



STAFF REPORT ACTION REQUIRED

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at June 30, 2010

Date:	July 29, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\rev\gm10025rev (AFS 12474)

SUMMARY

To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at June 30, 2010.

RECOMMENDATIONS

The Treasurer recommends that:

1. This report be received for information.

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 and Council's approval, please follow the links below:

<http://www.toronto.ca/legdocs/2006/agendas/committees/adm/adm060105/it007.pdf>
<http://www.toronto.ca/legdocs/2006/agendas/council/cc060329/cl001.pdf> (page 64)

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 property 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 proven and effective tool in the collection of outstanding property taxes. 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 full 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, 2010. In total, there are 20 properties with a tax receivable balance of \$500,000 or more, representing combined total receivables of approximately \$25.4 million. The 20 properties include:

- Three (3) properties owned by Toronto Port Lands Company (TPLC), formerly Toronto Economic Development Corporation (TEDCO), with tax receivables totalling approximately \$2.5 million. The 242 Cherry Street property is suspected to be affected by environmental contamination. Earlier assessment appeals for the

2003-2006 taxation years were withdrawn in March 2010, however, the application of a tax adjustment previously approved by Council and the resolution of appeals which remain pending for the 2007, 2009 and 2010 taxation years are expected to reduce the outstanding arrears. The 75 Commissioner Street property has had all pending appeals resolved and TPLC has been advised of the outstanding balance, with a request that these amounts be paid. The 260 Eighth Street property is owned by Arrowhead New Toronto East Inc, a subsidiary of TPLC. Assessment appeals for taxation years 2007 through 2010 remain pending before the Assessment Review Board, and once heard, are expected to reduce the taxes payable.

- Four (4) properties with approximately \$4.7 million in outstanding taxes/interest were billed to tenants of federally or provincially owned crown corporations. One (1) provincially-owned property is leased to the City of Toronto (Parks, Forestry and Recreation Division), and is sub-leased to a commercial tenant. This property is the subject of pending appeals for the 2006 to 2008 taxation years scheduled to be heard before the Assessment Review Board in July 2010. It is expected that the appeals will result in the property being made exempt from taxation, but subject to a commercial payment in lieu of tax, as it was prior to 2006, which will restore the former capping treatment and reduce the outstanding taxes payable. Once resolved, it is expected that the entire amount owing will be paid. Revenue Services staff are working with other City divisional staff representatives to resolve the outstanding taxes on three (3) properties (1133 Sheppard Avenue West, 39 John Street and 39 John Street, Ground).
- Two (2) properties have suitable payments in place with tax receivables totalling approximately \$2.5 million.
- Eight (8) properties have an approximate outstanding balance of \$8.0 million. One (1) has a Tax Arrears Certificate registered against the title. One (1) has a Tax Arrears Certificate in the process of being registered against the title. Three (3) are various commercial condominium units located at 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. One (1) is pending assessment appeals and the apportionment of unpaid taxes to other assessment roll numbers; and one (1) property was mailed a Final Notice on June 30, 2010, advising that the account is pending issuance to a bailiff for collection.
- The remaining three (3) properties are suspected to be affected by environmental contamination with tax receivables totalling approximately \$7.6 million (not including one City-owned property). Of these three, one property has arrangements approved by Council that include environmental clean-up and payment arrangements. Two of these properties were previously offered for sale by public tender through the municipal tax sale process, however, in both cases, there were no qualified tenders submitted for either property, and the tax sale process was unsuccessful.

Unsuccessful Tax Sales

Where a tax sale (sale of land by public tender) has been held, and where there are no suitable tenders submitted, i.e., there are no acceptable bids that meet or exceed the minimum bid amount (the “cancellation price” that includes all tax arrears, interest, penalties, fees and costs arising from the tax sale process), the tax sale is deemed to be unsuccessful.

Following an unsuccessful tax sale, the *City of Toronto Act, 2006* provides that the City may vest ownership of the property in the name of the municipality at any time within the two-year period following the date of the unsuccessful tax sale. The City may also write off the taxes following an unsuccessful tax sale, whether or not it elects to vest the property in the name of the municipality. If the City does not vest ownership of the property within that two-year period, the tax sale process is cancelled and title to the property remains in the original owner's name.

In 2006, Council adopted processes to be followed in cases where properties with tax arrears are known or suspected to be affected by environmental contamination (see *Decision History* section for the link to Council’s approval of the staff report). These procedures provide that Council authority is required to vest a property in the name of the City following an unsuccessful tax sale where the subject property is either a condominium unit, or known or suspected to be affected by environmental contamination. Council has delegated authority to the Deputy City Manager and Chief Financial Officer or his designate to vest a property in the City’s name following an unsuccessful tax sale in cases where the property is not a condominium, and information reports undertaken by City staff or environmental consultants indicate that the property has no apparent environmental conditions.

Summary of Tax Receivables for Largest Debtors

Table 1, below, compares the outstanding receivables associated with the largest debtors from June 30, 2000 to June 30, 2010.

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

As at June 30:	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	\$26.7 million	24
2008	\$26.8 million	21
2009	\$24.1 million	21
2010	\$25.4 million	20

In aggregate, the June 30, 2010 tax receivable for the City's largest tax debtors has decreased by \$44.4 million when compared to the report presented to Council in June 30, 2000. Although the number of properties on the list has decreased from 21 in June 30 of 2009 to 20 in June of 2010, the total outstanding receivable has increased from \$24.1 million to \$25.4 million. This increase is largely attributable to a further year of tax levies that have been added to the largest debtor accounts that remain unpaid, and the additional interest charges that are accumulating on the largest outstanding amounts (primarily properties that are suspected to be affected by environmental contamination), where no payments are being received.

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.

CONTACTS

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SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000 as at June 30, 2010