

**Municipality of Chatham-Kent**  
**Finance, Budget & Information Technology Services**  
**Financial Services**  
**Information Report**

**To:** Mayor and Members of Council

**From:** Steven Brown, CPA, CMA  
 Director, Financial Services

**Date:** July 3, 2018

**Subject:** 2018 Tax Sale Registrations

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This report is for the information of Council.

**Background**

Council previously granted operational authority to the Treasurer to register a tax arrears certificate on any property in the Municipality being more than three years in arrears.

A summary of the total arrears outstanding as of December 31 each year, from 2010 to 2017, is as follows:

	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
<b>2007 Arrears</b>	492,656							
<b>2008 Arrears</b>	1,017,263	906,658						
<b>2009 Arrears</b>	2,729,252	979,066	1,081,781					
<b>2010 Arrears</b>	7,455,445	3,040,433	1,257,618	1,347,146				
<b>2011 Arrears</b>		7,217,810	3,275,876	1,072,046	1,076,034			
<b>2012 Arrears</b>			7,464,188	2,968,986	912,754	1,122,577		
<b>2013 Arrears</b>				6,524,126	2,832,559	752,273	875,916	
<b>2014 Arrears</b>					7,752,353	2,694,293	671,695	927,508
<b>2015 Arrears</b>						5,808,876	2,264,821	785,255
<b>2016 Arrears</b>							6,619,737	2,608,459
<b>2017 Arrears</b>								6,843,064
<b>TOTAL</b>	<b>11,694,616</b>	<b>12,143,967</b>	<b>13,079,463</b>	<b>11,912,304</b>	<b>12,573,700</b>	<b>10,378,019</b>	<b>10,432,169</b>	<b>11,164,286</b>

The following summary shows the tax sale property status as of January 1 each year:

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Number of Chatham-Kent Properties Receiving Tax Bills</b>	48,411	48,847	49,096	49,666	49,759	49,848	49,850	50,113	50,230
<b>Properties Having Any Arrears</b>	10,651	11,076	11,405	11,714	12,638	13,401	14,079	13,998	14,101
<b>Properties Eligible for Tax Sale</b>	454	460	504	523	520	482	390	327	386

The following summary shows the tax sale property status as of December 31 each year relative to the year in which the tax sale process was initiated:

	2012	2013	2014	2015	2016	2017
<b>Properties Registered During the current Year</b>	89	72	52	36	53	60
<b>Properties Sold At Tax Sale Auction</b>	6	20	8	6	8	11
<b>Properties Vested and Eligible to be Declared Surplus</b>	7	17	10	7	4	4
<b>Properties Vested and Retained for Municipal Use</b>	1	0	1 pending	3 pending	2	0
<b>Other</b>	5	12	12	14	17	12

### **Comments**

This report also reflects there are now arrears of \$1,807,163 owing on 12 accounts that are currently in a state of uncertainty due to prior agreements still in place, potential environmental issues, or investigations into obtaining municipal ownership of the property. Taking these issues into consideration, our true "active" collectible arrears would be \$9,357,122 rather than the \$11,164,286 total that is presented in the table shown on page one.

Under Section 373(1) of the *Municipal Act*, the Treasurer may prepare and register a tax arrears certificate on all properties in the Municipality having two years of tax arrears. For 2018, tax arrears certificates have been registered on properties having three years of arrears only.

Once the one year legislated registration period of the tax certificate expires for the property owner to redeem their property, the tax arrears information becomes public information and is advertised in accordance with the legislation of the *Municipal Act*, 2001. At that time, a report will be released to Council to provide more details on all properties which remain eligible for sale.

Of the original 390 accounts as of January 1, 2016 there are now 378 accounts on payment plans or paid in full. There are still 12 accounts that have potential environmental concerns or a municipal interest in the property.

Of the original 328 accounts as of January 1, 2017 there are now 302 accounts on payment plans or paid in full. There are still 12 accounts that have potential environmental concerns or a municipal interest in the property, and 14 are scheduled for public tender on October 9, 2018.

Any properties having three years of tax arrears as of January 1, 2018, have received a registered letter (sample attached) indicating the Municipality's intention to begin the registration process if payment arrangements are not made. Of the original 386 accounts as of January 1, 2018, 30 accounts have been paid in full, 67 accounts are on payment plans, 47 accounts are no longer eligible because payment has been made to clear the third year of taxes and outstanding interest, and the remaining 242 are at various stages of the tax sale process.

The registered letter is the final step initiated in the collection process prior to registration. Numerous arrear notices sent over the past three years and attempts to implement payment arrangements with the owners predate this action. This report reflects a high number of properties in the tax sale process, however this will usually drop considerably once registered letters have been mailed and owners enter into payment plans.

If concerns about any property arise during the registration process, the Municipality can cancel the proceeding at any time. The inventory of potential environmental concerns remains steady, with a slight decrease. The conditions of the properties continue to deteriorate as the owner(s) tend to abandon these properties. These types of properties are difficult to market, and in most cases property standards issues arise and may result in additional charges to the tax roll as measures are undertaken to bring the property into compliance with our By-Laws.

### **Consultation**

Legal Services will assist in the registration of the legal documents required in this process.

### **Financial Implications**

As arrears increase and the potential environmental property concerns continue to grow, interest and penalty income to the Municipality on tax arrears will also increase. There are appropriate provisions made in the 2018 budget. Properties that fail to sell at the public tender for the taxes owing may be vested with the Municipality and subsequently sold if not retained for municipal purposes.

Prepared by:

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Amy McLellan, CPA, CGA  
Manager, Revenue

Reviewed by:

Reviewed by:

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Steve Brown, CPA, CMA  
Director, Financial Services

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Mike Turner, CPA, CMA  
Chief Financial Officer, Treasurer

Attachment: Sample of registered letter to property owner

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C: Chief Legal Officer  
Municipal Clerk, Manager of Municipal Governance

**Municipality of Chatham-Kent**  
*Finance, Budget and Information*  
*Technology Services, Financial Services*  
315 King St W., PO Box 640  
Chatham ON N7M 5K8  
Tel: 519.360.1998 Fax: 519.358.4534

February 12, 2018

«FirstName»  
«SecondName»  
«Address1»  
«Address2»  
«City» «Postal\_Code»

Dear Sir or Madam:

**RE: «Roll», «Municipal\_Address»  
FINAL NOTICE BEFORE TAX REGISTRATION AND SALE PROCEEDINGS**

Section 373(1) of the Municipal Act states “where any part of tax arrears is owing with respect to land in a municipality on January 1 in the third year...the treasurer of the municipality...may prepare and register a tax arrears certificate against the title to that land”. As well, Section 379(1) states “that the land described in the certificate will be sold by public sale if the cancellation price is not paid”.

Unfortunately, the arrears on the above-captioned property, registered in your name meet this criteria. Once a tax arrears certificate has been registered, all outstanding taxes plus substantial administrative fees of \$5,462.00 may be added to your account, and payment in full by certified cheque is required in order to redeem your property.

Several reminder notices have been sent asking for payment arrangements to be made and you have not responded to these repeated requests, have not paid enough, or are in default of the payment arrangements previously implemented at your request. Therefore, unless the third year of tax plus all interest outstanding is paid in full, your property will continue to see the tax sale proceed. Please note that a \$215.00 charge has been added to your account for the cost of this service and therefore must be included when making your payment.

Within the next few weeks the following steps will be implemented on this property:

- 1) Farm Debt Review board will be notified of the status of your account.
- 2) A title search will be performed and any person or mortgage holder having a registered interest in your property will be notified of our intentions to proceed to a tax sale of this property.
- 3) A Tax Arrears Certificate will then be registered against the title of your property. Subsequently, if the taxes and all costs remain unpaid, your property will be offered for sale approximately one year later.

Currently Chatham-Kent has implemented a tax deferral program of the assessment related increase of property taxes for low income seniors or low income disabled homeowners. This assessment related tax increase must be in excess of \$300.00 per year. Should you feel your property will surpass this increase, please contact this office for an application which will outline the remaining requirements to qualify for this program.

To forestall this action and its effects on your credit standing in the community as well as putting your property ownership in jeopardy, please write or call the Collections Department at (519) 360-1998 as soon as possible.

Yours truly

*Amy McLellan*

Amy McLellan, H. B. Comm, CPA CGA  
Manager Revenue

AM/kk