



STAFF REPORT ACTION REQUIRED

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at June 30, 2011

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|--------------------------|--|
| Date: | September 1, 2011 |
| To: | Government Management Committee |
| From: | Treasurer |
| Wards: | All |
| Reference Number: | P:\2011\Internal Services\rev\gm11015rev (AFS 12589) |

SUMMARY

To provide information on property tax accounts with outstanding receivables of \$500,000 or more as at June 30, 2011. This report contains one attachment - Attachment 1 lists properties with tax arrears of \$500,000 or more.

RECOMMENDATIONS

The Treasurer recommends that:

1. Government Management Committee receive this report 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 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 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 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, 2011. In total, there are 18 properties with a tax receivable balance of \$500,000 or more, representing combined total receivables of approximately \$23.0 million. The 18 properties include:

- Four (4) properties with approximately \$5.2 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. Revenue Services staff are working with other City divisional staff representatives to resolve the outstanding taxes on three properties (1133 Sheppard Avenue West, 39 John Street and 39 John Street, Ground).

- One (1) property that is owned by the City of Toronto with tax receivables totalling approximately \$0.5 million has pending tax exemption appeals.
- One (1) property with tax receivables totalling approximately \$0.6 million as a result of Omit bills with due dates in February/March 2011.
- Three (3) properties with tax receivables totalling approximately \$2.6 million have either suitable payment arrangements in place or taxes that have been eliminated by exemption appeals.
- Six (6) properties have an approximate outstanding balance of \$5.8 million. Two (2) have 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) 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. In consultation with Legal Services, it has been determined that acquiring title on these properties would not be in the best financial interest of the City (e.g. maintenance fees, etc). New Tax Arrears Certificates have been registered on all three properties in hopes that future tax sale will be successful.
- The remaining three (3) properties are environmentally contaminated lands with tax receivables totalling approximately \$8.3 million. Of these three, one property has arrangements approved by Council that include environmental clean-up and payment arrangements. Two of these properties were included in a “Sale of Land by Public Tender”; however, there were no qualified tenders submitted for either property and therefore deemed as "Unsuccessful Tax Sales". Both properties have a new Tax Arrears Certificate registered against the title.

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 |
| 2011 | \$23.0 million | 18 |

In aggregate, the June 30, 2011 tax receivable for the City's largest tax debtors has decreased by \$46.8 million when compared to the report presented to Council in June 30, 2000.

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

Giuliana Carbone
 Treasurer

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000 as at June 30, 2011