll data provided by MPAC does not support an effective or objective assessment of whether a business is large or small and therefore other criteria such as number of employees and income data should be included in the definition, however, this data is not easily available and may not be reflective of the current status of the business. If these types of criterion are included in the definition, the program would need an application process.

The implementation of a small business subclass would require administrative support in addition to the Program Administrator and Appellate Authority that are required by legislation as staff will be required to review and make a decision on the applications, prepare an annual list of properties to be coded by MPAC, hear appeals and maintain any software solution that is developed.

One issue that has been widely discussed is that there are several obstacles related to enforcing the tax reduction benefit being passed onto tenants, which would bring about uncertainties around the effectiveness of the subclass.

As indicated in the legislation, the implementation of this subclass should be revenue neutral which means that a potential tax reduction applied to this subclass would have to be borne by the other property classes.

The City's Commercial property tax ratio is already at the Provincial threshold of 1.98 and the City is also restricted in the Multi-Residential and Industrial property classes. Therefore, if implemented, the tax shifts resulting from a tax reduction applied to this subclass will directly impact the Residential property class.

The business community has expressed their opinion about the implementation of the program and their position is that the definition should expand beyond measures, such as, property assessment and size and include other, such as, number of employees. They also recommend that the loss of revenue not be offset by tax increases to the broader business community.

In previous years, Council has approved the elimination of tax discounts and rebates to the commercial and industrial property tax, to provide greater fairness to property taxation. The implementation of this subclass would not be consistent with those prior decisions. In addition, considering the challenges of the implementation of the program together with the expected costs and the uncertainty of the benefits that would bring to the business community staff is not recommending the implementation of the small business subclass at this time.

ALTERNATIVES FOR CONSIDERATION

N/A

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.

Healthy and Safe Communities
Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure
Hamilton is supported by state-of-the-art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS22031 – 2022 Area Rated Levies Summary

Appendix “B” to Report FCS22031 – 2022 Total Residential Tax Impacts