



**STAFF REPORT  
INFORMATION ONLY  
With Confidential Attachment**

**Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at June 30, 2008**

<b>Date:</b>	August 26, 2008
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reason for Confidential Information:</b>	This report deals with personal matters about an identifiable individual.
<b>Reference Number:</b>	P:\2008\Internal Services\Rev\gm08019rev (AFS#8168)

**SUMMARY**

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To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at June 30, 2008.

This report contains two 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.

The confidential information contained in Attachment 2 should 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.

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

## **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 June 30, 2008. Attachment 2 (confidential information) provides a similar listing of properties owned by individuals with outstanding taxes of \$500,000 or more as at June 30, 2008.

In total, there are 21 properties with a tax receivable balance of \$500,000 or more, representing total receivables of approximately \$26.8 million:

- 20 properties owned by corporations, with a total receivable balance of approximately \$26 million; and,
- 1 property is owned by an individual, with total accounts receivable of approximately \$0.8 million.

The 21 properties include:

- Three (3) contaminated properties with tax receivables totalling approximately \$5.3 million (not including one City-owned property, and including one property owned by an individual). Of these three, one property has arrangements approved by Council that include environmental clean-up and payment arrangements. The remaining two contaminated properties have a Tax Arrears Certificate registered against the title to the property.
- One (1) property owned by TEDCO at 242 Cherry Street is contaminated, and TEDCO continues to make payments for current instalments; however, these payments are applied against the oldest outstanding receivable in accordance with provincial legislation. Assessment appeals are pending for the 2003 to 2007 taxation years, and once resolved are expected to reduce or eliminate arrears from earlier years.
- Three (3) properties include approximately 2.8 million in outstanding 2008 interim taxes and penalties only. One property paid their outstanding taxes in full in August 2008. One property has payment arrangements in place with the property owner to achieve full payment of the 2008 taxes by year end. For one property, Revenue Services staff mailed an over-due letter in an attempt to recover the outstanding balance.

- Six (6) properties with approximately \$6.1 million in outstanding taxes/interest were billed to tenants of federally owned crown corporations. Three 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 property is under long term lease to the Toronto Convention Centre, and will likely be converted to 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.).
- The eight (8) remaining properties have an approximate outstanding balance of \$10.8 million. Tax Arrears Certificates have already been registered on title to four of these properties. One account is currently with a bailiff. One property is the subject of an on-going court proceeding seeking tax relief for a portion of the building. One property has pending assessment appeals citing a gross or manifest error that may result in the taxes being significantly reduced. In the case of 101 College Street (MaRS Discovery building), pending assessment appeals are expected to significantly reduce the arrears dating back to 2005.

Table 1, below, compares the outstanding receivables associated with the largest debtors from June 30, 2000 to June 30, 2008.

**Chart 1: Tax Debtors Greater than \$500,000**

<b>As at June 30:</b>	<b>Outstanding Tax Account Receivables</b>	<b>Number of Accounts</b>
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	\$26.7 million	24
2008	\$26.8 million	21

In aggregate, the June 30, 2008 tax receivable for the City's largest tax debtors has decreased by \$43.0 million when compared to the report presented to Council in June 30, 2000.

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.

## **CONTACT**

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## **SIGNATURE**

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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