

Options to Address Outstanding Tax Arrears for the Greek Community of Toronto at 136 Sorauren Avenue

Date: August 24, 2021

To: General Government and Licensing Committee

From: Controller

Wards: Ward 4 - Parkdale-High Park

SUMMARY

This report provides information with respect to outstanding property taxes on a property owned by the Greek Community of Toronto, located at 136 Sorauren Avenue.

The Greek Community of Toronto has owned the property since 1961 and the property is exempt from taxation as a place of worship under Section 3(1) of the Assessment Act. In 2018, the Municipal Property Assessment Corporation (MPAC) discovered that a commercial for-profit childcare centre was in operation within a portion of the church building and has been leased from the church since 2006.

The childcare centre is a taxable facility and is therefore subject to taxation at commercial rates. As a result of the issuance of omitted assessment notices by the Municipal Property Assessment Corporation, the taxable portion of the property has now been billed for property taxes for the 2016-2021 taxation years. To date, payment has not been made for the taxes owing and as a result, interest/penalty and fees have been applied.

RECOMMENDATIONS

The Controller recommends that:

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

FINANCIAL IMPACT

As of September 1, 2021, the amount outstanding for the property at 136 Sorauren Avenue owned by the Greek Community of Toronto is \$218,848. Table 1 provides a

summary of the total taxes, interest and fees applied to the account, payments received to date, and the current outstanding amount for the 2016 to 2021 taxation years.

Table 1 - Summary of Property Taxes and Outstanding Amounts - 136 Sorauren Avenue

Year	Taxes Billed	Interest & Fees - to September 30, 2021	Total Taxes Interest & Fees	Amounts Paid	Outstanding Amount
2016 Omit	\$37,006	\$14,331	\$51,337	\$0	\$51,337
2017 Omit	\$38,959	\$14,853	\$53,812	\$0	\$53,812
2018 Omit¹	\$22,122	\$8,559	\$30,681	\$0	\$30,681
2019¹	\$22,987	\$7,850	\$30,837	\$0	\$30,837
2020²	\$23,950	\$4,365	\$28,315	\$0	\$28,315
2021	\$22,700	\$1,166	\$23,866	\$0	\$23,866
Total	\$167,724	\$51,124	\$218,848	\$0	\$218,848

Notes:

1. Successful Section 325 Tax Appeals were processed for the 2018 Omit and 2019 taxation years to reflect a correction to the square footage of the leased space, reducing the total taxes and interest applied.
2. A successful Request for Reconsideration corrected the assessment for the 2020 taxation year, reducing the total taxes billed.

Council may provide assistance to the Greek Community of Toronto by providing a one-time grant. Such a grant would reduce the current tax arrears attributable to the commercially occupied portion of the property. Should Council elect to provide a grant to the Greek Community of Toronto to offset any portion of the tax arrears and accumulated interest, penalty and fees, the grant would be funded from the City's 2021 Non-Program Tax Deficiency Account, with no anticipated impact on future year budgets.

Table 2 below outlines the options available should Council elect to provide relief to the Greek Community of Toronto.

Table 2 - Options to Provide Tax Relief for the Outstanding Tax Arrears - 136 Sorauren Avenue

	Option 1	Option 2	Option 3	Option 4
	Do Nothing	Correction to billed taxes for 2016 and 2017 taxation years (over statement of commercial component)	Interest, penalty and fees, 2016 - 2021	Combination of both the 2016 and 2017 taxation years and the interest, penalty and fees
One-time Grant Amount	\$0	\$34,093	\$51,124	\$85,217
Remaining Amount to be paid by the Greek Community of Toronto	\$218,848	\$184,755	\$167,724	\$133,631

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

DECISION HISTORY

At its meeting of May 27, 2021, through a Members Motion, Council adopted [Item GL23.18: Request for Report on Options to Address the Outstanding Tax Arrears for the Greek Community of Toronto at 136 Sorauren Avenue](#), directing the Chief Financial Officer and Treasurer to report to Council on options to address the outstanding tax arrears for 136 Sorauren Avenue.

COMMENTS

The property located at 136 Sorauren Avenue is owned by the Greek Community of Toronto and is occupied by a church, therefore it is exempt from taxation under Section 3 of the *Assessment Act*.

A commercially operated childcare centre has been leasing space at the property since 2006, however the property had remained exempt until 2018 when MPAC conducted a site inspection of the property and discovered the childcare centre was in operation.

In November of 2018, MPAC issued supplementary/omitted assessments for the 2016, 2017 and 2018 taxation years, as permitted under the City of Toronto Act. The commercial portion of assessment was also subsequently returned on the assessment roll for the 2019, 2020 and 2021 taxation years.

It was subsequently determined that the square footage used to determine the commercial space occupied by the childcare operation was overstated, resulting in a higher assessed value for the commercial portion. In August 2019, a representative for the Greek Community of Toronto filed an unsuccessful Request for an Extension of Time to file late appeals with the Assessment Review Board for the 2016-2018 taxation years. The deadline to file an appeal for the 2019 taxation year had passed as well.

A Request for Reconsideration (RfR) was filed for the 2020 taxation year which was successful and reduced the commercial portion of assessment, resulting in a property tax reduction for the 2020 taxation year.

Tax appeal applications under Section 325 of the City of Toronto Act have been processed for the 2018 and 2019 taxation years which have corrected the assessment to reflect the correct proportion between the commercial and exempt portions, reducing the taxes and interest owing. The assessment roll for the 2020 and 2021 taxation years has been returned with the correct portion of commercial taxable assessment.

Unfortunately, there is no legislative mechanism to correct the square footage and proportion of commercial to exempt assessed value for the 2016 and 2017 taxation years as the deadline has passed for any tax or assessment appeal for these years.

To date, the City has not received any payment for the outstanding taxes and as a result, interest and penalties have accumulated and fees have been applied.

Options and Implications of Supporting the Greek Community of Toronto Request for Council Support for tax assistance

The Greek Community would have become aware of the supplementary/omitted taxes associated with the childcare operation when they were first billed on November 8, 2018 for taxation years 2016, 2017 and 2018 - the total amount owing at that time was \$116,345, and was payable in 2 instalments due January 4 and February 4 of 2019. A subsequent Statement of Tax Account (Overdue Notice) showing the amounts past due was issued to the Greek Community on March 15, 2019, showing a total amount due of \$140,273.

The issue of the Greek Community's tax arrears was brought to the attention of Revenue Services staff on November 5, 2019, through a call from the then-Councillor for Ward 22: Scarborough-Agincourt, who had been approached by members of the Greek Community for assistance. Subsequently, a meeting was arranged by the former Councillor for Ward 22 on March 2, 2020, which included representatives of the Greek Community, and staff of Revenue Services. At that time, the Greek Community was informed that the space leased to the daycare operation was correctly taxable, and that the property taxes levied would have to be paid, and that interest and penalty would continue to be applied to the account until the property taxes were paid in full. The issue of the incorrect square footage was also raised, which, if corrected, would see a reduction in the total taxes payable. This was subsequently addressed by the Municipal Property Assessment Corporation through MPAC's Request for Reconsideration process.

The total outstanding property taxes, interest and fees owing by the Greek Community of Toronto now stands at \$218,848 as of September 1, 2021. It is presumed that the Greek Community was unaware that the leased premises occupied by the childcare operation were subject to taxation, and that paying the full amount of property taxes and accumulated interest and fees would represent a financial hardship to the Greek Community as a not-for-profit religious association offering services to the community.

Staff are of the opinion that four options exist should Council choose to address the Greek Community of Toronto's property tax arrears. Staff are not recommending a particular option.

Option 1: Do nothing

Option 1 would require the Greek Community of Toronto to pay all outstanding amounts based on the tax classifications returned by MPAC for the 2016-2021 taxation years (pending any adjustment to the assessment as a result of the S. 325 tax appeal and/or future pending assessment appeals), as well as all interest, penalties and fees applied.

Should Council choose this option and take no action, the Greek Community of Toronto will be required to remit payment for all outstanding taxes. In total, the Greek Community of Toronto would pay approximately \$218,848.

Option 2: City may provide financial assistance for the 2016 and 2017 taxation years

Given that there is no mechanism available to correct the 2016 and 2017 omitted assessment to reflect the correct square footage of the space leased by the childcare centre, Council may choose to provide a one-time grant to the Greek Community of Toronto to reflect what the property taxes would have been if the 2016 and 2017 taxation years reflected the correct square footage occupied by the taxable childcare operation. A one-time grant for this amount would total approximately \$34,093, but does not include any interest, penalty or late payment fees that have been applied to the account.

Council may elect to provide a one-time grant to the Greek Community of Toronto of approximately \$34,093, which, when applied to the account, would require that the Greek Community of Toronto pay a further amount of approximately \$184,755 for the outstanding taxes, interest and fees remaining payable for the commercially occupied portions of the property (excluding any future interest that may be applied). Such a grant in the amount of \$34,093 would be funded from the City's 2021 Non-Program Tax Deficiency Account, with no anticipated impact on future year budgets.

Should Council elect to support the efforts of the Greek Community of Toronto by approving a one-time grant to the organization as set out above, full payment of the outstanding balance would be required to be remitted as a condition of and prior to the application of the grant.

Option 3: City may provide financial assistance for the interest, penalty and fees

Council may provide a one-time grant to the Greek Community of Toronto for all or any portion of the interest and penalty as well as the fees applied to the account from 2016 to 2021. The maximum value of the grant would be approximately \$51,124, which is the total estimated adjusted interest, penalty and fees for the entire 2016 to 2021 period to date. This excludes any future interest, penalty and fees that may be applied.

Should Council elect to provide the maximum one-time grant of approximately \$51,124 to offset all interest, penalty and fees, the Greek Community of Toronto would be required to remit payment of approximately \$167,724 for the outstanding taxes that remain payable and excludes any future interest, penalty and fees applied. The grant, up to a maximum of \$51,124, would be funded from the City's Non-Program 2021 Tax Deficiency Account, with no anticipated impact on future year budgets.

Option 4: City may provide financial assistance for both the 2016 and 2017 taxation years and the interest, penalty and fees

Council may choose to combine options 2 and 3 and provide a one-time grant of approximately \$85,217 to reflect what would have been billed for the 2016 and 2017 taxation years if the assessment was adjusted to reflect the correct square footage as well as an amount to offset the total of all interest, penalty and fees applied for the period 2016 to 2021.

Should Council choose to provide a one-time grant for the combined options, the Greek Community of Toronto would then be required to remit a total payment of approximately \$133,631 for the outstanding taxes that remain payable. This again excludes any future interest, penalty and fees that may be applied. The grant of \$85,217 would be funded from the City's 2021 Non-Program Tax Deficiency Account, with no anticipated impact on future year budgets should this option be approved.

If Council chooses to support the efforts of the Greek Community of Toronto by approving a one-time grant in any amount, full payment of the outstanding balance must be remitted prior to the application of the grant.

Any financial assistance provided by Council, in the form of a grant in any amount, should be made to the Greek Community as property owner (not to the childcare operation) and the approval resolution should deem the grant to be in the financial interest of the municipality, and subject to any additional provisos or conditions deemed appropriate.

Staff will continue to communicate with the Greek Community of Toronto to resolve the outstanding tax arrears.

CONTACT

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SIGNATURE

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