

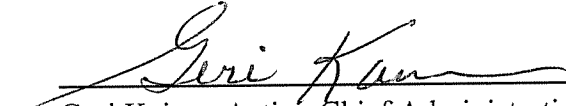
10.1.14



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
July 4, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Geri Kaiser, Acting Chief Administrative Officer

DATE: June 28, 2006

SUBJECT: Tax Sale Fees

ORIGIN

Staff and the proposed 2006/07 operating budget which includes an estimated \$30,000 in additional fees for the tax sale process.

RECOMMENDATION

It is recommended that :

1. Regional Council approve an amendment to Administrative Order 18 to include the attached Schedule 1, Proposed Tax Sale Administration Fees, effective September 1, 2006 and that this report serve as Notice of Motion to amend the Administrative Order.

BACKGROUND

In the course of examining business processes and developing new revenue streams to recover the cost of rendering services, staff have researched the processes, revenues and fee schedules of other municipalities. Through this research, staff have identified that other municipalities in their tax sale processes charge a scale of fixed fees to recover the expenses of taking a property to tax sale. Basically, each tax sale property is charged a flat recovery fee based on the stage the property is in during the tax sale cycle. The fixed fee recovery schedules of other municipalities have been deemed fair, equitable and easily administered by the applicable municipality (see attached Schedule 2 for comparative table of fees). The current practice at HRM is to account for and allocate some tax sale expenses at actual cost on a property by property basis.

DISCUSSION

Section 134 of the Municipal Government Act allows municipalities, to sell properties to secure their lien on real property taxes that are deemed to be in arrears. Since amalgamation, HRM has conducted 28 tax sale auctions, which on average, is three tax sale auctions per 12 month period. There are many expenses associated with bringing a property to tax sale such as issuing letters of advanced notice of tax sale proceedings, registered letters of intention to sell to all owners and lienholders, title searches, advertising, postage, police services, room rental, drafting and registration of deeds.

A current schedule of tax sale costs recovered by HRM is listed in the attached Schedule 3, Current Tax Sale Expenses. These expenses are recoverable and are billed to the individual property accounts as incurred or on a pro-rated basis where a charge such as advertising is applicable to more than one property.

The tax sale process also has many expenses in terms of direct staff labour costs that are not currently being recovered such as, two full time Tax Analysts who are 100% assigned to tax sale, Supervisor of Taxation, Manager of Revenue, Team Leader of Revenue, Legal Services personnel, and Survey Services personnel. There is also the unrecovered costs of office supplies, postage and computer resources.

Another direct unrecoverable cost resulting from the tax sale process is the staff time expended to monitor and maintain the numerous payment arrangements that are negotiated between the property owner and staff to avoid a property being taken to tax sale.

It should be noted that the unrecoverable costs of the tax sale process are borne by all taxpayers of HRM. In keeping with the principle of equity, fees that are currently unrecovered and associated with the tax sale process should be recovered through a schedule of fixed standard fees.

A typical tax sale property goes through the following stages with active participation of staff:

1) Prepare a listing of all properties that are subject to tax sale proceedings. Staff will proceed to tax sale on all lienable charges that are 3 years overdue. This step usually yields approximately 4,000 property accounts. The two revenue staff assigned to tax sale then manually review the notes of each account for information, satisfactory payment arrangements or deferrals that can disqualify the property from tax sale per HRM collections policy and section 134 (4) of the MGA.

2) Advanced notice of tax sale proceedings. Approximately 50% or 2,000 of the properties in step 1 above, are selected and mailed an Advance Tax Sale Notice. For HRM's last issue of advance tax sale notices, dated February 27th, 2006, the arrears outstanding were approximately \$6 million. Of the \$6 million of arrears, staff have successfully collected \$2.8 million as of May 25, 2006 via lump sum payments in full or satisfactory payment arrangements.

3) Title search. After 30 days past the issuance of the Advance Notice of Tax Sale proceedings, if the taxes are still in arrears or a suitable payment arrangement not put in place, staff will arrange for a title search on the property and a survey if deemed necessary. Due to the number of properties and the staff complement, only 100 properties are selected for a title search. The selection criteria used here is the highest dollar arrears, any properties which are mobile homes, properties with capital arrears, or properties that meet the ageing criteria (arrears older than 6 years). Staff must prepare and forward a bill to the property owner for the title search fee.

4) Notice of intention to sell. Upon completion of the title searches and surveys, a Notice of Intention to Sell is sent by registered mail to the property owners, as well as all lienholders associated with the property, advising that the property will be sold if the outstanding tax arrears are not paid within 60 days. Approximately 50 - 60 properties are sent a notice of intention to sell from the 100 properties selected for title search. After the intention to sell letters are sent, staff then have to prepare and issue the tax sale posters to be posted on the property by an external contractor, and advertise the tax sale properties twice per the MGA before the public auction.

5) Tax Sale Auction. If a property's tax arrears are not paid in full or suitable payment arrangements not made per A.O. #18 Revenue Collections Policy, the property is taken to tax sale auction. The last tax sale held by HRM on February 7, 2006 included 12 properties with outstanding liens of \$132,000.

6) Payment in Full. The successful bidder on a tax sale property must remit payment in full on the opening bid amount (tax arrears plus interest and expenses) at the time of the public auction. Any amounts over the opening bid amount must be paid in full to the municipality within 3 business days.

7) Certificate of Sale. Once payment in full is received a Certificate of Sale is issued to the purchaser, recorded at the Registry of Deeds, and sent to the former owner with notice of right to redeem if applicable.

8) Redemption Period (if applicable). If the tax sale property has tax arrears of less than 6 years the property can be redeemed within 6 months from the date of the tax sale auction. If a property is redeemed by an interested party (owner or lienholder), staff must provide notice to the purchaser of the redemption and provide a full statement of account detailing applicable costs, any income generated and surplus dollars during redemption.

9) Issue tax deed. A tax deed is issued at the request of the purchaser and upon payment of fee provided there is no right to redeem; if there is a right to redeem it expires 6 months after the tax sale, and if redemption has not taken place the tax deed can be issued then.

Through all of the above stages of tax sale, staff are actively and diligently involved with property owners or their agents answering inquiries, advising them on courses of action to avoid tax sale, preparing correspondence and negotiating satisfactory payment arrangements.

The primary intent and goal of the tax sale process is for staff to make every effort to work with the property owner in accordance with HRM's collection policy to avoid tax sale.

Should the fee schedule be approved, staff are prepared to present a business case that will support a plan to increase Revenue's staff complement in support of the tax sale process. This additional resource will work to prevent any property going to tax sale that has amounts in excess of 6 years old and which renders a tax sale incident as unredeemable. The position may be offered as a temporary staffing resource until the new Revenue Tool can be implemented which will greatly improve our ability to administer properties at risk of tax sale.

BUDGET IMPLICATIONS

The 2006/07 operating budget includes a recovery of \$30,000 of tax sale costs based upon a partial year. The proposed fees (Schedule 1) would generate an estimated incremental net revenue of \$112,000 on an annual basis and would recover staff time and applicable expenses. Staff will redirect additional revenues to enhance service delivery within the tax sale process.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

- 1) Staff can continue to allocate actual tax sale costs per Schedule 3. This alternative is not recommended as it does not recover staff time expended during the tax sale process and creates more of an administrative burden on tax sale staff.
- 2) Staff can revise the table of recovery fees in Schedule 1 on the request of Council to reflect different recovery fees.

ATTACHMENTS

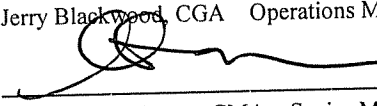
Schedule 1: Proposed Tax Sale Administration Fees

Schedule 2: Comparable Tax Sale Fees

Schedule 3: Current HRM Tax Sale Expenses

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jerry Blackwood, CGA Operations Manager Revenue 490-6470

Financial Review: 
Catherine Sanderson, CMA Senior Manager Financial Services 490-1562

Report Approved by: 
Cathie O'Toole, CGA Acting Director - Finance 490-6308

SCHEDULE 1: PROPOSED TAX SALE ADMINISTRATION FEES

Description of Fee	Amount
Advanced Notice of Tax Sale Proceedings (new fee see Note 1)	\$50.00
Title Search (currently charged \$225.00 plus HST)	actual
Survey	actual
Notice of Intention to Sell (new fee see Note 2)	\$400.00
Preparation of Certificate of Sale (new fee see Note 3)	\$75.00
Preparation of Deed (currently charged per AO #18)	\$100.00
Registration of Deed & Certificate of Sale (currently charged \$149.00 plus HST)	actual

Note 1: The intent of the fee levied on the issuance of Advanced Tax Sale Notice is to recover the costs of staff time involved in the tax sale process as well as staff time expended monitoring and maintaining payment arrangements.

Note 2: The intent of the fee levied on the issuance of Intention to Sell is to recover the costs of registered mail, tax sale posters, advertising, police services and room rental for the public auction.

Note 3: The intent of the fee for the preparation of Certificate of Sale is to charge the purchaser a fee for the preparation of the Certificate of Sale document.

SCHEDULE 2: COMPARABLE TAX SALE FEES

	HRM*	CBRM	Ottawa	Toronto
Tax Sale Certificate Register lien	n/a	n/a	\$1,092	\$1,075
Advanced Notice of Tax Sale Proceedings	\$50	nil	n/a	n/a
Payment Arrangement	nil	nil	\$660	\$500
Title Search	Actual	Actual	Actual	Actual
Surveys	Actual	Actual	Actual	Actual
Notice of Intention to Sell	\$400	\$190	\$1,220	\$475
Preparation and Registration of Certificate of Sale & Deed	\$324	\$150	\$320	\$500

* Proposed

Note: The above schedule documents only the fixed costs associated with tax sale recoveries comparable to the proposed HRM proposed fixed recoveries. The other municipalities charge additional costs on top of the fixed portion or on a pro-rata basis.

SCHEDULE 3: CURRENT HRM TAX SALE EXPENSES

Description of Fee	Amount
Advanced Notice of Tax Sale Proceedings	Currently nil
Title Search (currently charged \$225.00 plus HST)	Actual
Survey	Actual
Notice of Intention to Sell (represents the cost of registered mail)	\$6.10
Poster Fee	\$150.00 - \$300.00
Advertising (approximate cost)	\$80.00
Room Rental	\$145.00
Police	\$367.80
Preparation of Certificate of Sale	Currently nil
Preparation of Deed	\$100.00
Registration of Deed & Certificate of Sale	\$149.00

Note: All of the fees above are charged back to the tax sale property and recovered on a actual cost basis.