

## **Largest Property Tax Debtors with Tax Arrears Greater than \$500,000 as at December 31, 2020**

**Date:** April 12, 2021

**To:** General Government and Licensing Committee

**From:** Controller

**Wards:** All

### **REASON FOR CONFIDENTIAL INFORMATION**

---

The confidential attachment (Attachment 4) to this report identifies three (3) properties owned by individuals 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.

### **SUMMARY**

---

This report provides information on property tax accounts with outstanding receivables of \$500,000 or more as of December 31, 2020, and reports on the total outstanding tax receivables as at December 31, 2020. The number of properties with outstanding receivable balances of \$500,000 or more is 31, as compared to 21 reported as of June 30, 2020.

### **RECOMMENDATIONS**

---

The Chief Financial Officer and Treasurer recommends that:

1. City Council direct that the confidential information contained in Confidential Attachment 4 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 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 28 properties owned by corporations with tax arrears of \$500,000 or more as at December 31, 2020. There are a total of 31 properties with a tax receivable balance of \$500,000 or more including three (3) owned by individuals (confidential attachment 4), totalling approximately \$39.9 million.

The following provides a summary of the unpaid receivables (taxes, interest and other charges):

- Six (6) properties with approximately \$8.5 million in unpaid receivables, 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.
- Four (4) properties (99 Toryork Drive, 0 Lake Shore Boulevard West, 2627 Eglinton Avenue East and 440 Birchmount Road), with approximately \$7.9 million in unpaid receivables, have been previously offered for sale in a “Sale of Land by Public Tender” with no successful tenders submitted.
- Two (2) properties (600 Queens Plate Drive, 2 Hallcrown Place) with approximately \$6.7 million in unpaid receivables, have reportedly been sold with the tax arrears expected to be paid upon closing in mid-2021.
- Seven (7) properties (100 Sheppard Avenue East, 900 York Mills Road, 1027 Yonge Street, 100 Bloor Street West, 10 Neighbourhood Lane, 76 Adelaide Street West and 55 Town Centre Court) with approximately \$5.2 in unpaid receivables are the result of 2020 tax arrears and/or transactions being posted to the account during the 2020 taxation year. Two of the properties (100 Sheppard Avenue East and 100 Bloor Street West) have had payments applied to the accounts after December 31, 2020 that have reduced the unpaid receivables to less than \$500,000.
- One (1) property (97 Manville Road) with approximately \$2.5 million in unpaid receivables, has a Tax Arrears Certificate registered against the title of the property.
- Three (3) properties (2233 Sheppard Avenue, 120 Broadway Avenue and 37 King Street East) with approximately \$2.2 million in unpaid receivables as the result of appeals being posted to the accounts. One of the properties (2233 Sheppard Avenue) has further appeals filed that have not yet been heard. The other property (37 King Street East) has had payments applied to the account after December 31, 2020 that have reduced the unpaid receivables to less than \$500,000.
- Two (2) properties (350-358 Humberline Drive and 2267 Islington Avenue) with approximately \$1.8 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 one of the properties (350-358 Humberline Drive).

- One (1) property (25 Glen Watford Drive) with approximately \$1.6 million in unpaid receivables, is currently subject to an application for a plan of subdivision which has been approved by Scarborough Community Council. The property owner is hoping to secure funding to bring this account in good standing.
- One (1) property (151 Roehampton Avenue) with approximately \$1.2 million in unpaid receivables, changed from multi-residential to residential and had a significant increase in assessed value. The original assessment parcel is no longer returned on the assessment roll, and as such, the outstanding taxes, unless paid, will be apportioned amongst the newly-created condominium units.
- One (1) property (225 Queens Quay West) with approximately \$0.6 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.
- Three (3) properties owned by individuals with approximately \$1.7 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 four (4) properties (4531 Sheppard Avenue East, 275 Forest Hill Road, 830 Lansdowne Avenue, 263 Adelaide Street West), with a value of approximately \$2.3 million, which were removed from the Largest Debtors list since the previous report (as at June 30, 2020). The property taxes on these properties have been paid in full, or have balances less than \$500,000 and have submitted postdated cheques that will clear the remaining balances.

Table 1, below, compares the outstanding tax receivables associated with the largest debtors from December 31, 2000 to December 31, 2020.

**Table 1: Tax Debtors Greater than \$500,000 - 2000 to 2020**

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

As of December 31	Outstanding Tax Account Receivables	Number of Accounts
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
2018	\$25.7 million	21
2019*	\$25.0 million	19
2020	\$39.8 million	31

\*There was no Largest Debtor Report in April 2020 due to Covid-19.

In aggregate, the December 31, 2020 tax receivable for the City's largest tax debtors has decreased by \$30.0 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, 2020**

The City bills approximately \$6.68 billion in property taxes for municipal and school purposes each year, of which approximately \$4.59 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 2019 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				
	2015	2016	2017	2018	2019
London	2.1%	2.1%	1.8%	1.9%	1.8%
Toronto	2.1%	2.2%	2.2%	2.1%	2.2%
Sudbury (Greater)		2.5%	2.4%	2.4%	2.3%
Thunder Bay	3.2%	3.9%	3.2%	3.2%	4.0%
Windsor	4.4%	4.3%	4.2%	4.0%	4.2%
Hamilton	3.8%	4.3%	3.9%	4.1%	3.9%

1. Source: Municipal Benchmarking Network Canada [2019 Taxation Performance Measurement Report](#)

Attachment 3 to this report identifies the outstanding tax receivables as at December 31, 2020 with comparable tax receivables for tax years 2015 to 2019 inclusive.

Total unpaid tax receivables as of December 31, 2020 were \$470.8 million, representing an overall increase of \$211.1 million as compared to December 31, 2019, an increase of 81.3%. The increase in outstanding receivables can be directly attributed to the impacts of the COVID-19 pandemic in 2020, which saw an increase in the 2020 tax receivables outstanding at year end, and an increased number of properties with outstanding property tax balances at year end,

Attachment 3 shows that the outstanding receivables for non-residential properties (commercial, industrial and multi-residential) increased by \$83.7 million and residential properties increased by \$127.4 million from December 2019 to December 2020, representing increases of 91.3% and 75.8% respectively since December 31, 2019.

A subsequent updated analysis of outstanding receivables undertaken 3 months later on March 31, 2021 revealed that the 2020 outstanding receivable balances had dropped considerably, and were only slightly higher than those observed at the end of 2019 (i.e., pre-COVID levels). This analysis showed that the non-residential receivable balance had decreased from \$175.4 M to \$122.2 M (a decrease of \$53.2 M), and the total remaining outstanding amount by March 31, 2021 was only \$30.5 M more than the Dec. 31, 2019 figure. Similarly, for residential properties, the receivable balance had decreased from \$295.4 M to \$175.3 M (a decrease of \$168.0 M), and the total remaining outstanding amount by March 31, 2021 was only \$7.3 M more than the Dec. 31, 2019 figure.

This analysis indicates that more non-residential properties had property taxes owing at the end of 2020 than did residential properties as a result of COVID-19, but that by the end of March 2021, the City's outstanding receivables had decreased significantly since Dec. 31, 2020 for both residents and businesses. Property taxes are generally not considered to be at risk of collection, since arrears of property taxes remain affixed to the land and are transferred from a current owner to a subsequent owner. As such, even the higher than average tax receivable balance due to COVID-19 impacts is not expected to significantly affect the City's long term collection success rate.

## **CONTACT**

---

Casey Brendon, Director, Revenue Services

Phone: (416) 392-8065; Fax: (416) 696-3778; E-mail: [Casey.Brendon@toronto.ca](mailto:Casey.Brendon@toronto.ca)

Anna Caruso, Acting Manager, Revenue Accounting, Revenue Services

Phone: (416) 395-6859; Fax: (416) 395-6703; Email: [Anna.caruso@toronto.ca](mailto:Anna.caruso@toronto.ca)

## **SIGNATURE**

---

Andrew Flynn  
Controller

## **ATTACHMENTS**

---

Attachment 1: Properties with Tax Arrears Greater than \$500,000 Owned by a Corporation as at December 31, 2020

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

Attachment 3: Summary of Outstanding Tax Receivables as at December 31, 2020 (unaudited) Compared to December 31 Tax Receivables for Years 2015 - 2019

Confidential Attachment 4 - Property Tax Arrears Greater than \$500,000 Owned by an Individual