

To: **COUNCIL**

Meeting Date: **10/19/21**

Subject: **95 & 105 Sheffield Street – Write-off of Property Taxes Deemed Uncollectible**

Submitted By: **Sheryl Ayres, Chief Financial Officer**

Prepared By: **Sheryl Ayres, Chief Financial Officer**

Report No.: **21-295(CRS)**

File No.: **C1101**

Recommendation(s)

THAT Council report 21-295(CRS) 95 & 105 Sheffield Street – Write-off of Property Taxes Deemed Uncollectible be received;

AND THAT Council approve the write-off of taxes in the amount of \$1,219,860 for 95 Sheffield Street and \$482,800 for 105 Sheffield Street.

Executive Summary

Purpose

- To write-off property taxes deemed uncollectible on 95 & 105 Sheffield Street, as permitted through section 354(2)(a) of the Municipal Act, 2001

Key Findings

- The balance owing for property taxes on 95 & 105 Sheffield Street has been accumulating since 2003 to an estimated balance of \$1,861,200 and \$1,041,600 respectively.
- The properties were advertised for tax sale in 2020 with no bids received.
- An Environmental Site Assessment has recently been completed to determine the extent of contamination on the properties and to assess estimated property resale values.
- Writing-off a portion of the outstanding taxes will allow for re-advertisement of these properties for tax sale with the anticipation of a successful sale.

Financial Implications

- Based on the estimated resale value of the properties, a tax write-off in the amount of \$1,219,860 for 95 Sheffield Street and \$482,800 for 105 Sheffield Street for a total of \$1,702,660.
- The write-off will be proportionately shared with the Region of Waterloo (\$299,200) and the School Boards (\$449,600). The total amount of the write-off for the City of Cambridge share of outstanding taxes is \$953,860.
- After the write-off is completed there will be a remaining account balance of \$641,340 for 95 Sheffield Street and \$482,800 for 105 Sheffield Street. It is believed that these values recommend a fair resale value of the properties for the upcoming tax sale closing on December 2, 2021.

Background

The properties at 95 & 105 Sheffield were previously used as a foundry that produced iron castings and engine parts. The foundry terminated its operations on the site in January 2009 and filed for bankruptcy. The sites are now considered abandoned and the property taxes owing have been accumulating since 2003.

95 Sheffield is a total of 4.58 acres and is zoned M4. The property has a developable area of 2.58 acres and 2.00 acres are in the flood plain and deemed non-developable. 105 Sheffield is 3.99 acres and is zoned M3. This property has a total area of 3.99 acres of which 1.11 acres are developable and 2.88 acres are non-developable. The following map shows the location of the two properties with the flood fringe area identified.



In 2013 the City of Cambridge appealed the 2013 - 2014 assessment value requesting a decrease due to the poor condition of the buildings and site contamination since the value did not accurately reflect the condition of the property at that time. In 2014 the Assessment Review Board released its decision reducing the assessment value for both properties. In 2017 fire destroyed the building at 105 Sheffield Street and a further reduction to the assessment value was processed.

After years of neglect, unpaid taxes and abandonment of the properties, the City initiated the tax sale process in March 2018. The property owner and all interested parties were notified of the tax sale process but there was no contact from the property owners in response to the notifications. In November 2020 the tax sale closed with no submissions for either property.

Analysis

Strategic Alignment

PEOPLE To actively engage, inform and create opportunities for people to participate in community building – making Cambridge a better place to live, work, play and learn for all.

Goal #2 - Governance and Leadership

Objective 2.5 Focus on the responsible management of financial resources, ensuring transparency and accountability.

The write-off of a portion of taxes that have been deemed uncollectible will allow for the re-advertisement of the properties for tax sale in anticipation of collecting a portion of the outstanding tax account balance.

Comments

Upon conclusion of the unsuccessful tax sale process in November 2020, staff met to review the options for these properties. The options available to the City include:

1. Prepare and register notice that the City is vesting the properties,
2. Re-advertise for tax sale with no reduction to the balance outstanding on the property tax accounts,
3. Write-off all or a portion of the balance outstanding on the property tax accounts and re-advertise for tax sale.

Staff are recommending option three, to write-off a portion of the balance outstanding on the property tax accounts and re-advertise in November 2021 with a tax sale closing date of December 2, 2021. Under the authority of the Municipal Act, 2001, section 354(2)(a), Council can approve the write-off of taxes that are deemed uncollectible, on the recommendation of the Treasurer.

In order to determine the value of the taxes that are deemed uncollectible, an environmental site assessment (ESA) was completed on the properties. The purpose of the ESA was to understand the degree of contamination, estimate the costs to remediate the lands and estimate the residual value of the properties to determine an appropriate resale value. The findings of the ESA revealed the following information:

- Site formerly occupied by Crowe Foundry and Crowe Foundry Limited – iron foundry operation,
- Prior operations include repair/maintenance garages,
- Site registered with the Ontario Ministry of Environment, Conservation, and Parks (MECP) as a generator of hazardous wastes, was registered as a PCB storage site, and had several chemical spills,

- Contamination due to operations on site as well as potential migration from neighboring properties
- Contaminants found on the property include:
 - Petroleum Hydrocarbon exceedances in soil;
 - Polycyclic Aromatic Hydrocarbon exceedances in soil;
 - Metal exceedances in soil;
 - Polychlorinated Biphenyl exceedances in soil;
 - Petroleum Hydrocarbon exceedances in groundwater;
 - Volatile Organic Compound exceedances in groundwater;
 - Polycyclic Aromatic Hydrocarbon exceedances in groundwater;
 - Metal exceedances in groundwater.

The ESA proposed two mitigation scenarios for the properties. Scenario #1 is based on full remediation and would incur costs of approximately \$7.3 million. Scenario #2 is a risk-based approach that is based on putting risk management measures in place and would incur costs of approximately 20% of a full remediation or \$1.46 million.

The residual land value that was used to determine the write-off of taxes has been estimated based on scenario #2, the risk-based approach. Using the assumptions outlined below, the residual land value has been calculated to be between \$642,500 and \$1,182,500 per acre.

- The undevelopable land area may be used for parking, setbacks and/or greenspace.
- The cost to implement Risk Management Measures to control the contamination of the lands is estimated to be 20% of the remediation costs.
- The market value of industrial/commercial land is between \$600,000 to \$800,000 per acre.

Based on this information above, staff have determined that a reasonable resale value for 95 Sheffield Street is approximately \$641,310 and for 105 Sheffield Street is approximately \$558,690. Therefore, a write-off of taxes is required to ensure the upcoming tax sale is successful.

Section 353 (1)(a) and (b) of the Municipal Act requires a local municipality to collect and remit the amount of taxes collected for another body, such as the Region of Waterloo and the School Boards. Further, under section 353 (3), if a local municipality has paid the body any part of the amount described in clause (1) (b), the municipality shall charge back to every such body its proportionate share of the unpaid taxes that are subsequently cancelled, reduced, refunded or written off. Therefore, the impact of the amount of taxes written-off will be shared proportionately with the Region of Waterloo and the School Boards as outlined in the Financial Impact section below.

Existing Policy/By-Law

There is no existing policy/by-law.

Financial Impact

The current balance owing on the property tax account for 95 Sheffield Street is approximately \$1,861,200 and for 105 Sheffield Street is \$1,041,600. After an unsuccessful tax sale process in 2020, upon recommendation from the City Treasurer, Council may approve the write-off of taxes deemed uncollectible. A write-off in the amount of \$1,219,860 for 95 Sheffield and \$482,800 for 105 Sheffield is recommended. The outstanding taxes will be proportionately shared with the Region of Waterloo (\$299,200) and the School Boards (\$449,600). The total amount of the write-off for the City of Cambridge share of the outstanding taxes is \$953,860.

	Taxes Outstanding			Interest & Other Charges (City)	Total
	City	Region	School Boards		
95 Sheffield Street	131,800	182,100	280,500	1,266,800	1,861,200
Less write-off	(131,800)	(182,100)	(280,500)	(625,460)	(1,219,860)
Balance Outstanding on Tax Account					641,340
105 Sheffield Street	83,000	117,100	169,100	672,400	1,041,600
Less write-off	(83,000)	(117,100)	(169,100)	(113,600)	(482,800)
Balance Outstanding on Tax Account					558,800

The properties will be re-advertised for tax sale in November with a closing date of December 2, 2021.

Public Input

Posted publicly as part of the report process.

Internal/External Consultation

Throughout the process to determine the potential development opportunities and determine the estimated resale values of the properties, staff in the City Managers Office, Community Development, Economic Development, and Realty Services were consulted.

Conclusion

The property taxes for 95 Sheffield Street and 105 Sheffield Street have been accumulating since 2003 and remain unpaid with a total outstanding balance of \$2,902,800. The properties were advertised for tax sale in 2020 in an effort to recoup the outstanding taxes. No bids were received on either property, indicating the outstanding balance is greater than the value of the properties, and the portion of the balance that exceeds a reasonable resale value can be deemed uncollectible.

After completing an environmental site assessment to determine the extent of contamination on each site, an estimated resale value has been determined for each property. Uncollectible taxes in the total amount of \$1,702,660 are recommended to be written off in order to re-advertise the properties for tax sale and recoup a portion of the outstanding balance. The amount to be written off will be proportionately shared with the Region of Waterloo and the School Boards, as permitted through the Municipal Act, 2001.

Signature

Division Approval

Reviewed by Legal Services



Name: Sheryl Ayres

Title: Chief Financial Officer

Departmental Approval



Name: Dave Bush

Title: Deputy City Manager

City Manager Approval



Name: David Calder

Title: City Manager

Attachments

- N/A