



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 5, 2024
SUBJECT/REPORT NO:	2023 Assessment Growth (FCS24014) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

Net Assessment Growth

Net assessment growth is the change in the assessment base due to the addition of new properties, deleted rolls and changes in the assessment of existing properties. Positive net assessment growth in 2023 has a positive impact on 2024 taxation by generating additional property tax revenue.

The final 2023 assessment growth used for 2024 taxation purposes is 1.8% which is equivalent to approximately \$19.0 M in new tax revenue as shown in Table 1.

TABLE 1
2023 ASSESSMENT GROWTH – Gross and Net Tax Impact

	(Gross/Net)	
Increases	\$ 20,448,100	1.9%
Decreases	\$ (1,380,400)	-0.1%
Total	\$ 19,068,300	1.8%

Anomalies due to rounding

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Initial projections, used for 2024 Tax budgeting purposes, indicated an assessment growth of 1.9%. However, final adjustments by the Municipal Property Assessment Corporation (MPAC) in the commercial and industrial classes resulted in the 1.8% assessment growth presented in Report FCS24014. The difference between the initial estimate and the final result is approximately \$1.1 M in revenue. Staff will monitor the supplementary taxes received throughout the year and will report any discrepancies in the 2024 year-end variance report.

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

**TABLE 2
NET ASSESSMENT GROWTH 2019 - 2023**

	2019	2020	2021	2022	2023
Total	1.2%	1.2%	1.2%	1.6%	1.8%
Residential	1.1%	1.2%	0.7%	1.0%	1.0%
Non-Residential	0.1%	0.0%	0.4%	0.6%	0.8%

The 1.8% growth experienced in 2023 is the highest the City has recorded. As seen in Table 2, the residential property class continues to be the main driver of the increase. However, the non-residential property classes are experiencing continuous growth recording increases of 0.4% in 2021, 0.6% in 2022 and 0.8% in 2023. There were no significant appeals of assessment recorded in 2023 which is another contributing factor to the positive results in the non-residential classes.

It is important to note that the 1.8% growth is a net figure which considers both new construction / supplementary taxes (increase in assessment), as well as, tax write-offs / successful appeals. (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 analysing changing market conditions and economic trends to determine any potential changes in valuation to ensure that assessments are up to date and are reflective of the property’s 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 2024 tax ratio of 3.0066) 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 2023 assessment growth into major property classes.

TABLE 3
2023 TOTAL ASSESSMENT GROWTH
BY CLASS

	Change in Unweighted Assessment	Change in Municipal Taxes	% Class Change	% of Total Change
Residential	\$ 991,583,300	\$ 10,624,400	1.4%	1.0%
Multi-Residential	\$ 49,890,300	\$ 564,200	0.7%	0.1%
Commercial	\$ 105,517,600	\$ 2,238,200	1.2%	0.2%
Industrial	\$ 159,086,700	\$ 5,491,500	11.3%	0.5%
Other	\$ 70,991,400	\$ 150,000	1.7%	0.0%
Total	\$ 1,377,069,300	\$ 19,068,300	1.8%	1.8%

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 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 2023 of \$1.38 B is in line with the strong construction activity in the City. The value of building permits reached another record construction value of \$2.6 B as of December 2023. 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 \$10.6 M.

As in previous years, Ward 15 was the area with the largest year-over-year assessment growth at 4.5%. Most of the assessment growth is related to assessment adjustments to newly constructed single-family homes and a new large condominium development. Ward 2 had significant growth with a 4.1% year over year increase, which follows the

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trend observed in the last year. The largest part of the new assessment comes from two new condominium developments (Platinum Condominium and KiWi Condos). Wards 9, 11 and 14 also continue to show significant residential growth (2.5% for Ward 9 and 2.2% for Wards 11 and 14).

Additional details of the residential property class assessment growth by ward can be found in Appendix “A” to Report FCS24014.

Multi-Residential and New Multi-Residential Property Classes

Assessment changes in the multi-residential property class (combined) resulted in a net increase of 0.7% which represents an additional \$564 K in municipal property taxes. This property class seems to be “in transition” as some changes are related to the development of affordable / non-profit units (East Kiwanis and Roxborough Park) which have seen the lands re-classified from Multi-Residential to New Multi-Residential. These results also include the future development of a rental building on Stone Church Road and West 5th Street, currently classified as Multi-Residential.

Staff continues to monitor properties that are converted from commercial or multi-residential to condominiums. This development process involves changes in classification from the original property class to vacant land and eventually to the final class and the full impact of the change in classification can take some time to complete. Conversions affect the tax revenue for the City since, for example, the property tax classification could change from multi-residential, which has a tax ratio of 2.0658 in 2023, 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 2023, the commercial property class had a net increase of 1.2% which represents \$2.2 M in additional tax revenue to the City, contributing 0.2% to the overall assessment growth. The industrial property class had a net increase of 11.3% which represents \$5.5 M in additional tax revenue to the City, contributing 0.5% to the overall assessment growth. This is the largest assessment growth that the industrial property class has recorded.

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 2023:

- Expansion of the UPS facility
- Expansion of the U-Haul facility
- Hampton Suites Hotel
- Reassessment of Lafarge Canada
- Industrial mall in Stoney Creek - Norstar windows and doors and other tenants
- Several industrial malls across the City
- Venetian Meats
- Gateway Ice Centre
- Expansions in Ancaster Business Park
- Soundbox Productions
- The Laundry Rooms (boutique hotel)
- Nebo Shopping Centre
- Future development of seniors home / health care centre
- Expansion in Meadowlands Power Centre
- Extension of storage facilities on Victoria Avenue North
- New Industrial lands

There are a number of developments that are currently classified as commercial and show assessment increases due to the construction phase in which the project was during 2023. 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 located on lands previously occupied by Brock University and by Glen Echo School which were previously property tax exempt.

In terms of decreases in assessment during 2023, there is a decrease of \$32 M in Ward 14. This is due to the conversion of lands previously classified as commercial to residential. This decrease is offset by the increase in the assessment previously noted in the residential class in Ward 14 and the net result of this change is positive. Even though the properties had a relatively low assessment when they were classified as commercial, they were taxed at a higher rate, as the commercial property class has a tax ratio of 1.98 versus the residential tax ratio of 1.0.

The newly built residential properties have a higher assessment, but they are taxed at a lower rate. The total assessment change of Ward 14 was \$54 M with an increase in tax revenue of \$262 K. Since this Ward did not record any changes in the other property classes, it is assumed that this result is largely due to this reclassification.

Overall, most of the assessment decreases are due to reclassifications or parcels that are split and get a lower valuation as vacant lands. Other decreases are the results of appeals based on income or use of the property. The most significant one is the Hamilton Health Science Satellite Health Facility on King Street East.

There are a number of appeals that are pending decision, including the property located at 110 Aeropark Boulevard (Amazon) which has an assessment of \$63 M which could impact assessment growth results in future years.

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, 2023” report, scheduled for the third quarter of 2024.

Other Classes

The other classes (farmland awaiting development, pipelines, landfills, farm and managed forest) had an increase of \$150 K in tax revenue. Changes in these classes were normally due to Request for Reconsideration (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
2023 TOTAL ASSESSMENT GROWTH
BY WARD**

	Change in Unweighted Assessment	Change in Municipal Taxes	% Ward Change¹	% of Total Change
Ward 1	\$ 40,593,200	\$ 667,100	1.0%	0.1%
Ward 2	\$ 100,868,000	\$ 1,275,000	1.9%	0.1%
Ward 3	\$ 55,673,700	\$ 778,000	1.4%	0.1%
Ward 4	\$ 47,793,300	\$ 721,000	1.1%	0.1%
Ward 5	\$ 27,654,600	\$ 489,900	0.6%	0.0%
Ward 6	\$ 59,824,000	\$ 1,766,600	2.7%	0.2%
Ward 7	\$ 18,057,900	\$ 270,200	0.3%	0.0%
Ward 8	\$ 86,486,200	\$ 1,042,100	1.6%	0.1%
Ward 9	\$ 123,988,600	\$ 1,378,600	2.3%	0.1%
Ward 10	\$ 105,022,500	\$ 2,388,300	2.6%	0.2%
Ward 11	\$ 190,218,600	\$ 2,487,200	4.4%	0.2%
Ward 12	\$ 113,905,800	\$ 1,107,700	1.0%	0.1%
Ward 13	\$ 42,085,300	\$ 694,300	1.0%	0.1%
Ward 14	\$ 54,019,600	\$ 261,700	0.5%	0.0%
Ward 15	\$ 310,878,000	\$ 3,740,600	4.9%	0.3%
Total	\$ 1,377,069,300	\$ 19,068,300	1.8%	1.8%

¹ % change in respective property class

Anomalies due to rounding

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Additional assessment growth tables by tax class and ward are available in Appendix “A” to Report FCS24014.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS24014 – 2023 Assessment Growth by Ward and Class