



**City of Kingston**  
**Report to Administrative Policies Committee**  
**Report Number AP-17-028**

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**To:** Chair and Members of the Administrative Policies Committee  
**From:** Desirée Kennedy, Chief Financial Officer and City Treasurer  
**Resource Staff:** Stephen Dickey, Director of Financial Services  
Jeff Walker, Manager of Taxation and Revenue  
**Date of Meeting:** November 9, 2017  
**Subject:** Uncollectible Tax Write-offs and Tax Sale Provisions under the  
*Municipal Act, 2001*

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**Executive Summary:**

This report is recommending the write-off of uncollectible tax balances as well as policy changes to the tax sale process.

The *Municipal Act, 2001* (the *Act*) provides a variety of methods that may be used in the collection of unpaid taxes. The City's collection method follows the provisions of Part IX "The Sale of Land For Tax Arrears". This section was recently amended to allow a tax arrears certificate to be registered on a property that has two years of unpaid tax arrears, down from the previous three year tax arrears requirement. Used in certain circumstances, the earlier registration will provide earlier collection opportunities and reduce the risk of a property becoming a "failed tax sale". Properties that fail to sell at tax sale are subject to the City's Failed Tax Sale Policy. This policy identifies when taxes are to be cancelled (written off as uncollectible) and is linked to the City's Community Improvement Plan (CIP) for [Brownfield Properties](#). Staff is seeking Council's approval to begin the tax sale process when a property has reached two years of tax arrears in circumstances where it is determined that the risk of collection is high and starting an earlier tax process could increase the chance of recovery.

In addition, unpaid property taxes may be removed from the tax roll when the City Treasurer recommends that the amounts are uncollectible and Council authorizes the City Treasurer to remove them from the tax roll. Under the provisions of Section 354 of the *Act*, uncollectible taxes may be written off, in whole or in part, following an unsuccessful tax sale or if the City Treasurer includes a written explanation as to why a tax sale would be ineffective or inappropriate.

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In accordance with the provisions of Section 354 of the *Act*, this report recommends that uncollectible outstanding taxes in the amount of \$250,620.33 be written off and removed from the tax roll. The municipal portion of these write-offs has previously been expensed each year as part of the allowance for doubtful accounts review and, therefore, will not affect current operating budgets.

**Recommendation:**

**That** Council hereby authorizes the City Treasurer to write-off uncollectible taxes in the amount of \$250,620.33 of which \$212,320.37 is the City's portion and the amount charged back to the school boards is \$38,299.96, for the properties listed in Exhibit A attached to this Report AP-17-028.

**That** the City Treasurer is authorized to begin the tax sale process when a property has reached two years of tax arrears and where it is determined that the risk of collection is high and starting an earlier tax process could increase the chance of recovery.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

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**Desirée Kennedy, Chief Financial Officer and  
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

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**Gerard Hunt, Chief Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Lanie Hurdle, Commissioner, Community Services	Not required
Denis Leger, Commissioner, Corporate & Emergency Services	Not required
Mark Van Buren, Acting Commissioner, Transportation & Infrastructure Services	Not required

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**Options/Discussion:****Sale of Land for Tax Arrears**

The *Municipal Act, 2001* (the *Act*) provides that municipalities may sell a property to recover unpaid taxes. Until recently, properties having three years of tax arrears owing would be eligible for the registration of a tax arrears certificate. This provision has now been reduced to two years of tax arrears. Our current collection practices follow the three-year registration regime. In general, reducing the time to two years to register a property for tax sale could result in more effective tax collection results. However, the option to start the tax sale process after two years would require increased staff time and cost to administer the process for properties that are historically not collection concerns.

Current collection practices followed by the tax department have resulted in very few properties going to tax sale. The *Act* requires that the property must be advertised and sold for the amount required to recover all of the arrears and costs owing. In some circumstances, initiating the tax sale process one year earlier will reduce the amount to be recovered, making the property more desirable, and thereby increasing the chances of a successful tax sale and recovery of amounts owing.

Staff is recommending that City staff will review properties reaching two years of tax arrears in order to determine the risk of collection of the property's outstanding taxes. Where it is determined that the risk of collection is high and starting an earlier tax process could increase the chance of recovering amounts owing, the tax sale process will be initiated. Consideration will be given to the following:

- i) is this a failed tax sale property;
- ii) has the property been identified as a brownfield or does it have the potential of being contaminated;
- iii) is the property subject to a City property standards order and would the costs to repair exceed the expected value of the property;
- iv) is the property vacant land; or
- v) is there a Crown lien registered on title (a Crown lien is not removed from a tax sale property).

**Write-off of Uncollectible Taxes**

Section 354 of the *Municipal Act, 2001* permits the City Treasurer to recommend that taxes be written off of the tax roll when the property has been subject to an unsuccessful tax sale or when a tax sale would be ineffective or inappropriate. Taxes may also be written off when the property is owned by Canada, a province, a Crown Agency of either of them, or a municipality. For the purposes of this report, taxes include all amounts added to the tax roll such as penalty and interest charges, amounts added to the tax roll for clean-up with respect to by-law enforcement for property standards or yard clean-up and/or tax sale fees.

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Staff has identified fourteen properties with outstanding tax balances that are considered uncollectible or no longer payable and should be written-off. Details for each property are provided in Exhibit A attached to this report. It is noted that this is the first report recommending cancellation of uncollectible taxes since amalgamation and therefore some of the taxes have been subject to penalty and interest charges for a number of years.

Exhibit A includes reasons for the recommended write-off of each property. The following summarizes the categories by type of levy and reasons for write-offs:

**Breakdown of taxes by levy category**

City Taxes	\$ 80,144.16
Penalty and Interest Charges	114,130.67
By-Law Enforcement and Tax Sale Costs	<u>18,045.54</u>
Total City	212,320.37
Education Taxes	<u>38,299.96</u>
<b>Total Uncollectible</b>	<b><u>\$ 250,620.33</u></b>

**Breakdown of taxes by reason category**

Inappropriate to conduct tax sale	\$ 4,988.66
Failed – full write-off – inappropriate for future tax sale	27,804.06
Failed – partial write-off – register for new tax sale	206,548.34
Duplicate assessment – roll invalid	<u>11,279.27</u>
<b>Total Uncollectible</b>	<b><u>\$ 250,620.33</u></b>

Properties included in the “Inappropriate to conduct tax sale” category include properties assessed by the Municipal Property Assessment Corporation (MPAC) for a low value or nominal value. Many of these properties are small bits of vacant land, often worthless and left orphaned through a subdivision plan exercise or from historic “metes and bounds” descriptions without a benefit of a survey to ensure the entire property was captured. Abutting property owners might be interested in purchasing these parcels; however, the City is not in a position to offer them for sale as the City is not the legal owner. In order to offer property to abutting land owners the municipality would first have to conduct an unsuccessful tax sale to vest the property in the municipality’s name. Considering the high cost of conducting a tax sale (approximately \$3,000 per property) and the low value of the subject properties, it is impractical to proceed with tax sales in these instances. Staff will request MPAC to review these property values in order to ensure they are assessed at a corresponding nominal value, and in the future, staff will bring these properties forward on an annual basis to recommend the write-off of the uncollectible balances.

Properties included in the “Failed – full write-off – inappropriate for future tax sale” category include properties that failed to sell through a tax sale process and it has been determined that there is no benefit to conducting future tax sales. An example of this type of property would be small bits of orphaned vacant land as outlined above. Staff will request MPAC to review these

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property values in order to ensure they are assessed at as low a value as possible and, in the future, staff will bring these properties forward on an annual basis to recommend the write-off of the uncollectible balances.

Properties included in the “Failed – partial write-off – register for new tax sale” category include properties that failed to sell through a tax sale process; however, it has been determined that there is still value in the property and that a successful tax sale could occur if the outstanding tax balance was reduced to an amount equal to or lower than the expected value of the property. In accordance with the City’s Failed Tax Sale Policy, a full or partial write-off of taxes may be recommended for properties where no valid proposal was received and it is desirable to repeat the tax sale process.

Properties included in the “Duplicate Assessment – Roll Invalid” category have been reviewed with MPAC and confirmed that they were assessed in error or were already assessed under a different roll number.

**Existing Policy/By-Law:**

*Municipal Act, 2001, S.O. 2001, c. 25, as amended*

Failed Tax Sale Policy, Committee of the Whole Report Number 04-013, March 9, 2004

**Notice Provisions:**

None

**Accessibility Considerations:**

The exhibit to this report is available in an alternate format upon request.

**Financial Considerations:**

The municipal portion of these write-offs has previously been expensed each year as part of the allowance for doubtful accounts review and, therefore, will not affect current operating budgets. Education taxes previously paid to the school boards in the amount of \$38,299.96 will be recovered from the school boards in 2017.

**Contacts:**

Stephen Dickey, Director of Financial Services, Extension 2370

Jeff Walker, Manager Taxation and Revenue, Extension 2484

**Other City of Kingston Staff Consulted:**

Other City of Kingston staff have not been consulted on this report.

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**Exhibits Attached:**

**Exhibit A:** Property Listing – Uncollectible Taxes Pursuant to Section 354 (2) (a)

**Property Listing – Uncollectible Taxes Pursuant to Section 354 (2) (a)**

Item	Roll Number	Address	City Taxes	Penalty & Interest	Costs	Education Taxes	Total Write-off	Number of Years	Reason
1	030.110.07740.0000	0 Wellington St.	\$ 1,138.87	\$ 1,205.33	\$ -	\$ 606.44	\$ 2,950.64	7	1
2	050.120.12005.0000	0 Carleton St.	1,399.32	385.33	28.95	224.42	2,038.02	5	1
3	040.130.13500.0000	No municipal address	2,669.80	6,225.31	3,565.05	507.91	12,968.07	12	2
4	050.120.12010.0000	0 Carleton St.	3,779.09	6,990.70	3,365.05	701.15	14,835.99	14	2
5	040.010.03600.0000	819 1/2 Montreal St.	11,032.47	13,792.51	3,342.48	1,964.26	30,131.72	8	3
6	040.130.16800.0000	1121 Montreal St.	19,912.95	29,533.96	4,502.32	9,352.51	63,301.74	5	3
7	080.220.04100.0000	3842 - 3850 Princess St.	36,665.21	49,159.60	3,215.94	24,074.13	113,114.88	5	3
8	040.120.01625.0000	0 Day St.	458.81	1,161.92	-	111.00	1,731.73	1	4
9	080.230.25325.0000	0 Bur Brook Rd.	744.86	2,079.84	-	246.18	3,070.88	2	4
10	080.250.22402.0000	Mclvor Rd.	86.96	206.08	-	22.20	315.24	1	4
11	090.030.04318.0000	0 Channelview Rd.	1,110.45	1,067.85	25.75	219.98	2,424.03	1	4
12	090.010.14811.0010	No municipal address	125.57	295.16	-	32.18	452.91	3	4
13	090.050.15750.0000	0 Kingston Mills Rd.	1,019.80	2,027.08	-	237.60	3,284.48	1	4
<b>Total Uncollectible Taxes</b>			<b><u>\$ 80,144.16</u></b>	<b><u>\$ 114,130.67</u></b>	<b><u>\$ 18,045.54</u></b>	<b><u>\$ 38,299.96</u></b>	<b><u>\$ 250,620.33</u></b>		

**Breakdown of taxes by reason category**

1. Inappropriate to conduct tax sale
2. Failed - full write-off – inappropriate for future tax sale
3. Failed - partial write-off – register for new tax sale
4. Duplicate assessment - roll invalid