To: Mayor and Members  
Committee of the Whole

From: Roberto Rossini  
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Re: Municipal Tax Competitiveness Study - 2008 (FCS09067) (City Wide)

Council Direction:

N/A.

Information:

The City of Hamilton has participated in an annual tax competitiveness study since 2001. Each year, staff reports back to Council with the results of this study – mainly highlighting how Hamilton compares to other municipalities. The results of this annual study helps identify, not only how the City of Hamilton is doing relative to other municipalities, but also determines if the City’s position has been improving when compared to the results of previous years.

This information report (FCS09067) deals with the main focus of the study – “like-property comparison” of a property’s relative tax burden (which takes into account both a property’s tax rate and assessment). The full study also looks at other areas such as population growth, assessment per capita, assessment composition, levy per capita, economic development programs, etc. The full study will be made available through the City’s website.

Generally, when compared to the entire survey (which currently includes 82 Ontario municipalities), Hamilton’s ranking in relative tax burden, by major property class, remains between “mid to high”. When compared only to large municipalities, however, Hamilton’s position has improved over the last several years, with some relatively stable results in the last two to three years. These improvements are seen when comparing the tax burden on specific property classes to the results of previous years. Similar to the 2007 study results, the City of Hamilton’s 2008 position is generally stabilizing when compared to the sample average in the majority of the property classes. No significant changes have occurred in Hamilton’s position in this current study, as 2008 was not a reassessment year and relatively similar budgetary increases were experienced in the sample municipalities.
The following Table highlights Hamilton’s relative tax burden compared to the sample average since 2001 (positive numbers denote above the average, negative denotes below average). When compared to the sample average, although there are some fluctuations, Hamilton’s position has remained stable for the Residential and Multi-Residential property classes. Hamilton’s position, however, has improved significantly when comparing Commercial and Industrial property classes.

**Relative Tax Burden Ranking (on sample)**

<table>
<thead>
<tr>
<th>Property Class</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detached Bungalow</td>
<td>10%</td>
<td>13%</td>
<td>13%</td>
<td>15%</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Multi-Residential</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>4%</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Neighbourhood Shopping</td>
<td>45%</td>
<td>37%</td>
<td>21%</td>
<td>33%</td>
<td>30%</td>
<td>29%</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Office Building</td>
<td>-6%</td>
<td>-9%</td>
<td>-20%</td>
<td>-23%</td>
<td>-25%</td>
<td>-24%</td>
<td>-22%</td>
<td>-23%</td>
</tr>
<tr>
<td>Industrial Standard</td>
<td>19%</td>
<td>13%</td>
<td>17%</td>
<td>10%</td>
<td>6%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Large Industrial</td>
<td>5%</td>
<td>0%</td>
<td>-18%</td>
<td>-21%</td>
<td>-23%</td>
<td>-18%</td>
<td>-18%</td>
<td>-17%</td>
</tr>
</tbody>
</table>

The following section highlights some key findings of the “like-property comparison” of the relative tax burden.

**Residential Property Taxes**

Hamilton’s property taxes for a detached bungalow has remained constant at 11% above the sample average for the last three years. This position has been maintained even though Hamilton continues to be negatively impacted by the levy restriction on both the Commercial and Industrial property classes. Of the eighteen municipalities in the sample, only one other municipality has a levy restriction on both the Commercial and Industrial property classes, while two have a restriction on only one property class. This levy restriction results in an added tax burden on Hamilton's Residential property class, but despite this significant obstacle, Hamilton’s residential taxes, when compared to other similar urban municipalities, have declined from 15% above the sample average in 2004 to 11% above the sample average in 2006-2008. This means that our tax increases, over the last few years, have been lower than our comparator group.
Hamilton’s above average residential taxes, combined with a relatively low average household income, results in Hamilton’s continued “high” ranking when comparing property taxes as a percentage of income. When compared to the full study, Hamilton’s property taxes as a percentage of income continues to be approximately 25% above the average, however, when compared to larger municipalities (populations greater than 100,000), Hamilton is approximately 30% above the average.
Multi-Residential Property Taxes

Over the course of the study (2001-2008) Hamilton’s average taxes per unit for the combined Walk-up and High Rise properties has ranged between 4% to 7% above the sample average.

Although Hamilton’s multi-residential relative tax burden has marginally increased when compared to the sample average, this class continues to be more competitive than Hamilton’s residential property class.

Commercial and Industrial Property Classes

Unlike the Residential and Multi-Residential property taxes, which have been generally stable when compared to the sample average, Hamilton’s tax burden on the Commercial and Industrial property classes have improved significantly. This can be attributed to several factors, however, primarily as a result of:

- a commitment to lower business taxes during the early years of amalgamation,
- favourable reassessment impacts; and
- the levy restriction.
### Commercial Taxes

#### Office Building (per sq. ft.)

- **2001**: $1.00
- **2002**: $1.50
- **2003**: $2.00
- **2004**: $2.50
- **2005**: $3.00
- **2006**: $3.50
- **2007** and **2008**: $3.00

- **2001**: 6% below average
- **2002**: 20% below average
- **2003**: 25% below average
- **2004** and **2005**: 23% below average

#### Neighbourhood Shopping Centre (per sq. ft.)

- **2001**: $1.00
- **2002**: $2.00
- **2003**: $3.00
- **2004**: $4.00
- **2005**: $5.00
- **2006**: $6.00
- **2007** and **2008**: $5.00

- **2001**: 45% above average
- **2002**: 33% above average
- **2003**: 27% above average
- **2004** and **2005**: 23% above average
Industrial Taxes

Large Industrial (per sq. ft.)

- $0.80
- $0.90
- $1.00
- $1.10
- $1.20
- $1.30
- $1.40
- $1.50
- $1.60
- $1.70

2001 2002 2003 2004 2005 2006 2007 2008

Hamilton
Sample Average

- 5% above average
- 18% below average
- 23% below average
- 17% below average

Industrial Taxes

Standard Industrial (per sq. ft.)

- $1.40
- $1.60
- $1.80
- $2.00
- $2.20
- $2.40
- $2.60

2001 2002 2003 2004 2005 2006 2007 2008

Hamilton
Sample Average

- 19% above average
- 10% above average
- 3% above average
- 1% above average
- 1% above average
The above graphs illustrate how the business classes have either maintained their position well below the sample average (Office Buildings, Large Industrial) or have made significant improvements towards the sample average (Standard Industrial, Neighbourhood Shopping).

Residential vs. Non-Residential Split

Hamilton’s 2008 unweighted assessment is comprised of 87% Residential (includes Multi-Residential) and 13% Non-Residential. This split is comparable to the full survey average of 86% Residential vs. 14% Non-Residential. However, as shown in the graph below, Hamilton has a lower percentage share of non-residential unweighted assessment when compared to larger municipalities (populations greater than 100,000), which averaged 83% Residential vs. 17% Non-Residential.

2008 Non-Residential Assessment as a % of Total Assessment (unweighted)
(Municipalities with population > 100,000)

Average = 17%

Roberto Rossini, General Manager
Finance & Corporate Services