



STAFF REPORT INFORMATION ONLY

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2009

Date:	April 14, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\rev\gm10009rev (AFS 11387)

SUMMARY

To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at December 31, 2009, and to report on the total outstanding tax receivables as at December 31, 2009.

This report contains two attachments - Attachment 1 lists properties with tax arrears of \$500,000 or more, and Attachment 2 identifies the tax receivables as at December 31, 2009.

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 providing a list of properties with tax arrears of \$500,000 or more. The list identifies the assessed property owner, the efforts that 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, 2009. In total, there are 32 properties with a tax receivable balance of \$500,000 or more, representing combined total receivables of approximately \$33.6 million. The 32 properties include:

- Nine (9) properties, with tax receivables totalling approximately \$7.8 million, have had the outstanding taxes paid in full since the time this list was compiled at December 31, 2009. One (1) property, with \$0.8 million in receivables, submitted a payment in January 2010 covering 98% of the arrears.

- Two (2) contaminated properties with tax receivables totalling approximately \$5.1 million (not including one City-owned property). Of these two, one (1) property has arrangements approved by Council that include environmental clean-up and payment arrangements. In the fall of 2008, one of these properties was advertised for tax sale; however, there were no qualified tenders submitted. Real Estate staff are working with Legal and Revenue Services to assess the situation and report to Committee and Council with its recommendations.
- Two (2) properties owned by TEDCO (now known as Toronto Port Lands Company (TPLC)), with tax receivables totalling approximately \$1.9 million:
 - 242 Cherry Street property is contaminated. Up until March 2008 TPCL had made payments in amounts equivalent to the current year's payment instalments; however, in accordance with legislative requirements, any payments received must be applied to the oldest outstanding tax receivables. Earlier assessment appeals for the 2003-2006 taxation years were withdrawn in March 2010, however, appeals remain pending for the 2007 and 2009 taxation years, which, once resolved, are expected to reduce the outstanding arrears.
 - 75 Commissioner Street property has all pending appeals resolved and TPCL has been advised of the outstanding balance.
- Five (5) properties with approximately \$5.1 million in outstanding taxes/interest were billed to tenants of federally or provincially owned crown corporations:
 - One (1) property is the subject of pending appeals before the Assessment Review Board, and has 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.
 - One (1) property has a pending assessment appeal that may convert the property to exempt, thus cancelling the outstanding balance.
 - For the remaining two (2) properties, Revenue Services staff are working with other City divisional staff representatives to resolve the outstanding taxes.
- Four (4) properties, with tax receivables totalling approximately \$3.4 million, have suitable payment arrangements in place.
- The nine (9) remaining properties have an approximate outstanding balance of \$8.7 million:
 - One (1) has a Tax Arrears Certificate registered against the title.
 - Three (3) of the above accounts are for various commercial condominium units for a single property (222 Spadina Avenue), which have previously been the subject of unsuccessful tax sales.

- One (1) property is the subject of an on-going court proceeding seeking tax relief for a portion of the building.
- Two (2) properties are currently with the bailiff.
- One (1) has been re-developed into a residential condominium, and is pending the apportionment of unpaid taxes to the newly created parcels / assessment roll numbers.
- One (1) property may be subject to a pending credit balance transfer from another tax account that may cancel the outstanding balance.

Table 1, below, compares the outstanding receivables associated with the largest debtors from December 31, 2000 to December 31, 2009.

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
2008	\$20.2 million	18
2009	\$33.6 million	32

In aggregate, the December 31, 2009 tax receivable for the City's largest tax debtors has decreased by \$36.2 million when compared to the first report presented to Council in December 31, 2000. Although the number of accounts with outstanding tax receivables of \$500,000 or more has increased from December 2008 to December 2009 from 18 properties to 32, and receivables have also increased by \$13.4 million, these totals have been reduced since December 31, 2009 to the date of this report. A total of \$12.7 million of the 2009 outstanding amount recorded above, comprising 14 properties, has been either paid in full or substantially paid, or adjustments processed to eliminate outstanding balances, or suitable payment arrangements have been approved to secure payment.

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, 2009

The City bills approximately \$5.4 billion in property taxes for municipal and school purposes each year, of which approximately \$3.4 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 2 identifies the outstanding tax receivables as at December 31, 2009 (unaudited) with comparable tax receivables for tax years 2005 to 2008 inclusive.

As a result of the continued decline in economic conditions experienced in 2009, the outstanding tax receivables as at December 31, 2009 was \$263.3 million, representing an increase of \$44.1 million (or 20.1%) as compared to December 31, 2008. Attachment 2 shows that the increase from December 2008 to December 2009 for non-residential properties (commercial, industrial and multi-residential) was approximately \$27.0 million, or 25.3%, while the increase over the same period for residential properties was \$17.1 million, or a 15.2% increase over 2008.

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SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000 as at December 31, 2009

Attachment 2: Summary of Tax Receivables as at December 31, 2009, Compared to December 31 Tax Receivables for Years 2006 - 2008