



INFORMATION REPORT

TO: Mayor and Members General Issues Committee	WARD(S) AFFECTED: WARD 1, 2 and 3
COMMITTEE DATE: November 26, 2013	
SUBJECT/REPORT NO: Hamilton Downtown Urban Growth Centre: Municipal Taxes for the Years 2008 to 2012 (FCS13091) (Ward 1, 2 and 3)	
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Council Direction:

At the General Issues Committee meeting of June 19th, 2013, staff report PED13121 “2012 Annual Performance Measures” identified municipal taxes and assessment figures for the downtown of the former City of Hamilton (known as Hamilton Downtown Urban Growth Centre). Staff were subsequently requested to report back with further information in respect to growth in this area.

Information:

Staff report PED13121 “2012 Annual Performance Measures” identified municipal taxes and assessment figures for the downtown (Hamilton Downtown Urban Growth Centre) for the period 2008 to 2012. Over this time period, municipal taxes increased by approximately \$2.6M or 11% in this area. Report PED13121 only identified an increase of \$1.9M as it did not include growth realized in 2008.

This overall increase in municipal taxes of \$2.6M is as a result of three main factors as follows:

- Net growth due to new construction, class changes, successful appeals, in-year changes.

- Reassessment which includes both increases and decreases depending on the change in assessed value relative to the City-wide average. Reassessments do not generate new taxes but represent a redistribution of taxes.
- Budget (annual budgetary increases).

The following table identifies how the above three factors contributed to the total increase in municipal taxes of \$2.6M over the period 2008 to 2012 in the Hamilton Downtown Urban Growth Centre.

Breakdown of Municipal Tax Increase in the Hamilton Downtown UGC (2008-2012)	
Growth	\$1.8M increase <u>-\$1.3M decrease</u> \$0.5M net increase
Reassessment	\$1.6M increase <u>-\$1.2M decrease</u> \$0.4M net increase
Budget	\$1.7M increase
Total	\$2.6M increase

Some of the major increases and decreases during this time period include:

Increases:

- ♦ Positive growth from supplementary and omitted rolls and in-year changes, new construction / redevelopment, additions, property improvements, class changes resulted in an increase in municipal taxes of \$1.8M.
Examples include:
 - Class changes from exempt to taxable/PIL (full or partial) at 80 Main St W for \$552K and 77 James St N for \$83K
 - Redevelopment, primarily driven by projects in receipt of the City's Downtown Incentive Programs which are discussed in more detail further in the report.
- ♦ Reassessment-related tax increases for properties with above-average assessment increases resulted in an increase (tax shift) in municipal taxes of \$1.6M.
Examples include:
 - 110 King St W and 45 Main St E increased in value above-average, resulting in a reassessment-related tax increase of \$169K and \$134K respectively; 200 Market St experienced a reassessment-related tax increase of \$39k.
- ♦ Annual budgetary increases equated to \$1.7M in total. On average, this is equivalent to budgetary increases of 1.6% in 2009, 2.2% in 2010 and 1.3% in both 2011 and 2012.

Decreases:

- ◆ Negative growth due to successful appeals, partial demolitions, class changes, in-year changes resulted in a decrease in municipal taxes of -\$1.3M.
Examples include:
 - Class changes:
 - 125 Wellington St N changed from Multi-residential (apartment) to Residential (condo) in 2012 resulting in a municipal tax reduction of -\$570K gross (-\$240K net);
 - 118 Market St changed from Commercial (hotel) to Residential (retirement home) in 2011 resulting in municipal tax reduction of -\$96K;
 - 120 King St W had a portion of taxable assessment changed to exempt in 2012 (office space occupied by the City of Hamilton was declared a Municipal Capital Facility) resulting in a municipal tax reduction of -\$56K.
- ◆ Reassessment-related tax decreases for properties with assessment decreases or below-average assessment increases resulted in a decrease (tax shift) in municipal taxes of -\$1.2M.
Examples include:
 - 55 Bay St N experienced a reassessment-related tax decrease of -\$330K;
 - 39 Mary St and 17 Jackson St W experienced an assessment decrease due to the reassessment resulting in a reassessment-related tax decrease of -\$57K and -\$31k respectively;
 - 75 Queen St N increased in value below-average, resulting in a reassessment-related tax decrease of -\$25K.

Although there has been significant growth in the Hamilton Downtown Urban Growth Centre of +\$1.8M in municipal taxes, which has been largely assisted by the City's financial incentives, many offsetting factors have reduced this growth to a net figure of \$0.5M. These factors include successful assessment appeals, taxable/PIL properties changed to exempt, class changes and minor in-year changes.

The Hamilton Downtown Urban Growth Centre is unique because of its age, density, development challenges and environmental remediation. Growth in the downtown is in the form of redevelopment, restoration and/or infill and, as such, would not produce similar growth as greenfield development (i.e. large subdivision growth experienced in the suburbs). This, in addition to perceived historic barriers (i.e. unknown market for condo/residential development, cleanliness and security, cluster of social service providers) impede growth experienced in this area. Other impediments include size of the area and the concentration of municipal / institutional properties. The Hamilton Downtown Urban Growth Centre covers an area of approximately 500 acres which represents just 0.2% of the total City of Hamilton land area. The concentration of municipal / institutional properties in the Hamilton Downtown Urban Growth Centre results in 22% of the total assessment being exempt and not subject to property taxes.

Downtown Incentive Programs

In spite of the growth impediments discussed above, the Hamilton Downtown Multi-Residential Property Investment Program and the Hamilton Tax Increment Grant Program have resulted in significant development in the Hamilton Downtown Urban Growth Centre. These developments include:

		Increase in Municipal Taxes ¹
Pre-2008	♦ 135 James St S	+\$380,000
	♦ 11 Rebecca St	+\$60,000
	♦ 155 James St S	+\$30,000
	♦ 118 Market St	+\$100,000
	♦ 91 Wellington St N	+\$15,000
	♦ 4, 8, 12 Forest Ave	+\$30,000
	♦ 25 Hughson St S	+\$17,000
	♦ 135 Hunter St	+\$60,000
	♦ 100-110 James St S	+\$20,000
	♦ 52 James St S / 1 Main St W	+\$60,000
	♦ 66 Bay St S	+\$200,000
2008-2012	♦ 47 Caroline St N	+\$130,000
	♦ 80 King William St	+\$100,000
	♦ 267/271 King St E	+\$1,000
	♦ 74 Hughson St S	+\$60,000
	♦ 210 Main St E	+\$60,000
	♦ 87-89 King St E	+\$7,000
	♦ 260-280 King St E	+\$60,000
	♦ 232 Cannon St E	+\$65,000
	♦ 52 Cannon St W	+\$25,000
	♦ 170-176 Jackson St W	+1,000
Total Completed Projects		\$1,481,000

Note 1: Increase in municipal taxes compares pre-development municipal taxes to 2012 municipal taxes and includes all three factors of growth, reassessment and budget.

When comparing each respective completed project's predevelopment municipal taxes to their 2012 municipal taxes, the increase in total municipal taxes (inclusive of growth, reassessment and budget) equates to approximately \$1.48M. This increase will be realized annually. In addition to increasing the assessment (and resulting property taxes) of the specific property that directly receives funding, these initiatives also help increase the value and desirability of surrounding properties that are no longer next to a vacant, derelict or contaminated property. Surrounding properties might also benefit from new residents, employees and customers in nearby redevelopment properties.

As of December 31, 2012, approximately \$4.0M in grants have been paid under the Hamilton Tax Increment Grant Program since the inception of the program. Total grants for the completed projects are estimated at \$4.6M. With respect to the Hamilton Downtown Multi-Residential Property Investment Program, total loan costs (interest + one defaulted loan) totalled \$2.9 million as of December 31, 2012.

Over the 2008 to 2012 period used for staff report PED13121 “2012 Annual Performance Measures”, these completed projects increased taxes by approximately \$500K and represent 30% of the \$1.8M (gross) growth achieved in the Hamilton Downtown Urban Growth Centre during this same time period.

In addition to the completed projects identified above, there are currently 16 approved projects which are not yet completed or have yet to be assessed by MPAC. Once complete and assessed, these projects are estimated to generate an additional \$1.56M in municipal taxes.

		Increase in Municipal Taxes ²
Post-2012 (not yet completed and/or assessed ²)	♦ 193-197 James St N	+\$8,000
	♦ 66/68 King St E	+\$16,000
	♦ 215/231 Main St W	+\$9,000
	♦ 289 Hunter St E	+\$500
	♦ 68 George St	+\$270,000
	♦ 275 King St W	+\$110,000
	♦ 40 Bay St S	+\$290,000
	♦ 130-134 Wellington St N	+12,000
	♦ 235 Main St W	+\$55,000
	♦ 162 Ferguson Ave N	+\$20,000
	♦ 121-123 James St N	+\$85,000
	♦ 150 Main St W	+\$510,000
	♦ 19-21 John St S	+\$97,000
	♦ 69 Hughson St N	+\$14,000
	♦ 137-149 Main St W	+\$60,500
	♦ 205 Hunter St W	+\$6,000
Total Additional Projects		\$1,563,000

Note 2: The estimated increase in municipal taxes is based on expected increase in assessment, as properties are not yet completed and /or assessed by MPAC.