



## STAFF REPORT ACTION REQUIRED

### Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2015

<b>Date:</b>	March 16, 2016
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2016\Internal Services\rev\gm16006rev (AFS22557)

#### SUMMARY

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This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as of December 31, 2015, and reports on the total outstanding tax receivables as at December 31, 2015.

#### RECOMMENDATIONS

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**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 & 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://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2007.GM3.16>

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 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, 2015. There are 22 properties with a tax receivable balance of \$500,000 or more, totalling approximately \$24.5 million.

- One (1) property with approximately \$0.5 million in unpaid taxes is a City-owned property, located at 235 Queens Quay West. The property was formerly owned by the Federal Government and leased to a commercial tenant, who vacated the premises in 2003.

- One (1) property located at 186 Bartley Drive with approximately \$3.4 million in unpaid taxes and associated interest is the subject of an agreement approved by Council that includes environmental clean-up and payment arrangements.
- Four (4) properties with approximately \$7.4 million in unpaid taxes were offered for sale in a “Sale of Land by Public Tender”, however, there were no successful tenders submitted. The four properties are located at 99 Toryork Drive, 23 Brydon Drive, 440 Birchmount Road and 0 Lakeshore Boulevard West.
- Five (5) properties with approximately \$5.5 million in unpaid taxes are for various commercial condominium units located at 222 Spadina Ave. Four (4) of the properties (units 1-6, 19 & 26, 20 & 22, 23 & 25) have previously been the subject of unsuccessful tax sales. One (1) property (unit Lower Level) is currently in the preliminary Tax Sale process.
- Three (3) properties with approximately \$2.0 million in unpaid taxes have either been sold with future closing dates or are in the process of re-financing and are expected to be paid in full upon closing. These properties are located at 1500 Birchmount Road, 6628 Finch Avenue West, Suite 1 and 2267 Islington Avenue.
- Five (5) properties with approximately \$3.4 million in unpaid taxes are subject to preliminary tax sale proceedings. These properties are located at 97 Manville Road, 38 Metropolitan Road, 189-195 Milner Avenue, 41 Chatsworth Road and 2627 Eglinton Avenue East.
- Two (2) properties with approximately \$1.8 million in unpaid taxes are subject to pending appeals and apportionment which are expected to resolve the tax arrears. These properties are located at 2-6 Lisgar Street and 30 Berthrand Road.
- One (1) property located at Manitoba Street N/S with approximately \$0.5 million in unpaid taxes no longer exists as a parcel. MPAC has confirmed that this property was erroneously returned on assessment rolls since 1999 when the property was redeveloped into condominiums, and will be initiating an appeal to correct this error which will eliminate all or most of the taxes on this parcel.

Attachment 2 to this report identifies seven (7) properties, with a value of approximately \$6.0 million, which were removed from the Largest Debtors list since the previous report (as at June 30, 2015).

- Four (4) properties, with a value of \$4.1 million, were removed from the list following Council-approved adjustments or write-offs that eliminated uncollectible former business tenant amounts on federally-owned properties located at 1133 Sheppard Ave W, 39 John St., 1 Queens Quay West, and 75 Sheppard Avenue West.
- Two (2) properties, with arrears totalling \$1.2 million, were paid in full since June 30, 2015 (5883 Steeles Avenue East and 25 Merton Street).

- One (1) property located at 135 Plunkett Road made payments which reduced the balance on this property to below \$500,000. As at January 12, 2016, this account was subsequently paid in full.

Table 1, below, contrasts the outstanding tax receivables of the largest debtors for the period from December 31, 2000 to December 31, 2015.

**Table 1: Tax Debtors Greater than \$500,000 – 2000 to 2015**

<b>As of December 31</b>	<b>Outstanding Tax Account Receivables</b>	<b>Number of Accounts</b>
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
2012	\$21.7 million	17
2013	\$21.6 million	14
2014	\$26.9 million	20
2015	\$24.5 million	22

In aggregate, the December 31, 2015 tax receivable for the City’s largest tax debtors has decreased by \$45.3 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, 2015**

The City bills approximately \$5.9 billion in property taxes for municipal and school purposes each year, of which approximately \$3.9 billion is for municipal purposes. Most property owners pay their taxes on time, with approximately 97% to 98% of the total taxes levied each year being paid within the year the taxes are billed. The most recent statistics from the Ontario Municipal Benchmarking Initiative (OMBI), which compares various performance measures amongst Ontario municipalities, identify that for 2014 the City of Toronto collected 97.8 per cent of property taxes within the calendar year in which the taxes were levied. Table 2 below provides a comparison of Toronto's collection success rate against other Ontario municipalities.

**Table 2**  
**Current Year's Tax Arrears as a Percentage of Current Year Levy<sup>1</sup>**

Municipality	Tax Arrears as a percentage of current year levy		
	2011	2013	2014
Ottawa	1.5%	1.6%	1.7%
Toronto	2.0%	2.2%	2.2%
London	2.2%	2.2%	N/A
Greater Sudbury	2.5%	2.6%	N/A
Thunder Bay	2.9%	3.5%	3.2%
Hamilton	4.3%	4.1%	4.2%
Windsor	5.1%	5.2%	4.6%

1. Source: Ontario Municipal Benchmarking Initiative  
<http://www.ombi.ca/wp-content/uploads/Taxation3.pdf>

Attachment 3 to this report identifies the outstanding tax receivables as at December 31, 2015 with comparable tax receivables for tax years 2011 to 2014 inclusive.

Total unpaid tax receivables as of December 31, 2015 were \$257.5 million, representing an overall slight decrease of \$0.3 million as compared to December 31, 2014.

Attachment 3 shows that the outstanding receivables for non-residential properties (commercial, industrial and multi-residential) decreased by \$2.3 million and residential properties increased by \$2.1 million from December 2014 to December 2015.

## **CONTACT**

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## **SIGNATURE**

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Mike St. Amant, Treasurer

## **ATTACHMENTS**

- Attachment 1: Properties with Tax Arrears Greater than \$500,000, Owned by a Corporation, as at December 31, 2015
- Attachment 2: Properties removed from the Largest Debtor List since last report (June 30, 2015)
- Attachment 3: Summary of Tax Receivables as at December 31, 2015 (unaudited), Compared to December 31 Tax Receivables for Years 2009 - 2014