SUBJECT: 2009 Tax Policies (FCS09032) (City Wide)

RECOMMENDATION:

a) That the following optional property classes be continued for the 2009 taxation year:
   - New Multi-Residential;
   - Parking Lot and Vacant Land;
   - Large Industrial;

b) That staff report back on the final tax ratios to be established for the 2009 taxation year, pending final approval of the 2009 budget, and that these final tax ratios ensure:
   (i) That, subject to the Provincial Levy Restriction, the maximum allowable (50%) of the 2009 budgetary increase be passed onto the Commercial and Industrial property classes;
   (ii) That, the Farm tax ratio be reduced such that the final average total tax impact for the Farm property classes equals that of the final average total tax impact for the Residential property class;

c) That the following tax reductions be established for the 2009 taxation year:
   - Vacant units and excess land subclass (residual commercial) 30%
   - Vacant units and excess land subclass (residual industrial) 30%
   - Vacant units and excess land subclass (large industrial) 30%
   - Farmland awaiting development (1st subclass) 25%
   - Farmland awaiting development (2nd subclass) 0%

d) That the existing property tax relief deferral program for low-income seniors and disabled persons be continued for the 2009 taxation year;
e) That the existing 40% tax rebate for eligible charities and similar organizations be continued for the 2009 taxation year;

f) That the existing provincially mandated vacancy rebate for eligible commercial and industrial properties be continued for the 2009 taxation year;

g) That the existing 100% tax rebate for Veteran’s Clubhouses and Legion Halls be continued for an additional three years (2009-2011 taxation years), and that the definition of an “eligible property” be expanded to include all property classes;

h) That staff be directed to further review the Heritage Tax Rebate Program after the 2009 budget process;

i) That the existing Senior’s (65+) Tax Rebate Program be continued, with the following criteria updated for the 2009 taxation year:

   (i) **Income threshold (150% of GIS couple)** increased to $31,030 ($30,170 in 2008);

   (ii) **Assessment cap (120% of city-wide average)** increased to $283,300 ($266,300 in 2008);

   (iii) **Rebate** increased by the CPI index to $160 ($156 in 2008); and

j) That the City Solicitor & Corporate Counsel be authorized and directed to prepare all necessary by-laws, for Council approval, for the purposes of establishing the tax policies for the 2009 taxation year.

Antonio D. Tollis, Acting General Manager
Finance and Corporate Services

**EXECUTIVE SUMMARY:**

This report highlights the tax policy tools/options for the 2009 taxation year. This report deals mainly with the tax rebate programs and two specific tax ratio matters: 1) that Commercial and Industrial tax ratios be reduced to ensure the maximum allowable budgetary increase (50%) under the provincial levy restriction; and 2) reducing the Farm tax ratio to ensure that the average final total tax impact on the farm property class equals that of the Residential property class. Final 2009 tax ratios will be provided for Council approval once the 2009 budget is approved.
Most of the programs and policies are recommended to continue as they were in 2008. Some minor exceptions include: reducing the vacancy rebate for the industrial property class from the existing 35% to equal that of the commercial class at 30%, the indexation of the criteria for the Senior’s (65+) Tax Rebate Program and the continuation of the Legion’s/Veteran's tax exemption which expired at the end of 2008.

**BACKGROUND:**

Each year, staff brings forward tax policy and area rating options in relation to the operating tax budget. This report deals mainly with rebate programs and other tax policies which have minimal to no impact on the final residential tax impact. Final 2009 tax ratios and resulting tax impacts will be provided to Council once the 2009 budget has been approved.

Council has approved maintaining the status quo with respect to area rating for the 2009 taxation year. As requested by Council, staff will be reporting back on information sharing and a public consultation plan for area rating once the 2009 budget is approved and completed.

**ANALYSIS/RATIONALE:**

The following Table summarizes the 2009 tax policies being considered within this report:

<table>
<thead>
<tr>
<th>Tax Policy Tool</th>
<th>Mandatory vs. Discretionary</th>
<th>Recommendation</th>
</tr>
</thead>
</table>
| Tax Ratios            | Discretionary               | • Reduction of the Commercial and Industrial tax ratios to adhere to Bill 140 and only pass on 50% (maximum allowable) of the residential budgetary tax impact  
                        |                             | • Maintain Multi-Residential tax ratio at the Provincial threshold (2.74) as per report FCS09031 “Multi-Residential Property Taxation: Staff Response to the Multi-Residential Sub-Committee Recommendations”  
                        |                             | • Reduction of the Farm tax ratio to mitigate the reassessment tax impact and ensure average total tax impact equals that of the Residential property class  |
| Optional Property Classes | Discretionary               | • No change  
<pre><code>                    |                             | • Maintain existing New Multi-Residential, Parking Lot and Vacant Land and Large Industrial optional property classes  |
</code></pre>
<table>
<thead>
<tr>
<th>Subject</th>
<th>2009 Tax Policies (FCS09032) (City Wide)</th>
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</table>

### Graduated Tax Rates
- **Discretionary**
  - No change
  - Not recommended to establish graduated tax rates

### Capping
- **Mandatory**
  - Staff to review and report back in April 2009

### Relief for Low-Income Seniors and Disabled
- **Mandatory**
  - No change
  - Continue existing deferral program

### Rebates to Charities
- **Mandatory**
  - No change
  - Continue existing program – 40% rebate

### Vacancy Rebates
- **Mandatory**
  - Continue existing program
  - Reduce Industrial vacancy rebate to 30% (from existing 35%) to equal the Commercial vacancy rebate

### Veterans / Legions Rebate
- **Discretionary**
  - Continue existing 100% rebate
  - Minor modification to by-law to ensure eligible organizations qualify regardless of which property class they occupy and use
  - Additional three year extension (2009-2011)

### Heritage Tax Rebate
- **Discretionary**
  - Not recommended for 2009
  - Review for 2010

### Senior Tax Rebate Program
- **Discretionary**
  - No change; continue existing program
  - 2009 updated rebate amount = **$160** (2008 amount of $156 + CPI index)
  - Update assessment threshold to **$283,300** (120% of the updated city-wide average assessed value for a single family dwelling).
  - Update income threshold to **$31,030** (150% of updated GIS couple)

### Tax Ratios

Final 2009 tax ratios will be presented for Council approval once the 2009 budget is approved. Tax ratios are not being provided at this time, as they will change depending on the final approved levy. However, staff are recommending that the final tax ratios ensure that the Commercial and Industrial property classes adhere to the levy restriction (lower tax ratios to ensure these protected classes absorb 50% (maximum allowable) of the Residential budgetary impact), as well as, the Farm tax ratio may be reduced in order to offset the reassessment tax impact and ensure that the average final total tax impact does not exceed that of the Residential property class. As per report FCS09031 “Multi-Residential Property Taxation: Staff Response to the Multi-Residential Sub-Committee Recommendations”, the Multi-Residential tax ratio is recommended to be maintained at the Provincial threshold of 2.74 for 2009. Staff will continue to monitor the multi-residential tax burden and recommend a tax ratio reduction, if and when, the property class experiences a reassessment tax increase in the future.
Vacancy Rebate

The Municipal Act requires that municipalities provide tax rebates for vacant portions of commercial and industrial properties. The Act identifies a vacancy rebate of 30% for commercial properties and 35% for industrial properties, unless a single rate is set between 30% and 35%. The City of Hamilton has provided for the different rebates (30% for commercial; 35% for industrial) in prior years; however, staff are now recommending that the City move to a single rebate rate of 30% for both property classes.

Veteran’s Clubhouses and Legion Hall Tax Rebate

The current 100% rebate for Veteran’s clubhouses and Legion Halls expired at the end of 2008. Since its introduction, the program has been approved for a three-year period and subsequently extended for an additional three years. Staff are recommending to continue the program, once again, for an additional three years (2009-2011). Staff are also recommending a minor amendment to the definition of an “eligible property” in the by-law. This amendment would ensure that all eligible organizations, as defined in the by-law, will be treated equally regardless of which property class they use and occupy (current by-law is limited to just residential properties).

Heritage Tax Rebate

Staff reported on a Heritage Tax Rebate program in 2003 (report FCS03088 “Heritage Tax Rebate Program”), however, did not recommend the program, at that time, due to the potential financial impact, as well as, the fact that no method existed of ensuring that the rebate would actually be used to maintain or enhance the property. These issues are still relevant in 2009 and, as such, staff are recommending to further evaluate the program before any possible implementation.

ALTERNATIVES FOR CONSIDERATION:

For discretionary tax policy tools, it is Council’s decision whether or not to establish the program. For mandatory tools/programs, Council may have some alternatives with respect to criteria only.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

There are no staffing implications. Current and future tax policies impact the City financially in terms of revenue streams and their sources.

POLICIES AFFECTING PROPOSAL:

This report deals with a number of tax policy items.
RELEVANT CONSULTATION:

Staff have consulted with Provincial staff to ensure that the recommended tax policies adhere to the Municipal and/or Assessment Act. Staff from the Taxation Division, which administer the rebate programs, have also been consulted.

CITY STRATEGIC COMMITMENT:

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