

**REPORT FOR ACTION WITH
CONFIDENTIAL ATTACHMENT****Largest Property Tax Debtors with Tax Arrears
Greater than \$500,000 as at June 30, 2020**

Date: August 28, 2020

To: General Government and Licensing Committee

From: Controller

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

This report deals with personal matters about an identifiable person.

SUMMARY

This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as of June 30, 2020. For property tax accounts owned by identifiable individuals, the information is provided in a confidential attachment (Confidential Attachment 3).

RECOMMENDATIONS

The Controller recommends that:

1. The General Government and Licensing Committee direct that the confidential information contained in Confidential Attachment 3 remain confidential in its entirety.

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 a 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 June 30, 2020. There are 21 properties with a tax receivable balance of \$500,000 or more, including two properties owned by individuals (confidential attachment 3), with unpaid receivables totalling approximately \$27.9 million. The following provides a summary of the unpaid receivables.

Four (4) properties (99 Toryork Drive, 2627 Eglinton Avenue East, 440 Birchmount Road and 0 Lake Shore Boulevard West), with approximately \$7.6 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 \$8.2 million in unpaid taxes are for various commercial condominium units located at 222 Spadina Avenue, 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.

Two (2) properties (97 Manville Road and 4531 Sheppard Avenue East) with approximately \$2.9 million in unpaid receivables have Tax Arrears Certificates registered against the title of the properties.

One (1) property (600 Queens Plate Drive) with approximately \$4.0 million in unpaid receivables were the result of transactions posted to these accounts in 2019.

One (1) property (25 Glen Watford Drive) with approximately \$1.4 million in unpaid receivables, is currently subject to a subdivision which has been approved by Scarborough Community Council. The property owner is hoping to secure funding to bring this account in good standing.

Four (4) properties (275 Forest Hill Road, 350-358 Humberline Drive, 830 Lansdowne Avenue and 263 Adelaide Street West) with approximately \$2.3 million in unpaid receivables are under investigation by the Revenue Services Division Collections Unit. All collection efforts have been unsuccessful to date, including issuance to a bailiff for three of the properties (275 Forest Hill Road, 830 Lansdowne Avenue and 263 Adelaide Street West).

One (1) property (225 Queens Quay West) with approximately \$0.5 million in unpaid receivables is subject to cancellation and or adjustments as adopted by City Council at its meeting held on April 24, 2018 report GM26.14. The cancellation and or adjustments are conditional on Harbourfront Corporation submitting a business plan satisfactory to the Chief Financial Officer and Treasurer and the General Manager, Economic Development and Culture. A business plan has been received and is currently being reviewed by the Controller.

Two (2) properties owned by individuals with approximately \$1.0 million in unpaid receivables are under investigation by the Revenue Services Division Collections Unit, and have had unsuccessful attempts to collect by the bailiff. One property has had a tax arrears certificate registered against the title of the property.

Properties removed from the Largest Debtors List since last report
Attachment 2 to this report identifies six (6) properties (520-524 Ellesmere Road, 0 Cumberland Street, 97 Rivalda Road, 127 Rivalda Road, 235 Queens Quay West and 125 Commander Boulevard), with outstanding property tax amounts totalling approximately \$7.3 million, were removed from the Largest Debtors list since the previous report (as at June 30, 2019). The property taxes on these properties have been paid in full, or have had partial payments made or other adjustments made that resulted in the elimination or reduction of arrears.

Table 1, below, compares the outstanding tax receivables associated with the largest debtors from June 30, 2000 to June 30, 2020.

Table 1: Tax Debtors Greater than \$500,000

Tax Year 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
2012	\$23.9 million	18
2013	\$21.1 million	15
2014*	\$24.0 million	18
2015	\$24.6 million	22
2016	\$24.0 million	21
2017	\$29.7 million	25
2018*	\$23.1 million	19
2019	\$27.6 million	21
2020	\$27.9 million	21

*There was no Largest Debtor Report in June 2014 and June 2018 due to the Toronto municipal election. There was no collection action from March to June 2020 due to Covid-19.

In aggregate, the June 30, 2020 tax receivable for the City's largest tax debtors has decreased by \$41.9 million, and from 45 to 21 properties, when compared with the first report presented to Council in June 30, 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.

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

Andrew Flynn
Controller

ATTACHMENTS

Attachment 1: Properties with Tax Arrears Greater than \$500,000 Owned by a Corporation, as at June 30, 2020

Attachment 2: Properties Removed from the Largest Debtor List since Last Report (June 30, 2019)

Confidential Attachment 3 - Property Tax Arrears Greater than \$500,000 Owned by an Individual