

Write-off of Property Taxes on City-owned Parks Properties

Date:	February 23, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	5, 8, 9, 11, 12, 15, 19, 22, 23, 24, 26, 27, 31, 34, 37, 39, 40, 42, 44
Reference Number:	P:\2010\Internal Services\rev\gm10006rev (AFS 11452)

SUMMARY

This report recommends the write-off of property taxes for 45 properties that are owned by the City of Toronto and used for parks purposes. Despite the fact that these properties were owned by the City and used for parks purposes for various periods of time between 1995 and 2009, the properties continued to be returned on the assessment roll as subject to taxation, while they should have correctly been classified as exempt from taxation. It is recommended that the property taxes, interest and fees that accrued during these periods be deemed uncollectible and written off.

RECOMMENDATIONS

The Treasurer recommends that:

1. Property taxes, fees and interest as set out in Table 1 to this report representing a total estimated amount of \$1.65 million as at February 28, 2010, be deemed uncollectible and written off; and
2. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

As of February 28, 2010, the amount of outstanding property taxes, fees and interest for the 45 Parks properties that have accumulated during the period from 1995 to 2009 is \$1,650,996. This amount includes unpaid property taxes, interest and penalty charges and certain administrative fees associated with tax statements. This amount, and any

other interest/penalty that will accumulate on the account pending the finalization of the process, is recommended to be written off.

Of the total amount recommended for write off, \$1,235,698 represents the City share of taxes, and includes interest charges and fees of \$720,356 and municipal taxes of \$515,342. The write-off of the municipal portion of taxes of \$515,342 will be funded from the City's Non-Program Tax Deficiency account, while the accrued interest/penalty and fees totalling \$720,356 will be funded from the Non-Program Tax Penalties account. The education portion of the amount to be written off totalling \$415,297 will be fully recovered from the school boards/province following the write-off. The amounts to be written off are summarized by taxation year in Table 1 below.

Table 1: Amounts Recommended for Write Off
Taxes and Accrued Interest (as at February 28, 2010)

Year	Municipal Taxes	Accrued Interest and Fees	Total City Portion (Mun. Taxes + Interest and Fees)	Education Taxes	Total
1995	\$2,408	\$13,973	\$16,381	\$2,608	\$18,989
1998	\$1,642	\$5,710	\$7,352	\$1,637	\$8,989
1999	\$10,650	\$19,355	\$30,005	\$6,736	\$36,741
2000	\$11,518	\$18,899	\$30,417	\$6,777	\$37,194
2001	\$28,866	\$50,330	\$79,196	\$15,469	\$94,665
2002	\$61,587	\$93,166	\$154,753	\$31,003	\$185,756
2003	\$78,400	\$117,023	\$195,423	\$40,004	\$235,429
2004	\$29,130	\$124,445	\$153,575	\$111,908	\$265,483
2005	\$165,684	\$204,683	\$370,367	\$127,151	\$497,518
2006	\$30,299	\$25,623	\$55,922	\$14,111	\$70,032
2007	\$29,736	\$18,301	\$48,037	\$13,332	\$61,369
2008	\$62,425	\$28,113	\$90,538	\$43,308	\$133,846
2009	\$2,997	\$735	\$3,732	\$1,253	\$4,985
Total	\$515,342	\$720,356	\$1,235,698	\$415,297	\$1,650,996

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

ISSUE BACKGROUND

Pursuant to paragraph 9 of section 3(1) of the *Assessment Act*, land owned by municipalities is exempt from property taxation unless it is occupied by a tenant who would be taxable if the tenant owned the land. As such, parkland that is owned by the City and used for parks purposes should be classified as exempt from taxation. The tax classification for a property is determined by the Municipal Property Assessment Corporation (MPAC), and is identified to the municipality by way of the returned assessment roll that is supplied each year by MPAC. The City is legislatively required to levy taxes on the basis of the assessed value and the tax classification provided by MPAC.

COMMENTS

The *Assessment Act* provides that land owned and occupied by a municipality is exempt from taxation. As such, parkland that is owned by the City and used for parks purposes should be classified as exempt from taxation. Where any portion of park lands are occupied by a tenant that would normally be taxable, then such tenanted portions become liable to taxation.

This report identifies 45 properties administered by Parks, Forestry and Recreation Division that are owned by the City and used for parks purposes which have unpaid property tax balances. The outstanding property taxes relate to various years from the period between 1995 and 2009. Attachment 1 to this report provides a listing of these properties, identifying the property location/address, the assessment roll number, and the current outstanding property tax balance.

The Parks, Forestry and Recreation Division has confirmed that all of the properties identified in Attachment 1 were owned by the City of Toronto and used for parks purposes during the periods for which taxes were levied. As such, these properties should have been classified by the Municipal Property Assessment Corporation (MPAC) as exempt from taxation on the returned assessment roll for these years, under the *Assessment Act's* provisions for exemptions. Unfortunately, these properties continued to be returned by MPAC on the assessment roll as subject to taxation, and the error in tax classification remained undetected in some cases for a number of years, despite the fact that property tax bills would have continued to be issued and mailed to a City division for payment during these periods. This has resulted in the accumulation of unpaid property taxes, interest, penalties and fees totalling approximately \$1.65 million as at February 28, 2010.

The reasons that these properties continued to be returned as taxable are unclear. It is possible that MPAC may have been unaware that these properties had been acquired by the City for parks purposes, and therefore failed to change the tax classification to reflect the City's ownership. It is also possible that the City failed to notify MPAC of the change in ownership, or to make an application for a property tax exemption on a timely basis, due to a lack of a structured process and/or gaps in documentation for administering properties that were acquired for parks purposes.

Staff of Parks, Forestry & Recreation Division have undertaken an aggressive process to review and administer the property taxes for all parks owned properties, including making the required applications to MPAC to reclassify these properties as exempt from taxation. This process has resulted in successfully securing a property tax exemption for these properties, with the result that all of the existing parcels have been returned by MPAC as exempt from taxation for the 2010 taxation year. Permanent staffing resources have been put in place and processes have now been developed to prevent similar errors from occurring in the future. This process also resulted in the identification of the outstanding arrears on the 45 properties listed in Attachment 1. This report recommends that these amounts be deemed uncollectible and written off.

Under the *City of Toronto Act, 2006*, Council may, on the recommendation of the Treasurer, write off taxes that are deemed uncollectible. The Act also provides that taxes can be written off without first conducting a sale of land for tax arrears if the property is owned by a municipality, and where the recommendation of the treasurer includes a written explanation as to why conducting a tax sale would be ineffective or inappropriate.

In this case, it would not be appropriate to conduct a tax sale, because the City already owns the properties listed in the report, and has no intention of divesting itself of lands owned and used for parks purposes, but also because the tax arrears stem from the properties being incorrectly assessed as taxable during the period for which the taxes were levied. Accordingly, the Treasurer recommends that the property taxes, and accumulated penalty, interest and fees as shown in Table 1 be deemed uncollectible and written off.

This report has been prepared in consultation with Parks, Forestry & Recreation staff.

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SIGNATURE

Giuliana Carbone
Treasurer

Attachment 1: Property Taxes, Interest, Penalties and Fees Recommended for Write Off:
Properties Administered by Parks Forestry and Recreation Division
(at February 28, 2010)

**Attachment 1: Property Taxes, Interest, Penalties and Fees Recommended for Write Off:
Properties Administered by Parks Forestry and Recreation Division (at February 28, 2010)**

Assessment Roll Number	Political Ward	Description	Location	Amount to be written-off
1919-01-7-080-000100	5	Dalesford Park	107 Wesley St	\$4,345
1908-03-3-340-04500	8	Dan Ianuzzi Park	75 Delabo Dr	\$1,491
1908-03-1-120-00126	9	Park at Gilley Rd/Keswick Rd	55 Keswick Rd	\$457
1908-03-2-760-00101	9	Sunfield Parkette	1515 Sheppard Ave W	\$1,056
1908-03-2-770-00505	9	Sunfield Parkette	144 Sunfield Rd	\$11,315
1914-06-2-182-03250	11	James Trimbee Park	Richwood St	\$98,316
1914-07-1-401-03400	11	Part of Rockcliffe Yard – vacant land	Symes W/S Rd	\$82,699
1908-02-2-059-00100	12	Trethewey Park	Platinum Dr	\$177,039
1914-03-2-130-01600	15	Walter Saunders Park (invalid roll #)	Hopewell Ave N/S	\$495
1904-04-1-250-02040	19	Gateway Park	Wstrn Battery Rd W/S	\$5,009
1904-04-1-260-00051	19	Massey Harris Park	King St W S/S	\$340,100
1904-11-2-300-00060	22	Kay Gardens	273 Forest Hill Rd N/S	\$59,979
1908-09-2-070-01400	23	Vacant Land	285 Greenfield Ave	\$26,762
1908-09-3-130-05500	23	Vacant Land	44 Parkview Ave	\$14,997
1908-09-3-490-00200	23	Vacant Land	5575 Yonge St	\$79,855
1908-11-4-232-06058	24	Bowan Court Park	12 Bowan Crt	\$38,394
1908-10-1-220-03000	26	Ferrand Drive Park	Rochefort Dr N/S	\$87,090
1914-07-2-330-02600	27	Part of Dalrymple Park (invalid roll #)	Gray Ave W/S	\$18,989
1906-01-4-240-00850	31	O'Connor Village Parkette	1570 O'Connor Dr	\$52,201
1908-10-1-260-01100	34	Greenbelt Park	Dallmore Cir	\$98,319
1901-04-3-650-00201	37	West Birkdale Park	514 Midwest Rd	\$16,941
1901-09-2-101-04350	39	Birchcrest Park	89 Beverly Glen Blvd	\$27,737
1901-09-2-101-05710	39	Birchcrest Park	Birchcrest Crt. N/S	\$25,034
1901-10-4-101-04350	39	Birchcrest Park	89 Beverly Glen Blvd	\$7,100
1901-10-4-126-06700	39	Candlebrook Park	13 Candlebrook Cres	\$9,966
1901-11-3-273-03600	39	Kennedy/Purcell Parkette	115 Sanwood Blvd	\$16,680
1901-10-1-230-09600	40	Vradenberg Park	120 Highhill Dr	\$15,235
1901-10-1-300-04200	40	Vradenberg Park	Ashglen Crt N/S	\$25,708
1901-10-2-068-02000	40	Creek along Road	13 Bridletowne Cir	\$6,175
1901-10-2-250-05700	40	Bridlewood Park	471 Huntingwood Dr	\$53,094
1901-10-3-185-06000	40	Collingsbrook Park	79 Pinemeadow Blvd	\$73,891
1901-12-5-208-01700	42	Pinery Park	Pinery Trail W/S	\$12,263
1901-12-5-208-13500	42	Pinery Park	Pinery Trail W/S	\$16,002
1901-12-5-208-14000	42	Pinery Park	Tapscott Rd S N	\$45,084
1901-12-5-212-02000	42	Telfer Park	Telfer Gdns W/S	\$45,419
1901-12-6-330-00903	42	Misty Hill Park-Parkland	Old Finch Ave N/S	\$1,363
1901-12-6-400-00502	42	Staines Parkette	Staines Rd W/S	\$24,527
1901-12-6-400-07439	42	Starry Park	Staines Rd N/S	\$3,304
1901-12-6-400-07563	42	Starry Park	505 Staines Rd	\$7,535
1901-12-6-400-07653	42	Starry Park	Passmore Ave S/S	\$1,050
1901-12-6-400-07665	42	Starry Park	Passmore Ave N/S	\$723
1901-09-2-304-00304	44	Asterfield & Megan Park	Asterfield Dr. E/S	\$8,178
1901-09-3-200-03760	44	Adams Park part of	Rozell Rd N/S	\$709
1901-09-3-200-03764	44	Adams Park part of	Port Union Rd	\$709
1901-09-6-018-01600	44	Greenbelt Land	Bridgend St	\$7,661
Total				\$1,650,996