



STAFF REPORT ACTION REQUIRED

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2011

Date:	March 12, 2012
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2012\Internal Services\rev\gm12007rev (AFS15186)

SUMMARY

This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as of December 31, 2011, and on the total outstanding tax receivables as at December 31, 2011.

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 Council decisions, the Treasurer reports to Government Management Committee twice a year providing a list of properties with tax arrears greater than \$500,000. The list identifies the assessed property owner, the efforts that have been made to collect the unpaid taxes, 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 approved procedures in cases where properties with unpaid taxes 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 property tax receivables 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 unpaid property taxes. 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 unpaid property taxes. Once 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 tax arrears of \$500,000 or more as at December 31, 2011. There are 18 properties with a tax receivable balance of \$500,000 or more, totalling approximately \$23.1 million.

- Five (5) properties with approximately \$5.9 million in unpaid taxes and associated interest were billed to tenants of federally owned crown corporations. Revenue Services staff are working with Legal Services Division to resolve the outstanding taxes on these properties (1133 Sheppard Avenue West, 75 Sheppard Avenue West, 39 John Street - Ground Floor, 25 St. Clair Avenue East and 1 Queens Quay West).
- Two (2) properties, with unpaid taxes of approximately \$1.6 million, have suitable payment arrangements in place.
- Three (3) properties that are known or suspected to be affected by environmental contamination, with unpaid taxes totalling approximately \$8.6 million:
 - One (1) property is the subject of an agreement approved by Council that includes environmental clean-up and payment arrangements;
 - Two (2) properties were both offered for sale in a “Sale of Land by Public Tender” in the latter half of 2008, however, there were no successful tenders submitted. At the end of the two year vesting period, these properties were not vested with the City due to environmental concerns. The City has since registered new Tax Arrears Certificates against title to both properties.
- The eight (8) remaining properties have unpaid taxes of approximately \$7.0 million:
 - Three (3) properties have Tax Arrears Certificates registered against title;
 - Four (4) properties are for various commercial condominium units located at 222 Spadina Avenue, three of which have previously been the subject of unsuccessful tax sales. Tax Arrears Certificates have been registered against the title of all four (4) properties.
 - One (1) property is the subject of an on-going court proceeding seeking tax relief for a portion of the building.

Table 1, below, contrasts the outstanding tax receivables of the largest debtors for the period from December 31, 2000 to December 31, 2011.

Table 1: Tax Debtors Greater than \$500,000 – 2000 to 2011

As of 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
2010	\$26.5 million	22
2011	\$23.1 million	18

In aggregate, the December 31, 2011 tax receivable for the City’s largest tax debtors has decreased by \$46.7 million when contrasted with the first report presented to Council in December 31, 2000.

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, 2011

The City bills approximately \$5.5 billion in property taxes for municipal and education purposes each year, of which approximately \$3.6 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, 2011 with comparable tax receivables for tax years 2008 to 2010 inclusive.

Total unpaid tax receivables as of December 31, 2011 were \$223.5 million, representing an overall decrease of \$33.2 million (or 12.9%) as compared to December 31, 2010. Attachment 2 shows that the outstanding receivables for both non-residential properties (commercial, industrial and multi-residential) and residential properties decreased from December 2010 to December 2011 by approximately \$20.5 million (a 17.3 per cent decrease) and \$12.7 million (a 9.2 per cent decrease) respectively. The continued strong

economic conditions experienced in 2011 and the reduction to the unemployment rate from 9.4 per cent in 2010 to 8.3 per cent in 2011 are likely the primary reasons for the overall reduction to the outstanding tax receivables experienced in 2011.

CONTACT

Casey Brendon
Director, Revenue Services Division
Telephone: 416-392-8065
Fax: 416-696-3778
cbrendo@toronto.ca

Nick Naddeo
Manager, Revenue Accounting
Telephone: 416-395-6789
Fax: 395-6703
nnaddeo@toronto.ca

SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

- Attachment 1: Properties with Tax Arrears Greater than \$500,000, Owned by a Corporation, as at December 31, 2011
- Attachment 2: Summary of Tax Receivables as at December 31, 2011 (unaudited), Compared to December 31 Tax Receivables for Years 2008 - 2010