



Subject: Property Tax Collection History and Next Steps

To: Council

From: Corporate Services Department

Report Number: 2021-75

Meeting Date: April 26, 2021

Recommendation:

That Corporate Services Department Report 2021-75 be received; and

That the Director of Corporate Services/Treasurer be directed to resume normal tax collection processes, including moving forward and beginning the process that could lead to a tax sale for properties that have not paid for three years in accordance with the steps outlined in page 4 of Corporate Services Department Report 2021-75.

Purpose:

This report seeks approval to move forward with a collection plan, including property tax sale, on properties with long-standing outstanding receivable balances.

Background:

The City of Port Colborne (the “City”) levies property taxes annually through a four-installment model. Property taxes are based on approved budgetary requirements that are identified in the budget process as the annual levy. The property tax bill may also include penalty and interest and other charges related to a property that have otherwise not been collected. Examples might include water, wastewater, storm sewer, Business Improvement Area and/or items such as unpaid City invoices.

The City operates in a multi-tier municipal system with the City being the “lower-tier” and the Niagara Region being the “upper-tier”. In this model the City also bills property owners the Niagara Region levy and any levy set by the Province of Ontario for Education purposes. The model sees the City paying the Niagara Region and the Province of Ontario their full levy in quarterly installments regardless of actual collection experience. Recognizing the City pays the Niagara Region and the Province of Ontario

their portion upfront, the City keeps all penalty and interest charged on outstanding property tax balances.

Collection risk is generally considered low on property tax balances as the Municipal Act under Part XI provides for a municipality to implement a tax sale on a property in conjunction with Ontario Regulation 181/03. As a summary and standing practice of municipalities is to begin the process to move towards a potential tax sale after three years of outstanding taxes.

The City has historically maintained the following collection procedures:

- Regular billings are sent that also outline any arrears balance outstanding;
- Notices are sent after missed due dates;
- Special notice to Property Owners in October/November letting them know if they are approaching three years in arrears and providing a final timeline for repayment;
- In addition to the above, the Tax Clerk makes phone calls and sends emails to maintain contact with Property Owners and to develop payment plans;
- In mid/late January the Tax Clerk makes final calls and if no collection progress has been made on properties with an excess of three years of tax arrears, the City has historically moved forward with a registration process on those properties.

The City monitors and implements collection procedures in order to:

- Protect property owners from allowing their balances to grow too high;
- Ensure there is an incentive to pay property taxes so as not to disadvantage those that do pay their property taxes;
- Provide funding and related cashflow to fulfill the direction of Council;
- Fulfill our stewardship responsibility with the Niagara Region and Province of Ontario.

Discussion:

The City's collection rate over the past 5 years has been approximately 97.5%.

At December 31, 2020 (Comparative December 31, 2019), the City's outstanding property tax accounts receivable balances were as follows:

Billing Related to	At December 31, 2020	At December 31, 2019
2020	\$2,050,000	NA
2019	968,000	\$1,776,000
2018	596,000	958,000
2017	574,000	662,000
2016 <=	224,000	217,000
	\$4,412,000	\$3,613,000

The City's financial reporting system does not break out the Niagara Region and/or Province of Ontario portion. It is possible the system was designed this way given the fact collection risk, as identified above, is generally considered low given the ability to implement a tax sale.

In the event the City could not collect the property taxes outstanding on a property, the uncollected amount could be shared. In 2020, the residential bill was 52% City; 39% Niagara Region; 9% Province of Ontario.

The year over year increase of \$797,990 can be attributed as follows:

- \$390,000 representing 29 properties owned by one developer
- \$172,000 from properties representing 0.4% of total billings which compares to the year over year increase in taxes of 4.48%.
- \$146,000 to penalty and interest
- \$90,000 to the new procedure to move unpaid water and wastewater balances to the property tax account;

The above identifies that while the COVID-19 pandemic has changed so much for so many, property tax collection has not deteriorated.

The City has offered property tax and water and wastewater deferrals with a total of 12 qualifying participants since the beginning of the COVID-19 pandemic. These deferrals ended March 31, 2021. Staff understand all other Niagara Region municipalities have ended or are ending their deferral programs in the near term.

Since the beginning of the COVID-19 pandemic, staff have not prioritized tax collection through normal processes. At the time of writing this report, staff recommends Council's support to resume normal tax collection processes, including moving forward and beginning the process that could lead to a tax sale for properties that have not paid for three years.

At the time of writing this report, some additional detail/breakdown of the properties that would enter the process that could lead to a tax sale include:

- 64 properties totalling \$768,000
- 29 properties owned by one developer totalling \$1,478,000

In making this recommendation, staff highlight the following:

- In any given year the City regularly faces 60-100 properties that would meet the three-year property tax outstanding test. This represents approximately 0.7% of properties. This figure stays fairly constant as many of the properties are repetitive in their diligence.
- These properties had not paid any amount for at least two years prior to the COVID-19 pandemic beginning.

- Only one owner of the properties included above applied for and received COVID-19 relief. That property would have met the three-year test prior to the COVID-19 pandemic beginning.
- These properties continue to be taxed and to incur penalty and interest.
- The process for these properties, as outlined above, will take at least one year prior to a tax sale occurring. Historically during this time, the number of properties that have actually been required to move forward to tax sale has been reduced to two (2016), one (2017), two (2018), zero (2019), four (2020).

Staff recommends the City move forward with the identified properties above as follows:

- The City's Tax Clerk will begin with a letter and collection call(s) to collect at a minimum the third-year owing, plus all the penalty and interest.
- Accounts that have not seen improvement as identified in the bullet above will be sent to Realtax to begin the process of tax registration.
- Realtax will begin the tax registration process and the City will assess a fee of \$452 per property. Once this fee is added and this process begins a property owner is required to pay all outstanding amounts to avert the tax sale, partial payments can not be accepted.
- Over the course of 12-14 months after initial registration, the owner has the ability to redeem the property by paying the amount in full.
- Once full registration time has passed and if the balance has not been received, the City will prepare to take the property to tax sale. The Property Owner can redeem if all amounts owing including Realtax fees, are paid to the City.
- If the owner does not avert the tax sale by paying all outstanding amounts, Realtax will conduct the tax sale by listing the property for a minimum bid of all amounts owing to the City.

Financial Implications:

Staff identify the City's taxpayers continue to be diligent and consistent in their payment of property taxes.

Historically the risk of non-payment has been low. Staff continues to assess that risk as low provided Council moves forward as recommended in this report. In the event this process is delayed the potential of non-payment increases as the balance increases.

Conclusion:

Staff recommend moving forward with the recommended actions identified in this report to limit the financial risk of non-payment.

Respectfully submitted,

Bryan Boles, CPA, CA, MBA
Director, Corporate Services/Treasurer
(905) 835-2900 Ext. 105
Bryan.Boles@portcolborne.ca

Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final approval is by the Chief Administrative Officer.