



**STAFF REPORT
INFORMATION ONLY with
Confidential Attachment**

**Largest Property Tax Debtors with Tax Arrears Greater
than \$500,000 as at December 31, 2007**

Date:	April 1, 2008
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reason for Confidential Information:	This report deals with personal matters about an identifiable individual.
Reference Number:	P:\2008\Internal Services\Rev\gm08009rev (AFS#6815)

SUMMARY

To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at December 31, 2007.

This report contains three attachments:

- a) Attachment 1 is public information, and lists properties owned by a corporation with tax arrears of \$500,000 or more;
- b) Attachment 2 is confidential, and lists properties owned by individuals with tax arrears of \$500,000 or more. The *Municipal Freedom of Information and Protection of Privacy Act* prevents the public disclosure of the information contained in Attachment 2; and,
- c) Attachment 3 identifies the tax receivable as at December 31, 2007.

The confidential information contained in Attachment 2 must remain confidential, as it relates to personal information about identifiable individual(s), and as such may not be disclosed under the provisions of the *Municipal Freedom of Information and Protection of Privacy Act*.

Financial Impact

There are no financial implications arising from this report.

DECISION HISTORY

In accordance with previous Council directives, the Treasurer reports to Government Management Committee twice a year identifying properties with tax arrears of \$500,000 or more, the assessed property owner, what efforts have been made to collect the tax arrears, and whether a bailiff has been used in collection efforts. For those properties that are owned by an individual (as opposed to a corporation) the listing is submitted *in camera* in accordance with privacy legislation.

To view these previous Council decisions and reports online please follow the links below:

<http://www.toronto.ca/legdocs/2000/agendas/council/cc/cc001003/adm19rpt/cl002.pdf>

<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/adm9rpt/cl034.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/gm/reports/2007-04-12-gm03-cr.pdf>

In addition, Council has previously approved procedures to be followed in cases where properties with tax arrears are known or suspected to be affected by environmental contamination, including the registration of a Tax Arrears Certificate against title to the property. To view this report online, please follow the link:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060131/adm1rpt/cl018.pdf>

ISSUE BACKGROUND

Outstanding taxes receivable continue to be monitored and acted upon in a timely manner. The largest debtor accounts continue to be a priority for collection action.

Given that realty taxes form a first priority lien on the property, the City's tax receivables are secure with little or no risk of loss. The Revenue Services Division uses both internal collection procedures (e.g., the mailing of overdue notices, telephone contact and ultimately the municipal tax sale process) and bailiffs to collect on property taxes owing. In addition, the City charges 15% interest per year on overdue taxes. Penalties are applied at a rate of 1.25% on the first day of default and at the beginning of every month thereafter.

The use of the municipal tax sale proceedings, as prescribed in the *City of Toronto Act, 2006*, is a very effective and proven tool in the collection of outstanding property taxes, including all accumulated penalty/interest and costs. Once property taxes are three years or more in arrears, a municipality may register a tax arrears certificate on title to the property. The debtor has one year from the date of registration of a tax arrears certificate to pay the cancellation price (the total of all unpaid taxes, all accrued penalties/interest and any costs incurred by the municipality related to the property). Failing payment

within that one year period, or the entering into of an extension agreement, the Treasurer is required to proceed to a sale of the property through a public auction or public tender.

COMMENTS

Attachment 1 to this report provides a list of properties owned by corporations with outstanding taxes of \$500,000 or more as at December 31, 2007. Attachment 2 (confidential information) provides a similar listing of properties owned by individuals with outstanding taxes of \$500,000 or more as at December 31, 2007.

In total, there are 24 properties with a tax receivable balance of \$500,000 or more, representing total receivables of approximately \$30.0 million:

- 23 properties owned by corporations, with a total receivable balance of approximately \$29.2 million; and,
- 1 property owned by an individual, with total accounts receivable of approximately \$0.8 million.

The 24 properties include:

- Four (4) contaminated properties with tax receivables totalling approximately \$8.0 million (not including one City-owned property, and including one property owned by an individual). Of these four, one property has arrangements approved by Council that include environmental clean-up and payment arrangements. Of the remaining three contaminated properties, all have a Tax Arrears Certificate registered against the title to the property, in accordance with procedures previously approved by Council.
- One (1) property owned by TEDCO at 242 Cherry Street is contaminated, and TEDCO continues to make payments for current installments, but these are applied against the oldest outstanding receivables (approximately \$1.5 million in total). Assessment appeals are pending for the 2003-2007 taxation years, and once resolved, are expected to reduce or eliminate arrears from earlier years.
- Four (4) properties (approximately \$4.7 million) are owned by the City, City agencies or affiliated corporations. Revenue Services staff are working with other City divisional staff representatives to resolve the outstanding taxes, and in one case (495 Sherbourne St), a report to Government Management Committee in April 2008 will recommend the write-off of approximately \$1.6 million in taxes/interest, as the property was incorrectly assessed as taxable, rather than exempt.
- Five (5) properties with approximately \$5.3 million in outstanding taxes/interest were billed to tenants of federally owned crown corporations. Three (3) properties are the subject of pending appeals before the Assessment Review Board, and have proposed minutes of settlement that are expected to remove all

taxes billed to the tenants. One (1) property is under long term lease to the Toronto Convention Centre, and will likely be determined to be exempt from taxation. Based on information received, the tenant on the remaining federally owned crown corporation is bankrupt, but staff continue to attempt to collect outstanding taxes from the Crown corporation that occupies the property (CBC property at 39 John St.).

- Three (3) properties with a combined balance of approximately \$4.7 million represent only 2007 taxes or supplementary/omitted taxes that were billed in 2007. One of these properties has paid (in February and March of 2008) a large portion of the arrears that existed at year-end 2007, one has payment arrangements in place that will see all arrears paid by September 2008, and in the case of 101 College St (MaRS Discovery building), pending assessment appeals are expected to eliminate the arrears dating back to 2005.
- The seven (7) remaining properties have an approximate outstanding balance of \$5.8 million, including one property owned by an individual. Tax Arrears Certificates have already been registered on title to five of these properties. Three of the above accounts are for various commercial condominium units for a single property (222 Spadina Ave.), with combined arrears totalling \$2.0 million. Of the remaining two properties, one property is the subject of an on-going court proceeding seeking tax relief for a portion of the building, and the remaining property also has pending assessment appeals citing a gross or manifest error that may result in the taxes being significantly reduced.

Table 1, below, compares the outstanding receivables associated with the largest debtors from December 31, 2000 to December 31, 2007.

Table 1: Tax Debtors Greater than \$500,000

As at December 31:	Outstanding Tax Account Receivables	Number of Accounts
2000	\$69.8 million	45
2001	\$43.3 million	36
2002	\$42.1 million	31
2003	\$26.8 million	22
2004	\$25.5 million	22
2005	\$24.5 million	23
2006	\$24.4 million	21
2007	\$30.0 million	24

In aggregate, the December 31, 2007 tax receivable for the City's largest tax debtors has decreased by \$39.8 million when compared to the first report presented to Council in December 31, 2000.

The increase in the outstanding receivable from \$24.4 million in 2006 to \$30 in 2007 reflects the fact that 16 properties that appeared on previous lists would have accumulated further tax arrears and interest since 2006. Many of the properties currently on the list either have tax arrears certificates registered on title (with tax sales potentially occurring in 2008), or pending assessment appeals or court proceedings that are expected to reduce or eliminate the outstanding taxes.

With respect to confidential Attachment 2, Corporate Access & Privacy has advised that the name of an individual property owner, together with their mailing address and the amount of tax arrears, constitutes personal and financial information of the affected individual, as defined under the *Municipal Freedom of Information & Protection of Privacy Act*. Personal information is subject to the privacy provisions of that *Act* and, accordingly, the name of individual property owners and their mailing addresses may not be disclosed. Attachment 2 provides the assessed addresses of individual property owners, together with the amount of the tax arrears.

Outstanding tax receivables will continue to be monitored and acted upon in a timely manner. The largest debtor accounts continue to be a priority for collection.

Taxes Receivable as at December 31, 2007

The City bills approximately \$5.0 billion in property taxes for municipal and school purposes each year, of which approximately \$3.2 billion is for municipal purposes. Most property owners pay their taxes on time, with approximately 96% of the total taxes levied each year being paid within the year the taxes are billed.

Attachment 3, attached, identifies outstanding tax receivables as at December 31, 2007 with a comparison to tax years 2003 to 2006 inclusive.

The outstanding tax receivables as at December 31, 2007 was \$204.9 million, representing a decrease of \$7.4 million (or 3.5%) as compared to December 31, 2006 and a decrease of \$25.4 million (or 11.0 %) as compared to December 31, 2003.

Excluding the outstanding water charges added to the tax rolls for collection purposes, the outstanding tax receivable as at December 31, 2007 was \$194.8 million. This represents a decrease of \$6.7 million (or 3.3%) as compared to 2006; and, a decrease of \$35.0 million (or 15.2%) as compared to 2003.

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

Attachment 1:
Properties with Tax Arrears Greater than \$500,000 - Owned by a Corporation

Confidential Attachment 2:
Properties with Tax Arrears Greater than \$500,000 - Owned by an Individual

Attachment 3:
Summary of Tax Receivables as at December 31, 2007 Compared to December 31 Tax Receivables for Years 2003 - 2006