SUBJECT: 2005 Transition Ratios (FCS06052) (City Wide)

RECOMMENDATION:

a) That the following 2005 transition ratios for the purpose of mitigating reassessment tax shifts be applied and that the corresponding Council resolution be forwarded to the Ministry of Finance:

- Residential: 1.0000
- Multi-Residential: 2.7469
- Commercial (residual): 2.1174
- Parking Lot & Vacant Land: 2.1174
- Industrial (residual): 3.5242
- Large Industrial: 4.1325
- Pipeline: 1.7367
- Farm: 0.2220
- Managed Forest: 0.2500

b) That Council formally request the Province to set the City of Hamilton transition ratios as calculated by the Provincial Transition Ratio Worksheet 1 (refer to the attached Appendix “A” to report FCS06052); and

c) That the City Treasurer execute the Provincial Transition Ratio Worksheet 1 (refer to the attached Appendix “A” to report FCS06052).
EXECUTIVE SUMMARY:

Similar to the 2004 reassessment, municipalities are, once again, given the authority to adjust the 2005 tax ratios in an effort to offset property class tax shifts due to the 2006 reassessment. These adjusted ratios are known as “transition ratios”. As part of the 2006 budget process, Council approved the use of this tax policy in report FCS06038 – “2006 Tax Policy Options”. This report is provided to satisfy provincial legislative requirements.

The revenue-neutral transition ratios are determined using the attached Worksheet 1 (Appendix “A” to FCS06052) as prescribed by the Province. These transition ratios simply offset reassessment tax shifts and do not alter the final 2006 tax ratios and tax rates as approved by Council on April 26, 2006, (FCS06038 – “2006 Tax Policy Options” as amended).

BACKGROUND:

In 2004, the City of Hamilton elected to offset the property class tax shifts, due to the 2004 reassessment, by establishing 2003 revenue-neutral transition ratios (FCS04071 – “2004 Tax Policies and Ratios”). Since this resulted in increasing the ratios for the Multi-Residential, Commercial and Industrial property classes, a formal request was forwarded to the Province. Municipalities have the same authority for the 2006 reassessment.

2006 Reassessment Property Tax Shifts

As a result of 2006 reassessment, tax shifts occurred between properties classes as detailed in Report FCS06017 – “2006 Reassessment Impacts”. Current values increased at a faster rate in the Residential property class (15.4%) than the Commercial and Industrial property classes (8.0% and 5.6% respectively). This resulted in tax burdens being shifted from the Commercial/Industrial property classes to the Residential property class. As previously reported to Council, not establishing revenue-neutral transition ratios would result in a tax shift of about 1.9% from the Commercial/Industrial property classes to the Residential property class. The transition ratios, as recommended in this report, increases the 2005 tax ratios in order to offset this tax shift.
The following Table illustrates the required increase to the ratios (2005 transition ratios), as well as, the 2006 final tax ratios as approved by Council:

<table>
<thead>
<tr>
<th></th>
<th>2005 Approved Tax Ratios</th>
<th>2005 Transition Ratios</th>
<th>2006 Approved Tax Ratios</th>
<th>Provincial Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>1.0000</td>
<td>1.0000</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>Multi-Residential</td>
<td>2.7400</td>
<td>2.7469</td>
<td>2.7400</td>
<td>2.7400</td>
</tr>
<tr>
<td>Commercial</td>
<td>1.9800</td>
<td>2.1174</td>
<td>2.1016</td>
<td>1.9800</td>
</tr>
<tr>
<td>Industrial - Residual</td>
<td>3.2226</td>
<td>3.5242</td>
<td>3.4979</td>
<td>2.6300</td>
</tr>
<tr>
<td>Industrial - Large</td>
<td>3.7789</td>
<td>4.1325</td>
<td>4.1017</td>
<td>2.6300</td>
</tr>
<tr>
<td>Pipeline</td>
<td>1.5154</td>
<td>1.7367</td>
<td>1.7367</td>
<td></td>
</tr>
<tr>
<td>Farm</td>
<td>0.2220</td>
<td>0.2220</td>
<td>0.2174</td>
<td></td>
</tr>
<tr>
<td>Managed Forest</td>
<td>0.2500</td>
<td>0.2500</td>
<td>0.2500</td>
<td></td>
</tr>
</tbody>
</table>

As shown above, in order to mitigate the 2006 reassessment property tax shifts, the 2005 transition ratios are higher than the 2005 approved tax ratios. However, due to the levy restriction and tax policy decisions, the final 2006 approved tax ratios (which are used to establish the 2006 municipal tax rates) are the same or lower than these transition ratios.

**ANALYSIS/RATIONALE:**

The relevant analysis was provided during the 2006 budget process. This report is required to seek formal approval of the transition ratios in accordance with Provincial legislation.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

There are no staffing implications. The financial implications are summarized in other sections of this report.

**POLICIES AFFECTING PROPOSAL:**

This report deals with establishing revenue-neutral transition ratios in an effort to offset the tax shifts between property classes as a result of the 2006 reassessment. These transition ratios do not change the final 2006 tax ratios or tax rates, as approved by Council on April 26, 2006.

**RELEVANT CONSULTATION:**

Staff consulted with the Ministry of Finance in arriving at transition ratios which adhere to Provincial legislation/regulations.
By evaluating the "Triple Bottom Line", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.

Community Well-Being is enhanced. ☑ Yes ☐ No

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No
### TRANSITION RATIOS FOR 2006: City of Hamilton

**Worksheet 1: TRANSITION RATIOS - REVENUE-NEUTRAL BY CLASS**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>21,733,008,142</td>
<td>30,863,352,639</td>
<td>1.99486%</td>
<td>382,666,303</td>
<td>0.94592%</td>
<td>1.00000</td>
<td>1.00000</td>
<td>30,894,235,639</td>
<td>0.99494%</td>
<td>292,066,130</td>
</tr>
<tr>
<td>Multi-Residential</td>
<td>1,731,611,169</td>
<td>1,951,835,090</td>
<td>2.99997%</td>
<td>51,547,253</td>
<td>2.60797%</td>
<td>2.78946</td>
<td>2.74000</td>
<td>5,471,545,181</td>
<td>2.60797%</td>
<td>51,477,350</td>
</tr>
<tr>
<td>New Multi-Residential</td>
<td>0</td>
<td>0</td>
<td>0.00000%</td>
<td>0</td>
<td>0.00000%</td>
<td>0.00000</td>
<td>0.00000</td>
<td>0.00000%</td>
<td>0.00000%</td>
<td>0.00000%</td>
</tr>
<tr>
<td>Commercial - Residual</td>
<td>Commercial - Residual Total</td>
<td>3,470,475,973</td>
<td>3,741,031,374</td>
<td>57,521,151</td>
<td>57,291,151</td>
<td>2.16783%</td>
<td>76,048,471</td>
<td>2.01024%</td>
<td>2.11736%</td>
<td>1.98000</td>
</tr>
<tr>
<td>Parking Total</td>
<td>70,966,044</td>
<td>78,662,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
<td>70,966,045</td>
</tr>
<tr>
<td>Commercial - Total</td>
<td>3,619,077,823</td>
<td>3,903,624,054</td>
<td>2.16783%</td>
<td>78,127,178</td>
<td>2.01024%</td>
<td>2.11736%</td>
<td>1.98000</td>
<td>8,229,047,267</td>
<td>2.11736%</td>
<td>78,127,178</td>
</tr>
</tbody>
</table>

#### Vacancy Adjustment:

Enter the commercial and industrial vacancy adjustment factors adopted by the municipality in the upper-left box.

**Contents of Columns:**

4. 2005 single- or upper-tier general municipal tax rates including any 2006 levy increase under the levy restriction.
5. 2006 annualized year-end taxes obtained by applying tax rates in column 3 to vacancy-adjusted 2005 CVA in column 1.
6. Calculated 2006 revenue neutral tax rates by class.
7. Calculated revenue transition rates for 2006 by class.
9. 2008 CVA from column 2 weighted by the revenue neutral transition ratios calculated in column 6.
11. Taxes raised by applying the tax rates calculated in column 8 to 2006 CVA in column 2.
12. Difference between revenues raised under the revenue neutral rates in column 9 and the annualized 2005 tax revenues in column 4.

_Clerk/Treasurer’s Signature:_

_Municipality:_

_Date:_

Appendix ‘A’ to FCS06052 - Page 1 of 1