



REPORT FOR ACTION

Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2018

Date: March 15, 2019

To: General Government and Licensing Committee

From: Controller

Wards: All

SUMMARY

This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as at December 31, 2018, and reports on the total outstanding tax receivables as at December 31, 2018. The number of properties with outstanding receivable balances of \$500,000 or more is 21, as compared to 27 reported as at December 31, 2017.

RECOMMENDATIONS

The Controller recommends that:

1. The General Government and Licensing Committee receive this report for information.

FINANCIAL IMPACT

The tax arrears identified in this report have been fully provided for in the Non-Program Allowance for Doubtful Tax Receivables Account in prior years. As such, there is no impact on the current year's budget and there are no financial implications arising from this report.

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

DECISION HISTORY

In accordance with previous Council decisions, the Controller reports to General Government and Licensing 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 properties owned by corporations with tax arrears of \$500,000 or more as at December 31, 2018. There are 21 properties with a tax receivable balance of \$500,000 or more, totalling approximately \$25.7 million.

Four (4) properties (99 Toryork Drive, 2627 Eglinton Avenue East, 440 Birchmount Road and 0 Lake Shore Blvd West), with approximately \$6.9 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 \$7.5 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 are being pursued in consultation with Legal Services. (See: [GM21.4](#)).

Three (3) properties (97 Rivalda Road, 97 Manville Road and 127 Rivalda Road) with approximately \$3.1 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 \$1.6 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 City was advised in June 2018 that the property tax arrears were expected to be repaid in full from the proceeds of a court-directed sale of this property. The arrears were subsequently paid in full on February 27, 2019.

One (1) property (520-524 Ellesmere Road) with approximately \$2.4 million in unpaid taxes and associated interest has had assessment appeal decisions posted that resulted in the outstanding tax arrears. Collection efforts by the bailiff were unsuccessful, as at January 15, 2019 the property is in pre-lien registration status.

Three (3) properties (25 Glen Watford Drive, 4531 Sheppard Avenue and 125 Commander Boulevard) with approximately \$1.9 million in unpaid taxes and associated penalties/interest are currently in pre-lien status as collection efforts by the bailiff were unsuccessful.

One (1) property (275 Forest Hill Road) with approximately \$0.5 million in unpaid taxes and associated penalties/interest is under investigation by Revenue Services Collections Unit as all collection efforts have been unsuccessful to date, including issuance to a bailiff.

One (1) property (0 Cumberland Street) with approximately \$1.2 million in outstanding taxes and associated interest has been fully paid in 2019. This outstanding receivable was the result of an amended notice which increased the assessment and the taxation on this property. The notice and the increase in taxation was applied in November 2018 and became due in December 2018. Full payment was made early in January 2019.

Properties removed from the Largest Debtors List since last report

Attachment 2 to this report identifies nine (9) properties, with a value of approximately \$8.7 million, which were removed from the Largest Debtors list since the previous report (as at December 31, 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, 2018.

Table 1: Tax Debtors Greater than \$500,000 - 2000 to 2018

As at 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

As at December 31	Outstanding Tax Account Receivables	Number of Accounts
2016	\$30.8 million	29
2017	\$28.8 million	27
2018	\$25.7 million	21

In aggregate, the December 31, 2018 tax receivable for the City's largest tax debtors has decreased by \$44.1 million when contrasted with the first report presented to Council in December 31, 2000. This reduction in tax receivables reflects Revenue Services' improved internal collection processes, including regularly mailing overdue notifications and pro-active monitoring of delinquent accounts, a robust schedule of twice-annual tax sales, and actively assigning overdue accounts to bailiffs to further the City's internal collection efforts. Additionally, the Division has implemented recommendations from the Auditor General's report - [Item AU4.3: Improving Controls Over Property Tax Assessments and Payment in Lieu of Taxes \(PILTs\)](#), that have improved the collection of outstanding property tax receivables.

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, 2018

The City bills approximately \$6.5 billion in property taxes for municipal and school purposes each year, of which approximately \$4.3 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 2017 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	2017
London	2.2%	2.1%	2.1%	1.8%
Toronto	2.2%	2.1%	2.2%	2.2%
Sudbury (Greater)			2.5%	2.4%
Thunder Bay	3.2%	3.2%	3.9%	3.2%
Hamilton	4.2%	3.8%	4.3%	3.9%
Windsor	4.6%	4.4%	4.3%	4.2%

1. Source: Municipal Benchmarking Network Canada 2017 Taxation Performance Measurement Report

Attachment 3 to this report identifies the outstanding tax receivables as at December 31, 2018 with comparable tax receivables for tax years 2014 to 2017 inclusive.

Total unpaid tax receivables as at December 31, 2018 were \$253.8 million, representing an overall decrease of \$10.8 million as compared to December 31, 2017.

Attachment 3 shows that the outstanding receivables for non-residential properties (commercial, industrial and multi-residential) decreased by \$15.9 million and residential properties increased by \$5.1 million from December 2017 to December 2018.

CONTACT

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SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000 Owned by a Corporation as at December 31, 2018

Attachment 2: Properties Removed from the Largest Debtor List since Last Report

Attachment 3: Summary of Tax Receivables as at December 31, 2018 (unaudited) Compared to December 31 Tax Receivables for Years 2014 - 2017