




# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	February 21, 2023
<b>SUBJECT/REPORT NO:</b>	2022 Assessment Growth (FCS23025) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## 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 2022 has a positive impact on 2023 taxation by generating additional property tax revenue.

The final 2022 assessment growth used for 2023 taxation purposes is 1.6%, which is equivalent to approximately \$15.7 M in new tax revenue as shown in Table 1.

**TABLE 1**  
**2022 ASSESSMENT GROWTH – Gross and Net Tax Impact**

(Gross/Net)		
Increases	\$ 16,780,500	1.7%
Decreases	\$ (1,034,500)	-0.1%
Total	\$ 15,746,600	1.6%

Anomalies due to rounding

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

**TABLE 2**  
**NET ASSESSMENT GROWTH 2018 - 2022**

	2018	2019	2020	2021	2022
<b>Total</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>1.6%</b>
Residential	0.9%	1.1%	1.2%	0.7%	1.0%
Non-Residential	0.3%	0.1%	0.0%	0.4%	0.6%

The 1.6% growth experienced in 2022 is the highest the City has had in the last five years. In fact, only in 2015, did the City experience similar growth. As seen in Table 2, the residential class continues to be the main driver of the increase. However, the non-residential classes are experiencing a notable growth in the last couple of years recording a growth of 0.4% in 2021 and 0.6% in 2022. There were no significant appeals recorded in 2022, which is contributing to the positive results in the non-residential classes.

It is important to note that the 1.6% 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. This includes 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 2022 tax ratio of 3.1985) 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 2022 assessment growth into major property classes.

**TABLE 3**  
**2022 TOTAL ASSESSMENT GROWTH**  
**BY CLASS**

	<b>Change in Unweighted Assessment</b>	<b>Change in Municipal Taxes</b>	<b>% Class Change</b>	<b>% of Total Change</b>
Residential	\$ 960,217,300	\$ 9,570,100	1.4%	1.0%
Multi-Residential	\$ 69,970,100	\$ 863,600	1.1%	0.1%
Commercial	\$ 215,600,400	\$ 4,199,500	2.5%	0.4%
Industrial	\$ 38,730,800	\$ 1,152,400	2.5%	0.1%
Other	\$ (33,028,000)	\$ (38,900)	-0.5%	0.0%
<b>Total</b>	<b>\$ 1,251,490,600</b>	<b>\$ 15,746,600</b>	<b>1.6%</b>	<b>1.6%</b>

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 2022 of \$1.25 B is in line with the strong construction activity in the City. The value of building permits reached \$1.9 B in 2022 after a record of \$2.1 B in 2021. 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 be the main driver of the assessment growth in the City with an increase of 1.4% from last year, contributing 1.0% of the total assessment change, which represents additional tax revenue of \$9.6 M.

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Ward 15 was the area with the largest year-over-year assessment growth at 4.3%, while Wards 9 and 11 continue to show significant growth (2.4% and 2.1%, respectively), it is noteworthy that in 2022 Wards 2 and 5 had an increase not seen in several years with year-over-year growth of 2.8% and 2.5%, respectively, driven mainly by large condo developments.

Additional details of the residential property class assessment growth by ward can be found in Appendix “A” to Report FCS23025.

### **Multi-Residential and New Multi-Residential Property Classes**

Assessment changes in the multi-residential property class (combined) resulted in a net increase of 1.1% which represents an additional \$864 K in municipal property taxes. The most significant development recorded for the 2022 tax year was the project known as “Walnut Place” in Ward 2.

During 2022, there were no condo conversions recorded. Staff continues to monitor properties that are converted from multi-residential to condos. These conversions affect the tax revenue for the City since the property tax classification changes from multi-residential, which has a tax ratio of 2.3594, 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 and Industrial Property Classes**

During 2022, the commercial property class had a net increase of 2.5% which represents \$4.2 M in additional tax revenue to the City, contributing 0.4% to the overall assessment growth. The industrial property class had a net increase of 2.5% which represents \$1.2 M in additional tax revenue to the City, contributing 0.1% to the overall assessment growth.

The most significant development is the Amazon Fulfillment Centre which is now the property with the third largest single assessment in the City.

The growth in these classes has been achieved in a diverse number of industries as can be seen in the following list of the most significant developments recorded in 2022:

- Several industrial malls across the City
- Expansion of DHL facility
- Industrial condominiums on Garner Road
- Corbec Ontario
- Burlington Automation Facility
- Future senior's facility in Ancaster
- Effort Trust Offices
- Mitsubishi Motors
- Connect Hamilton facility
- Nebo Shopping Centre
- Shopping Plaza in Waterdown
- Changes in Centre on Barton
- Olivieri Foods renovations
- Hamilton Hyundai
- Waterdown Mini Storage
- Venetian Meats expansion
- Industrial lands previously exempt

There are a number of developments that are currently classified as commercial and show assessment increases due to the phase in which the project was during 2022. However, these projects will be reclassified as residential, new multi-residential or a mix of residential and commercial once they reach completion. Some of these developments are:

- Chedoke Heights Development
- Future commercial / residential in Upper James and Stone Church
- Windwood II Luxury Rentals

In terms of decreases in assessment during 2022, it is notable that the large majority of decreases are due to reclassifications. The largest decreases are for properties that had a portion reclassified as exempt, including the following:

- Satellite facility for St. Joseph Healthcare (previously Crowne Plaza Hotel)
- Slater Steel demolition
- Lease termination in Confederation Park
- Property used by a workers' union
- Lands in Dundas Street deemed not suitable for building

The following list shows a number of future residential or multi-residential developments that are being built on lands that were previously classified as taxable industrial or commercial and are now vacant or residential:

- Former Liuna Gardens property
- Future Muse Condos development
- 220-222 Main Street West
- Television City
- Kiwi Condos
- Dunsmure Road Townhouses
- Albright Trails
- Future residential on Mud Street
- Caledon Community Collaborative
- Rygiel Supports for Community Living
- Trend Living Condos
- Binbrook Village Centre

Unlike previous years, when the City saw the gains from new commercial and industrial developments diminished due to successful appeals, during 2022, there were just a few significant appeals. The most notable ones include:

- Dundurn Street Plaza
- Stackpole International
- Large plaza on Rymal Road East
- Fibracast

Details of the most notable appeals in the commercial and industrial classes settled within the last year will be brought forward to Council in the “Annual Assessment Appeals as of December 31, 2022” report, scheduled for the spring of 2023.

### **Other Classes**

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had a decrease of \$39 K in tax revenue. Changes in these classes were normally 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****2022 TOTAL ASSESSMENT GROWTH  
BY WARD**

	<b>Change in Unweighted Assessment</b>	<b>Change in Municipal Taxes</b>	<b>% Ward Change<sup>1</sup></b>	<b>% of Total Change</b>
Ward 1	\$ 8,901,000	\$ 41,500	0.1%	0.0%
Ward 2	\$ 113,688,400	\$ 1,215,000	1.9%	0.1%
Ward 3	\$ 21,093,300	\$ 189,200	0.4%	0.0%
Ward 4	\$ 75,837,700	\$ 1,092,300	1.7%	0.1%
Ward 5	\$ 83,727,800	\$ 806,500	1.1%	0.1%
Ward 6	\$ 2,304,100	\$ (16,200)	0.0%	0.0%
Ward 7	\$ (4,364,700)	\$ (158,900)	-0.2%	0.0%
Ward 8	\$ 59,103,700	\$ 787,400	1.3%	0.1%
Ward 9	\$ 112,684,300	\$ 1,084,200	1.9%	0.1%
Ward 10	\$ 86,266,300	\$ 1,334,000	1.5%	0.1%
Ward 11	\$ 256,565,900	\$ 4,229,700	8.7%	0.4%
Ward 12	\$ 114,206,700	\$ 1,384,400	1.3%	0.1%
Ward 13	\$ 40,965,800	\$ 558,900	0.8%	0.1%
Ward 14	\$ 19,721,100	\$ 452,900	0.9%	0.0%
Ward 15	\$ 260,789,100	\$ 2,745,700	3.8%	0.3%
<b>Total</b>	<b>\$ 1,251,490,600</b>	<b>\$ 15,746,600</b>	<b>1.6%</b>	<b>1.6%</b>

<sup>1</sup> % change in respective property class

Anomalies due to rounding

Additional assessment growth tables by tax class and ward are available in Appendix “A” to Report FCS23025.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS23025 – 2022 Assessment Growth by Ward and Class

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