



REPORT FOR ACTION

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2017

Date: April 16, 2018
To: Government Management Committee
From: Treasurer
Wards: All

SUMMARY

This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as of December 31, 2017, and reports on the total outstanding tax receivables as at December 31, 2017.

Not included in this report is a single property owned by an individual with tax arrears in excess of \$500,000. The *Municipal Freedom of Information and Protection of Privacy Act* prevents the public disclosure of the information which would identify an individual.

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 Acting Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

In accordance with previous 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 attached list identifies the assessed corporate property owners, the efforts that have been made to collect the unpaid taxes, and whether a bailiff has been used in collection efforts. See: [Public Disclosure of Tax Arrears Information and Strategy for Aggressive Collection Procedures](#)

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:

Staff Report: [Revisions to Tax Sale Process Resulting from Brownfields Legislation](#)

City Council March 29 and 30, 2006: [Policy and Finance Committee Report 2](#) (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 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 two 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 and 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

The number of properties with arrears greater than \$500,000 and the value of associated unpaid taxes has improved dramatically since 2000. Attachment 1 to this report provides a list of the 26 properties owned by a corporation with tax arrears of \$500,000 or more as at December 31, 2017. There are 27 properties with a tax receivable balance of \$500,000 or more, totalling approximately \$28.8 million.

One (1) property (186 Bartley Drive) with approximately \$3.7 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 (99 Toryork Drive, 2627 Eglinton Avenue East, 440 Birchmount Road and 0 Lake Shore Blvd West) with approximately \$6.4 million in unpaid taxes and associated interest have been previously offered for sale in a "Sale of Land by Public Tender" with no successful tenders submitted.

Six (6) properties with approximately \$6.9 million in unpaid taxes are for various commercial condominium units located at 222 Spadina Ave, five (5) of which have previously been the subject of unsuccessful tax sales. The remaining one (1) property has had a Tax Arrears Certificate registered against the title of the property on September 7, 2017.

One (1) property (235 Queens Quay West) with approximately \$0.6 million in unpaid taxes was previously federally owned and sold to the City with old tax arrears from a federal tenant. A report was submitted to Council on July 4, 2017 with a recommendation to write off these unpaid taxes, however, Council instead directed staff to continue collection efforts for property taxes owed by the Federal Government. Collection efforts will be pursued through Legal Services. (See: [GM21.4](#)).

Three (3) properties (97 Rivalda Road, 97 Manville Road and 127 Rivalda Road) with approximately \$2.5 million in unpaid taxes and associated interest have Tax Arrears Certificates registered against the title of the properties.

One (1) property (38 Metropolitan Road) with approximately \$1.3 million in unpaid taxes and associated interest has an Order of the Ontario Superior Court that was issued on March 31, 2016, prohibiting the City (and all other creditors) from exercising any rights or remedies in relation to this property. The property tax arrears are expected to be repaid in full from the proceeds of the court-directed sale of this property.

Two (2) properties (520-524 Ellesmere Road and 65 Heward Avenue) with approximately \$1.9 million in unpaid taxes and associated interest have had assessment appeal decisions posted that resulted in the outstanding tax arrears. Both properties have been issued to a bailiff for collection.

Four (4) properties (399 Markham Road, 25 Glen Waterford Drive, 1755 Steeles Avenue West and 225 Queens Quay West) with approximately \$2.7 million in unpaid taxes and associated interest have been issued Statements of Account (overdue notices). One (1) property made arrangements to make payments but failed to make payments as prescribed and has been recommended for bailiff action. One (1) property was issued to the bailiff and then was recalled due to payment arrangements being made.

Four (4) properties (1900 Eglinton Ave E, 77 Belfield Rd, 240 Duncan Mills Rd, and 1 The Esplanade) with approximately \$2.3 million in outstanding taxes and associated interest/fees which were added in 2017 have all been fully paid in 2018.

One (1) property owned by an individual with arrears in excess of \$0.5 million in unpaid taxes and associated interest.

Properties removed from the Largest Debtors List since last report

Attachment 2 to this report identifies seven (7) properties, with a value of approximately \$7.8 million, which were removed from the Largest Debtors list since the previous report (as at June 30, 2017), where the taxes have been paid in full, or assessment appeals resolved that resulted in the elimination of arrears.

Table 1, below, compares the outstanding tax receivables associated with the largest debtors from December 31, 2000 to December 31, 2017.

Table 1: Tax Debtors Greater than \$500,000 - 2000 to 2017

| 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 |
| 2012 | \$21.7 million | 17 |
| 2013 | \$21.6 million | 14 |
| 2014 | \$26.9 million | 20 |
| 2015 | \$24.5 million | 22 |
| 2016 | \$30.8 million | 29 |
| 2017 | \$28.8 million | 27 |

In aggregate, the December 31, 2017 tax receivable for the City's largest tax debtors has decreased by \$41.0 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, 2017

The City bills approximately \$6.1 billion in property taxes for municipal and school purposes each year, of which approximately \$4.0 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 in which the taxes are billed. The most recent statistics from the Municipal Benchmarking Network Canada (MBNCanada), which compares various performance measures amongst Ontario municipalities, identify that for 2016 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

| Municipality | Tax Arrears as a percentage of current year levy | | |
|-------------------|--|------|------|
| | 2014 | 2015 | 2016 |
| London | 2.2% | 2.1% | 2.1% |
| Toronto | 2.2% | 2.1% | 2.2% |
| Sudbury (Greater) | | | 2.5% |
| Thunder Bay | 3.2% | 3.2% | 3.9% |
| Hamilton | 4.2% | 3.8% | 4.3% |
| Windsor | 4.6% | 4.4% | 4.3% |

1. Source: Municipal Benchmarking Network Canada 2016 Taxation Performance Measurement Report

Attachment 3 to this report identifies the outstanding tax receivables as at December 31, 2017 with comparable tax receivables for tax years 2013 to 2016 inclusive.

Total unpaid tax receivables as of December 31, 2017 were \$265.0 million, representing an overall decrease of \$10.6 million as compared to December 31, 2016.

Attachment 3 shows that the outstanding receivables for non-residential properties (commercial, industrial and multi-residential) decreased by \$13.8 million and residential properties increased by \$3.2 million from December 2016 to December 2017.

CONTACT

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

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

SIGNATURE

Mike St. Amant,
Treasurer

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000, Owned by a Corporation, as at December 31, 2017

Attachment 2: Properties Removed from the Largest Debtor List since last report (June 30, 2016)

Attachment 3: Summary of Tax Receivables as at December 31, 2017 (unaudited)
Compared to December 31 Tax Receivables for Years 2013 - 2016