



**STAFF REPORT
ACTION REQUIRED**

**Apportionment of Property Taxes – November 2007
Hearing**

Date:	October 22, 2007
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2007\Internal Services\rev\gm07032rev (AFS # 5468)

SUMMARY

In December of each year, the Municipal Property Assessment Corporation (MPAC) provides municipalities with an assessment roll containing property assessment data. The information included on the assessment roll should reflect the property’s characteristics (e.g. legal description, ownership and property class) as of November of that year. The assessment roll data is used by municipalities to calculate the following year’s property taxes.

If after the assessment roll is provided to municipalities, a property is severed and spilt into two or more parcels of land (e.g. when a single property is redeveloped into condominiums/townhouses/new homes), then any taxes that remain unpaid on the single property (which no longer exists once the property is re-developed) may need to be removed from the original property and divided amongst the newly created properties.

MPAC is responsible for apportioning the assessed value of the original property to the newly created properties. Based on the assessment apportionment information supplied by MPAC, the City distributes the taxes from the original property to the newly created properties in portion to the assessed value. This process of redistributing taxes following the severance or re-development of a property is referred to as “the apportionment of taxes” and is governed by Section 322 of the *City of Toronto Act, 2006 (COTA)*. The apportionment process does not change the total amount of taxes charged, but rather divides the taxes on the original property between the newly created properties.

The process to apportion taxes may be initiated by the Treasurer of a municipality or a property owner. The *COTA* requires that upon receipt of an application to reallocate taxes, Council must hold a public meeting at which the applicant and/or affected property

owners may make submissions in defence of their position. Authority to hold such public meetings has been delegated to the Government Management Committee.

This report recommends approval of 24 applications initiated by both the Treasurer and taxpayers for the properties listed in Appendices A and B (attached).

RECOMMENDATIONS

The Treasurer recommends that:

1. the property tax in the amounts identified in Appendix A and Appendix B, under the columns entitled “Apportioned Tax” and “Apportioned Phase In/Capping”, be approved; and,
2. the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

Appendices A and B identify that approximately \$54,521.15 (as at October 10, 2007) in penalty/interest charges has accumulated on the tax accounts pending the initiation of the process to reallocate the taxes. This amount, and any other interest that will accumulate on the accounts pending the finalization of the process, will be written off. Funding for the write-off of the interest/penalty amount is provided for in the 2007 Tax Penalty Account (Non-Program Budget).

With the exception of the penalty/interest amounts that will be written off, the reallocation of the property taxes from one account to other accounts has no financial impact on the City of Toronto and merely serves to secure the City’s revenues.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April/May 2001, Council adopted a report (February 23, 2001) from the Chief Financial Officer and Treasurer, entitled “Apportionment of Taxes”, which recommended a policy for the hearing and disposition of unpaid taxes pursuant to Section 356 of the *Municipal Act, 2001* (re: Clause 20 of Report No. 5 of the Administration Committee, adopted by Council at its regular meeting held on April 23, 24, 25, 26, 27 and its special meeting held on April 30, May 1 and 2, 2001). To view this report online please follow the link:

<http://www.toronto.ca/legdocs/2001/agendas/council/cc010424/adm5rpt/cl020.pdf>

At its meeting of April 23 and 24, 2007, Council adopted a report (March 7, 2007) from the Treasurer, entitled “Apportionment of Property Taxes”, which delegated authority to the Director of Revenue Services to write off as uncollectible the interest and penalty

charges that have accumulated on, and form part of, any unpaid taxes which are reallocated from one tax account to other accounts. To view this report online please follow the link:

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-04-23-cc07-dd.pdf>

ISSUE BACKGROUND

By law, municipalities are required to prepare tax bills in accordance with information provided by the Municipal Property Assessment Corporation (MPAC) on the annual assessment roll. If, during the year, a parcel of land is redeveloped into multiple properties (e.g. townhouses, condominiums or new homes) that are sold off individually, MPAC should update the following year's assessment roll to capture the newly created parcels of land including the new property owner information. By their nature, the timing of redevelopments and changes in ownership are unpredictable. When MPAC delays in updating the following year's assessment roll with the correct parcels, taxes are levied against properties that no longer exist and the tax bills for that year are sent to the wrong assessed owner (usually the developer). Concerned developers contact the City and request that the taxes be reallocated (i.e. apportioned) to the new properties. In other instances, the Treasurer must initiate the process to resolve the unpaid taxes.

For both treasurer-initiated and taxpayer-initiated applications, MPAC reviews the request and provides City staff with their recommendation as to how the original assessed value of the property should be reallocated /divided between the newly created properties. Upon receiving feedback from MPAC, the Revenue Services Division calculates the recommended taxes by applying the same percentage factor to the taxes as that used in relation to the assessment. Revenue Services staff then send Notices of Hearing to the affected property owners advising them of the upcoming hearing before the Government Management Committee and of the recommended taxes for which they will be responsible. To facilitate the process and address taxpayer questions and concerns, Revenue Services staff conduct an open house at the North York Civic Centre for each upcoming hearing.

COMMENTS

Revenue Services staff recommend that the taxes for 24 properties be transferred as listed in Appendices A and B. Of these, 22 applications (identified in Appendix A) are being initiated by the Treasurer as a means of collecting outstanding taxes. The remaining two (2) applications (identified in Appendix B) have been initiated by taxpayers.

With respect to the 22 applications initiated by the Treasurer, staff have undertaken various activities in an effort to collect the unpaid taxes from the original property owner, including:

1. Mailing of Collection Letters;
2. Mailing of Overdue Notices [Statement of Tax Account];
3. Mailing of Final Notices advising of pending Bailiff Action; and,
4. Mailing of Demand Letters by the City Solicitor's Office.

To date, the City's collection efforts have not resolved the outstanding property taxes considered in this report. In many cases, the City has been unable to locate the previous owner (i.e., the company may no longer exist) and in those cases where contact has been made, the previous owner may be refusing responsibility for the outstanding taxes. This may be as a result of MPAC's delay in updating the assessment roll (as described above), or because of arrangements made between vendor and purchaser when the property was sold. The City has no further means of collecting any unpaid taxes on these accounts, if the taxes are not reallocated to the new accounts. Municipal tax sale proceedings, which can normally be initiated once taxes on a property are at least three years in arrears, could not be used as a collection tool for these 24 original properties given that these assessment roll numbers for the original properties have ceased to exist and are no longer being returned on the assessment roll.

If Council approves the taxes as recommended by this report, Notices of Decision will be mailed to taxpayers. Under section 322(11) of the *COTA*, an owner may appeal a decision of City Council to the Assessment Review Board (ARB) within 35 days of Council's decision. Tax bills to individual owners will be generated only after this review period has expired or a decision has been made by the ARB.

It is recommended that Government Management Committee approve the recommended taxes as identified in columns "Apportioned Tax" and "Apportioned Phase In/Capping" for the properties listed in Appendices A and B.

CONTACTS:

Giuliana Carbone, Director, Revenue Services, (416) 392-8065, Fax (416) 696-3778,
E-mail gcarbone@toronto.ca

SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

- Appendix A: Apportionment Report – Treasurer Initiated Tax Apportionments (October 10, 2007)
- Appendix B: Apportionment Report – Taxpayer Initiated Tax Apportionments (October 10, 2007)