




# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance & Administration Committee
<b>COMMITTEE DATE:</b>	September 19, 2024
<b>SUBJECT/REPORT NO:</b>	Annual Tax Arrears as of December 31, 2023 (FCS24020) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Maria Di Santo (905) 546-2424 Ext. 5254 Rob Divinski (905) 546-2424 Ext. 6196
<b>SUBMITTED BY:</b>	Shelley Hesmer, Acting Director Financial Services and Taxation and Corporate Controller Corporate Services Department
<b>SIGNATURE:</b>	

## INFORMATION

Property taxation is the main source of revenue for municipalities to fund their operations. The City of Hamilton (City) must ensure that this primary source of revenue is protected and monitored closely. Report FCS24020 focusses on the level of annual property tax arrears over the last five years and the resulting collection efforts employed by Taxation staff.

Total tax arrears as of December 31, 2023 equated to \$91.6 M. This is an increase of approximately \$19.4 M (or 27%) from the previous year, where arrears totalled \$72.2 M. This increase coincides with current economic conditions, where inflation and higher mortgage rates are negatively impacting property owners. In addition, the lower than average volume of property sales (which assists in clearing property tax arrears, if any, at the time of sale) would also be considered a contributing factor to the arrears increase.

Staff surveyed a number of Ontario municipalities to aide in assessing if this trend is local or a broader experience. Based on responses received, a similar uptick was experienced in other Ontario municipalities. Most confirmed an increase in property tax arrears in 2023. Increases in charges added to the tax roll were also noted in many of the responses.

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Some municipalities, however, noted an increase in arrears since the pandemic. This was not the case for the City of Hamilton, as property tax arrears were lower in 2020 – 2022, when compared to 2019. Low interest rates, high volume of property sales and Provincial / Federal financial assistance programs in response to the pandemic, may have been contributing factors in the taxpayer’s ability to pay.

Table 1 is an analysis of the tax arrears from 2019 to 2023.

**Table 1  
Five-Year Analysis of Tax Arrears**

	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total Arrears <sup>1</sup>	\$91,582,733	\$72,228,534	\$71,970,200	\$75,636,548	\$77,609,940
Increase / (Decrease) Over Previous Year	\$19,354,199	\$258,334	(\$3,666,338)	(\$1,973,932)	\$3,872,487
Percentage Increase / (Decrease)	26.80%	0.36%	(4.85%)	(2.54%)	5.25%
Current Taxes Levied <sup>2</sup> Plus Additions to Tax Roll	\$1,301,656,290	\$1,216,245,788	\$1,171,479,507	\$1,148,205,282	\$1,109,605,356
Increase / (Decrease) Over Previous Year	\$85,410,502	\$44,766,281	\$23,274,255	\$38,599,926	\$31,849,744
Percentage Increase / (Decrease)	7.02%	3.82%	2.03%	3.48%	2.96%
% of Total Arrears to Current Taxes Levied	7.04%	5.94%	6.14%	6.59%	6.99%

**Total Arrears<sup>1</sup>** is inclusive of current and prior years, penalty and interest charges and charges added to the tax roll (i.e., water arrears, property standards charges, etc.). Exclusive of supplementary / omitted billings levied but not due as of December 31<sup>st</sup> of each respective year.

**Current Taxes Levied<sup>2</sup>** is exclusive of supplementary / omitted billings levied but not due as of December 31<sup>st</sup> of each respective year.

As identified in Table 1, 2023 saw an increase in total arrears of approximately \$19.4 M when compared to 2022. The 2023 taxation year also represented a higher than average increase in charges added to the tax roll which, over the prior four years, ranged from \$23 M (or 2%) to \$45 M (or 3.8%).

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As noted above, the total arrears on the tax roll are not exclusively for property taxes, but also includes penalty and interest charges, as well as, other charges added to the tax roll (i.e., water arrears charges, property standards charges, development charges, *Provincial Offences Act* charges, etc.). Where allowable under the *Municipal Act*, charges are added to the tax roll and collected in the same manner as property taxes. Although this practice simply transfers the arrears to the tax roll, it is an efficient and effective method of collecting non-property tax arrears.

Table 2 identifies the total amount of charges added to the tax roll on an annual basis. This amount has increased each year, except for 2020, which was primarily due to the waiving of fees in response to the pandemic. The waiving of fees was only applicable during 2020 and, as such, once the waiving period expired, charges added to the tax roll continued to increase.

**Table 2  
Five-Year Analysis of Charges added to Tax Roll**

	<b>12/31/2023</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Charges added to Tax Roll	\$9,239,360	\$7,728,180	\$7,658,050	\$6,154,450	\$6,653,770
\$ Increase / (Decrease) Over Previous Year	\$1,511,180	\$70,130	\$1,503,590	(\$499,320)	\$1,427,590
% Increase / (Decrease) Over Previous Year	20%	1%	24%	-8%	27%

Water arrears charges added to the tax roll continues to be a major contributing factor to recent trends. Over the last five years (2019-2023), water arrears equate to an average of 70% of the total annual charges added to the tax roll.

In 2022, the dollar threshold to transfer water arrears charges to the tax roll was increased from \$100 to \$125, resulting in lower volumes of water arrears transfers to the tax roll that year. The increase in the dollar threshold only temporarily reduced the water arrears transfer in 2022. By 2023, the volume of water arrears transfers to the tax roll increased (while maintaining the dollar threshold unchanged) from an average of 380 a week in 2022 to an average of 430 a week in 2023, almost back to the weekly average seen in 2021 when the dollar threshold to transfer to the tax roll was at \$100.

Water arrears and the applicable administration fee to add the water arrears to the tax roll, account for 77% of the \$1.5 M increase in charges added to the tax roll from 2022 to 2023.

**Breakdown of Tax Receivable by Property Class**

Table 3 provides a breakdown of the annual Taxes Receivable by major property class and the respective share to the overall total Taxes Receivable. The second portion of Table 3 identifies the number of properties with a balance owing at the end of the year, by major property class and the respective share to the overall total number of properties with a balance owing at year-end.

It should be noted that the figures below include billings levied but not yet due. Each year, the final supplementary / omitted billing is issued late in the year, with due dates in January of the following year. With the exception of 2022, when this billing totalled \$9.3 M for 2023 and prior years, it has consistently averaged approximately \$5.5 M.

**Table 3  
Five-Year Analysis of Tax Receivable by Major Property Class**

	<b>12/31/2023</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>12/31/2020</b>	<b>12/31/2019</b>
Taxes Receivable <sup>1</sup>	<b>\$104,241,889</b>	<b>\$88,632,117</b>	<b>\$84,394,273</b>	<b>\$87,610,501</b>	<b>\$88,844,463</b>
Vacant Land	\$5,682,026 5.45%	\$6,291,421 7.10%	\$4,559,714 5.40%	\$3,851,997 4.40%	\$3,376,527 3.80%
Farm/Managed Forest	\$2,890,953 2.77%	\$2,479,096 2.80%	\$2,226,561 2.64%	\$2,300,603 2.63%	\$2,402,659 2.70%
Residential	\$64,819,761 62.18%	\$51,229,644 57.80%	\$46,195,729 54.74%	\$51,386,229 58.65%	\$53,397,051 60.10%
Commercial	\$14,915,550 14.31%	\$13,649,000 15.40%	\$15,709,208 18.61%	\$15,765,595 18.00%	\$15,233,912 17.15%
Industrial	\$15,698,122 15.06%	\$14,703,236 16.59%	\$15,518,357 18.39%	\$14,253,920 16.27%	\$14,306,901 16.10%
Other	\$235,477 0.23%	\$279,720 0.31%	\$184,704 0.22%	\$52,160 0.06%	\$127,414 0.14%
<b># of Properties</b>	<b>24,551</b>	<b>22,188</b>	<b>19,605</b>	<b>18,868</b>	<b>21,968</b>
Vacant Land	624 2.54%	674 3.04%	533 2.72%	491 2.60%	525 2.39%
Farm/Managed Forest	477 1.94%	432 1.95%	461 2.35%	390 2.07%	487 2.22%
Residential	22,083 89.95%	19,866 89.53%	17,452 89.02%	16,814 89.11%	19,618 89.30%
Commercial	1,009 4.11%	878 3.96%	879 4.48%	870 4.61%	996 4.53%
Industrial	322 1.31%	311 1.40%	256 1.31%	287 1.52%	325 1.48%
Other	36 0.15%	27 0.12%	24 0.12%	16 0.08%	17 0.08%

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**Tax Receivable**<sup>1</sup> is inclusive of supplementary / omitted billings levied but not due as of December 31<sup>st</sup> of each respective year and exclusive of credit balances or balances under \$5 as of December 31<sup>st</sup> of each respective year.

As shown in Table 3, there was an increase in Taxes Receivable in 2023, all attributed primarily to the Residential property class. All other property classes have remained relatively consistent over the last five years.

The 2023 Taxes Receivable increased to \$104.2 M compared to the prior four years, where the amount ranged between \$84.4 M (2021) and \$88.8 M (2019). This trend corresponds to increased reliance on property taxes, in part, in response to the opioid, mental health and housing emergency. Consequently, the reliance on property taxes to increasingly fund social programs is negatively affecting the ability of some property owner's capacity to meet their property tax obligations.

With respect to the number of properties with a balance owing as of December 31, although the number of properties continue to increase, the Residential property class consistently represents approximately 89% of the total number of properties, while the Commercial property class approximately 4% to 5% and the Industrial class approximately 1.5%. It should be noted that Table 3 identifies all properties with a tax receivable greater than \$5.00, therefore, it is not an indication of the severity of the receivable. Some of the properties identified may be due to an unpaid charge added to the tax roll, unpaid penalty and interest as a result of a late payment or simply one missed instalment. For example, here is a list of the 24,551 properties with a balance at the end of 2023:

- 7,716, or 31.4% of these properties, have a balance owing between \$5 and \$99.99;
- 1,810, or 7.4% of these properties, have a balance owing between \$100 and \$249.99;
- 1,639, or 6.7% of these properties, have a balance owing between \$250 and \$499.99;
- 990, or 4.0% of these properties, have a balance owing between \$500 and \$749.99;
- 857, or 3.5% of these properties, have a balance owing between \$750 and \$999.99.

As such, approximately 53% of the 24,551 properties had a balance owing (not necessarily past due) of under \$1,000. For comparison, in 2022, this percentage was 57%.

### **Breakdown of Property Tax Arrears by Ward**

To get a better indication of the severity of arrears, one must look at properties in three or more years in arrears. Table 4 is a breakdown of the number and percentage of properties by Ward that are in three or more years' arrears.

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**Table 4  
Property Breakdown of Arrears per Ward  
Number of properties in 3yrs+ arrears<sup>1</sup> (% of total ward)**

Ward	January 2024	January 2023	January 2022	January 2021	January 2020
1	92 (0.87%)	76 (0.71%)	65 (0.61%)	90 (0.85%)	97 (0.94%)
2	125 (1.31%)	101 (1.13%)	101 (1.13%)	117 (1.13%)	125 (1.44%)
3	241 (1.75%)	198 (1.44%)	221 (1.60%)	259 (1.89%)	290 (2.14%)
4	174 (1.16%)	136 (0.91%)	138 (0.94%)	162 (1.10%)	176 (1.20%)
5	84 (0.68%)	72 (0.58%)	77 (0.63%)	95 (0.78%)	104 (0.87%)
6	80 (0.63%)	88 (0.69%)	80 (0.64%)	99 (0.79%)	119 (0.95%)
7	98 (0.70%)	74 (0.52%)	82 (0.58%)	105 (0.75%)	134 (0.96%)
8	96 (0.84%)	79 (0.69%)	74 (0.65%)	93 (0.82%)	83 (0.74%)
9	108 (0.86%)	99 (0.81%)	98 (0.81%)	116 (0.98%)	101 (0.88%)
10	118 (0.74%)	107 (0.67%)	89 (0.57%)	112 (0.72%)	130 (0.87%)
11	89 (0.80%)	67 (0.60%)	72 (0.66%)	92 (0.87%)	108 (1.09%)
12	142 (0.82%)	124 (0.73%)	122 (0.72%)	150 (0.89%)	160 (0.96%)
13	87 (0.70%)	81 (.65%)	80 (0.64%)	98 (0.79%)	112 (0.90%)
14	63 (0.61%)	56 (0.54%)	57 (0.57%)	70 (0.71%)	82 (0.83%)
15	97 (0.77%)	88 (0.73%)	71 (0.60%)	106 (0.91%)	134 (1.23%)
<b>TOTAL</b>	<b>1,694 (0.88%)</b>	<b>1,446 (0.76%)</b>	<b>1,427 (0.76%)</b>	<b>1,764 (0.94%)</b>	<b>1,955 (1.06%)</b>

**Number of properties in three or more years' arrears<sup>1</sup>** is exclusive of supplementary / omitted billings completed in the second half of the year which may include billing for prior two years. Inclusive of properties with tax lien registered on title.

Table 4 shows that all Wards have properties in significant arrears. Total properties in three or more years of arrears have increased from 1,446 properties in January, 2023 to 1,694 properties in January, 2024. Although there is an increase, the number of properties is lower than 2020 and 2021, where there were approximately 1,760 to 1,950 properties. All Wards have seen an increase in the number of properties in arrears compared to the year prior, with only Ward 6 showing a minor decrease from 88 properties in 2023 to 80 in 2024. The average percentage of properties in three or more years' arrears has increased to 0.88% from 0.76% over the prior two years. This percentage is still favourable compared to 2021 at 0.94% and 2020 at 1.06%.

When looking at the different Wards, as of January 2024, the percentage of properties in three or more years' arrears by Ward ranged between 0.61% and 1.75%. This is an increase from January 2023, where the average arrears per Ward ranged between 0.52% and 1.44%. Similar to prior years, Ward 3 continues to have the highest percentage of properties in three or more years' arrears at 1.75%. However, this percentage has decreased from 1.89% in 2021 and 2.14% in 2020. Wards 6 and 14 have the lowest percentage of arrears at 0.63% and 0.61%, respectively.

Of the 1,694 properties identified in Table 4, approximately 235 properties have a lien already registered on title, with the remainder being at risk of a lien being registered in 2024 should the arrears not be adequately addressed. Approximately 89% of these properties are Residential or Residential with a Commercial component.

As far as demographics are concerned, staff do not have a “profile” of a taxpayer in arrears. Based on discussions with taxpayers, the reasons for being in arrears vary, however, some common reasons include:

- Estate issues whereby the family is in the process of dealing with the estate or it is currently occupied by a surviving family member that is simply not addressing the property taxes or not expediting the settling of the estate promptly.
- Rental properties (i.e., single-family homes / condos not owner-occupied) where the property owner is assuming the tenant is paying the property taxes.
- Charges added to the tax roll (i.e., water arrears, property standards charges, provincial offences fines, development charges, etc.).
- Taxpayers in financial hardship (i.e., due to job loss, divorce, illness or the death of one of the owners or family, etc.). These cases are referred to the Compassionate Appeal process, requiring taxpayers to apply annually by the application deadline and provide the required financial records and / or attending physician’s statement.
- Taxpayers who are now experiencing hardship based on a higher cost of living which is attributed to an increase in the inflation rate, as well as, an increase in mortgage rates.
- Taxpayers making incorrect / misinformed assumptions (i.e., assuming they are paying their property taxes through their mortgage, assuming they are in good standing on their monthly pre-authorized payment plan, assuming another family member / partner is paying the property taxes, etc.).
- Opting to pay just the minimum required to discharge the lien or to avoid the City registering a lien. As such, these taxpayers are always in arrears and continue to incur significant penalties and interest charges each month.
- Remnant parcels, non-buildable lots, vacant properties.
- Pending assessment appeal (i.e., choosing not to fully pay the taxes levied by assuming a successful outcome to their appeal that will eventually clear the arrears once processed). Taxpayers are encouraged to pay their taxes in full, regardless of a pending appeal.
- Opting to enter into a two-year extension agreement once they are registered.

### **Residential Tax Assistance Programs**

There is a limited number of programs to assist taxpayers falling into arrears due to lower ability to pay. For the most part, the onus is on the taxpayer to contact the City to discuss options and available programs. Information is available on the City’s website, as well as, included in the tax information brochure mailed out with both the Interim and Final tax bills.

The programs available to residential property owners include:

Seniors (65+) Tax Rebate – the 2023 rebate was \$223 (increased from \$210 the year prior), requiring an income of \$41,800 or lower and a maximum assessed residential property value of \$500,600. Prior year taxes must be paid in full. In 2023, there were approximately 2,750 seniors that received the rebate. The deadline to apply for the 2023 rebate was February 29, 2024.

Deferral of Tax Increase for Low-Income Senior or Low-Income Persons with Disability – the deferral requires an income of \$41,800 or lower and prior year taxes paid / deferred in full. In 2023, 10 applications were approved to defer their property tax increase, while one paid off prior year deferrals as part of the sale of the property. As of December 31, 2023, there were 40 taxpayers with a deferral. Some taxpayers apply every year to defer the annual increase, while others have only applied once or applied periodically. Repayment of the deferral typically occurs on the sale of the property. The deadline to apply for deferral of the 2023 tax increase was February 29, 2024.

Full Deferral for Low-Income Senior or Low-Income Persons with Disability – the program allows for the full deferral of the annual property taxes, however, requires an income of \$41,800 or lower and prior year taxes paid / deferred in full. In 2023, 17 applicants deferred their 2023 property taxes, five of which had not deferred in prior years. There were no repayments in 2023 and 10 applicants who deferred property taxes in prior years, elected not to apply for 2023. As of December 31, 2023, there were 27 taxpayers with a full deferral of one or more years. The deadline to defer the 2023 full property taxes was September 29, 2023, being the final instalment due date for the year.

Compassionate Appeals for Extreme Poverty or Sickness – hearings for relief of 2022 property taxes were held throughout 2023 (once all applications were received by the due date of February 28, 2023). In 2023, the City received 26 applications, significantly higher than the 15 applications received the year prior. Of the 26 applications received, only six were awarded 100% relief of their 2022 total property taxes. For the remaining applications, all but one, which had to be rescheduled for a hearing in 2024, were either dismissed, withdrawn or unsuccessful either due to failure to appear, withdrawn by the appellant or the income was too high to qualify. The deadline to apply for relief of the 2023 property taxes was February 29, 2024.

## **Penalty and Interest Analysis**

Table 5 identifies the penalty and interest charges applied to the tax roll accounts for amounts not paid by the due dates. In adherence to By-law 13-136 “A By-law to Set Penalty and Interest Rates”, taxpayers are charged a penalty of 1.25% on the first day of default, then interest of 1.25% per month (15% per year) thereafter, to all property taxes (inclusive of other charges added to the tax roll) past due, until paid in full.

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Penalty and interest charges are added on the first of the month, for the full month. The penalty and interest rate charged is the maximum allowable under the *Municipal Act* and is consistent with what most Ontario municipalities charge. The high interest rate acts as a deterrent for most taxpayers to avoid paying late or accumulating arrears, however, some taxpayers continue to pay late or allow the arrears to grow, regardless of the penalty and interest charges incurred.

As identified in Table 5, over the last five years, penalty and interest revenue has averaged approximately \$12.2 M per year. The 2023 penalty and interest charges of \$13.5 M is the highest in the last five years and approximately \$1.5 M higher than that of the any of the previous four years. In 2023, 48% of the total \$13.5 M penalty and interest charged was related to current year arrears only, an increase from 2022 and 2021, where it accounted for 47% and 44%, respectively.

**Table 5  
Five-Year Analysis of Penalty and Interest Charges**

	<b>12/31/2023</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>12/31/2020<sup>2</sup></b>	<b>12/31/2019</b>
P&I charges added to the Tax Roll <sup>1</sup>	\$13,505,480	\$11,933,392	\$12,030,300	\$11,459,885	\$12,012,070
\$ Increase / (Decrease) over Previous Year	\$1,572,088	(\$96,908)	\$570,416	(\$552,185)	\$721,169
% Increase / (Decrease) over Previous Year	13.17%	(0.81%)	4.98%	(4.60%)	6.39%

**P&I charges added to the Tax Roll<sup>1</sup>** is net of adjustments (i.e., write-off of current year penalty and interest due to misapplied payment, reduction of taxes due to successful appeal, etc.).

<sup>2</sup> The reduction in 2020 was primarily due to the Council-approved waiving of penalty and interest charges in response to the pandemic, as per staff Report FCS20038, Property Tax Assistance and Other Measures.

The increase in penalty and interest charges seen in 2023 is directly related to the increase in arrears. In light of the higher arrears and possible financial difficulty being experienced by taxpayers and their presumed lower ability to pay, there may be some consideration warranted of possibly lowering the penalty and interest rate. All factors will need to be considered as this revenue is budgeted for and, therefore, applied to lowering the overall municipal levy. Such a measure was taken in 2009 in order to assist taxpayers facing the uncertain economic future due to the global downturn at that time. The penalty and interest rate was lowered to 1% per month (12% per annum) from May, 2009 to June 2013. The rate was increased back to 1.25% per month (15% per annum) effective July 1, 2013 and has remained at this rate since, being the maximum allowable under the *Municipal Act*.

## **Tax Collection Efforts**

The following identifies the steps taken by Taxation staff to ensure the protection and collection of property tax arrears, while adhering to requirements under the *Municipal Act, 2001*. There are several steps taken to ensure the City's taxes receivable are protected and ultimately collected:

- Arrears are indicated on both tax billings (Interim tax bill mailed out in early February and Final tax bill mailed out in early June).
- Setting the penalty and interest rate at the maximum allowable under the *Municipal Act* (1.25% per month / 15% per year) – this rate is identified on all tax bills and reminder notices, so taxpayers are aware of the cost of falling into arrears.
- Reminder notices issued seven times per year (in March, May, July, August, October, November and December).
- An annual letter is sent in January to all properties three or more years in arrears, advising the taxpayer a lien will be registered should the arrears not be dealt with. Taxpayers are made aware that should a lien be registered, any interested parties registered on title, such as a mortgage company, will be notified of the arrears.
- For taxpayers who ignore the three or more years in arrears' letters, liens are registered on title and notices are sent to anyone with an interest on title, including mortgage holders. The approved user fee to cover the City's costs for the registration of delinquent accounts is also added to the tax roll account. Tax staff monitor all properties three or more years in arrears, registering liens in order of largest arrears.
- On average, the City runs two tax sales per year. This is the last step in the collection of property tax arrears. For the most part, arrears are settled before the tax sale, by either the property owner or their mortgage company. For properties that do go to tax sale, the arrears are paid by the proceeds of the successful bidder.

When analyzing arrears and arriving at an acceptable level of collection, the level of arrears compared to the assessed value of the property will be considered in order to minimize all risk of eventually collecting the arrears, should the City need to proceed to tax sale. For the most part, a property's assessed value far exceeds their property tax arrears.

Table 6 identifies the number of reminder notices mailed out, as well as, the number of properties with a balance owing as of December 31st.

**Table 6  
Five-Year Analysis of Reminder Notices Issued**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020<sup>3</sup></b>	<b>2019<sup>2</sup></b>
# of March Reminders	21,489	20,960	18,956	19,342	18,995
# of May Reminders	24,986	24,361	22,599	29,614	21,610
# of July Reminders	24,213	23,542	22,438	26,707	21,111
# of Aug Reminders	17,841	16,453	15,345	16,062	N/A
# of Oct Reminders	28,999	26,243	25,499	25,518	22,978
# of Nov Reminders	20,190	18,224	17,255	17,363	N/A
# of Dec Reminders	16,247	14,170	13,138	13,617	N/A
# of Properties billed <sup>1</sup>	<b>186,476</b>	<b>185,057</b>	<b>183,685</b>	<b>180,917</b>	<b>178,841</b>
# of Properties with balance at year-end	24,551	22,188	19,604	18,868	21,968
% of Properties in Arrears	<b>13.17%</b>	<b>11.99%</b>	<b>10.67%</b>	<b>10.43%</b>	<b>12.28%</b>

# of Properties billed<sup>1</sup> in the June final property tax billing for each respective taxation year.

<sup>2</sup> Prior to 2020, only four reminder notices were mailed out per year, in the month following the interim or final instalment due dates.

<sup>3</sup> Increase in reminder notices in May and July 2020 due to taxpayers taking advantage of the waiving of penalty and interest (relief measure due to pandemic) and withholding payment until the waiving period ended.

As Table 6 illustrates, the number of reminder notices issued has continued to increase since 2021. Reminder notices are mailed to all taxpayers with a balance of \$50 or greater. The timing of when charges are added to the tax roll (i.e., water arrears, property standards), as well as the volume of tax roll accounts with charges added to the tax roll, may contribute to the number of notices being mailed out.

There is typically an increase in reminder notices mailed out in May and October, due to taxpayers forgetting the second instalment of their Interim or Final property tax bill. A newspaper ad is also published in the local paper to remind taxpayers of the upcoming instalment due date. Regardless of this collection effort, some taxpayers will continue to misplace or lose their tax bills, sell / purchase property and pay on their previous roll number in error, or simply ignore the reminder notices until they risk being registered with a tax arrears lien. The annual increase in reminder notices, however, may be a sign of taxpayers' inability to pay their full tax instalment by the due date and as such, agrees to the higher penalty and interest revenue seen in 2023.

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As shown in Table 6, by the end of 2023, approximately 13% of the total number of properties billed had not paid their property taxes in full, an increase from prior years.

### **Tax Registration**

Table 7 identifies the number of properties issued a three or more years arrears' letter each year, compared to how many had a tax lien registered. The annual three or more years in arrears' letter (mailed out mid to late January each year), elicits several responses ranging from promises to pay, payment arrangements, payment of the minimum amount required to avoid a lien being registered (third year in arrears) and payment in full. Unfortunately, some taxpayers simply ignore the City's letter.

Taxation staff sort and monitor these arrears into different categories (i.e., properties with payment arrangements, properties that will pay in full, properties that can only settle the third year, properties that have not contacted the City, etc.). Staff then begin to register liens on those who have ignored collection efforts, starting with the properties with the largest arrears. Staff also monitors arrears of taxpayers who have failed on their payment arrangement and move them into the registration process. It has been the practice of Taxation staff to show compassion for taxpayers in financial difficulty and will work with the taxpayer to allow them some time, within reason, to sort out their financial affairs.

The tax registration and sale of properties is regulated under Part XI of the *Municipal Act, 2001*. Once a property is eligible to be registered, an extensive title check is required to determine who is registered on title. Once the lien is registered, Taxation staff must send notices within 60 days to all parties registered on title. The full cost of this process is added to the tax roll account, as per the annual Council approved user fee by-law. In many cases, mortgage companies will act to protect their interest and work with the taxpayer on the arrears or use their Power of Sale legislation.

If the tax arrears are not addressed on receiving the Notice of Registration, then Final Notices must be sent after 280 days of registering a lien. A tax sale cannot take place before one year (365 days) has passed since the registration of the lien.

In 2020, there was a freeze in registrations under Ontario Regulation 73/20. All deadlines pertaining to the *Municipal Act* and Municipal Tax Sale rules were suspended from March to September 2020. Taxation staff resumed registering liens once the 180-day suspension period expired.

**Table 7  
Five-Year Analysis of Tax Registration /  
Three or More years in Arrears' Letters Issued**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Three or more years in Arrears' letters <sup>1</sup>	942	957	1,172	1,275	1,181
Increase / (Decrease) over Prior Year	(15)	(215)	(103)	94	(22)
Properties Registered with Tax Lien	369	360	415	210	452
% in Arrears for Three or More years Registered with Tax Lien	39.2%	37.6%	35.4%	16.5%	38.3%

**Three or more years in Arrears' letters<sup>1</sup>** mailed out in January of each respective year. Properties in receipt of a letter exclude properties that recently were issued a supplementary / omitted tax bill (which may include billing for prior two years), properties with a tax lien already registered on title, properties on the arrears pre-authorized payment plan, properties with arrears less than \$250 and properties on an approved payment plan which will clear their third year arrears amount prior to the end of Q3 in the current year.

As reflected in Table 7, over the last five years, Taxation staff typically register approximately 350 to 450 liens per year. Due to the pandemic, the registration of 210 liens in 2020 was the City's lowest over the last five years. This was due to the freeze in registering liens under Ontario Regulation 73/20. The 942 letters mailed out in January, 2023 was the lowest over the five-year period, however, staff still registered 369 liens. The percentage of liens registered when compared to the number of three or more years arrears' letters that were issued, (39.2% in 2023) was the highest over the last five years.

Although the *Municipal Act* was amended in 2017 to allow the registration of liens for properties in two or more years' arrears, staff is not recommending doing so at this time as this would increase the number of properties that could potentially be registered by over three times. Based on existing resources, Taxation staff will continue to register at three years in arrears. As the City has priority lien status and ultimately can collect the property taxes levied, any proposed change to the status quo would need to balance the expected resulting reduction in total tax arrears with the added costs for additional staff resources required, potential loss of penalty and interest revenue and impacts to taxpayers in financial difficulty.

## **Tax Sale of Properties**

The tax sale of a property is the final step of the process and one with serious consequences. When a property goes to tax sale, several of the properties generally get rectified by the owners and pulled from the tax sale. Every effort possible is made to allow property owners to keep their properties by settling the arrears themselves. For many of the properties that go to tax sale, properties may also have large property standard charges and / or water arrears added to the tax roll, as well as, Federal and / or Provincial liens. The City must also deal with estate issues where no will exists. A further issue is where slivers of properties have been created and have been over-valued and where the only means to rectify the problem is through the tax sale process.

Of the properties that end up going through to the final bidding process of a tax sale, there are three potential results:

1. They sell for at least the minimum bid (taxes owing including all charges and fees added to the tax roll) and the City recovers all that is owed. Excess funds are paid into Court.
2. They do not sell (no acceptable bids are received) and the property is not vested to the City due to liability concerns. These properties are then dealt with by the City's process for potentially contaminated properties or re-evaluated by the Municipal Property Assessment Corporation (MPAC) to a reasonable value for unbuildable land and left in the current owner's name.
3. They do not sell (no acceptable bids are received) and the property is vested to the City. City Real Estate staff would then attempt to sell the properties vested, at which time, a report goes to Council to write-off any difference between what it sold for and the property taxes owing.

Table 8 confirms that most property tax arrears are eventually settled, with relatively very few properties required to proceed to tax sale. As shown below, no tax sales were held in 2020 or 2021 due to the pandemic. Tax sales resumed in the Fall of 2022.

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**Table 8  
Five-Year Analysis of Tax Sales**

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Letters sent advising of impending tax sale	37	19	0	0	40
Properties advertised for tax sale	17	8	0	0	20
<b>% to Tax Sale</b>	<b>45.9%</b>	<b>42.1%</b>	<b>N/A</b>	<b>N/A</b>	<b>50.0%</b>
Rectified by Taxpayer	13	5	0	0	16
<b>%Rectified</b>	<b>76.4%</b>	<b>62.5%</b>	<b>N/A</b>	<b>N/A</b>	<b>80.0%</b>
<b>Sold at Tax Sale</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>% Sold at Tax Sale</b>	<b>11.8%</b>	<b>25%</b>	<b>N/A</b>	<b>N/A</b>	<b>20.0%</b>
No Bids Received	2	1	0	0	0
<b>% with No Bids</b>	<b>11.8%</b>	<b>12.5%</b>	<b>N/A</b>	<b>N/A</b>	<b>0.0%</b>
Sold at a later date by Real Estate	0	0	0	0	0

As shown in Table 8, most arrears are rectified by the taxpayer even after the property is advertised for tax sale. The figures for 2023 are the first figures since 2020 whereby the City conducted two tax sales, in the Spring and another in the Fall. Figures for 2022 are only based on one tax sale in the Fall, whereas there were no tax sales in 2020 or 2021 due to the pandemic. The number of properties that eventually go to tax sale ranges from just three to four properties per year over the three years where the City has held tax sales. Considering the total number of properties levied property taxes (ranging from approximately 179 k in 2019 to 186 k in 2023), this represents only 0.002% of all properties.

For the two tax sales conducted in 2023, the City received successful bids on two of the four properties. Staff will evaluate options on how to proceed with the two properties that did not receive any successful bids, which includes vesting to the City for possible sale by Real Estate staff to recover all or most of the arrears, attempt a second tax sale and / or possible write-off.

**APPENDICES AND SCHEDULES ATTACHED**

None