

Subject: Uncollectible Taxes Under Section 354 of the *Municipal Act, 2001*

File Number: ACS2025-FCS-REV-0006

Report to Finance and Corporate Services Committee on 14 October 2025

and Council 22 October 2025

Submitted on 2 October 2025 by Joseph Muhuni, Deputy City Treasurer, Revenue Services, Finance and Corporate Services Department

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Ward: Citywide

Objet : Impôts fonciers irrécouvrables en vertu de l'article 354 de la *Loi de 2001 sur les municipalités*

Numéro de dossier : ACS2025-FCS-REV-0006

Rapport au Comité des finances et des services organisationnels

le 14 octobre 2025

et au Conseil le 22 octobre 2025

Soumis le 2 octobre 2025 par Joseph Muhuni, Trésorier municipal adjoint, Services des recettes, Direction générale des finances et des services organisationnels

Personne ressource : Angie Finateri, Gestionnaire de programme, Direction du traitement de l'argent comptant et du recouvrement, Direction générale des finances et des services organisationnels 613-580-2424, poste 13595, Angelina.Finateri@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Finance and Corporate Services Committee recommend that Council:

- 1. Approve municipal and education taxes totalling \$322,416 be written off from the tax roll in accordance with the provisions of Section 354 of the *Municipal Act, 2001*, plus any related interest and fees for the properties listed in Document 1. The City has budget allocated for these write-offs in the tax remissions account.**
- 2. Approve the vesting of the properties municipally known as 0 Lenore Place and 1029 Penelope St. and add these two properties to the City's property inventory.**

RECOMMANDATION DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil :

- 1. D'approuver la radiation des taxes municipales et scolaires totalisant 322 416 \$ du rôle d'imposition, en vertu de l'article 354 de la *Loi de 2001 sur les municipalités*, y compris tous les frais et intérêts connexes, pour ce qui est des propriétés inscrites dans le document 1. La Ville a des fonds alloués à ces radiations dans le compte de remises d'impôts.**
- 2. Approuver l'acquisition des propriétés ayant pour désignations municipales 0, place Lenore et 1029, rue Penelope, et ajouter ces deux propriétés à la liste des biens immobiliers de la Ville.**

BACKGROUND

In accordance with the provisions of section 354 of the *Municipal Act, 2001*, this report recommends that uncollectible outstanding municipal and education taxes in the amount of \$322,416 be written off and removed from the tax roll.

DISCUSSION

In 2025, the City invoiced approximately \$2.7 billion in municipal and education property taxes. About 98 per cent of all property taxes billed were collected in the same year, with the remaining two per cent outstanding being paid in subsequent years. Revenue Services has implemented a rigorous collection process to follow up on outstanding property tax account balances. The Municipal Tax Sale Collection process is highly legislated and consists of activities that include a series of legislated collection notices at specific time frames. Collection phone calls are also made while unpaid accounts are sent to the final stage, which is a tax sale. The City of Ottawa holds multiple tax sales

per year. Before a tax sale, the City must go through a prescriptive legislated process that includes several legislated notices.

Section 354 of the *Municipal Act, 2001* allows the Treasurer to remove taxes from the tax roll where other provisions of the *Municipal Act, 2001*, provide authority to do so or following approval from Council.

Taxes may not be recommended to Council for write-off until after an unsuccessful tax sale under Part XI of the *Municipal Act, 2001*, except:

- If the property is owned by Canada, a province or territory or a Crown agency of any of them or by a municipality.
- If the recommendation of the Treasurer includes a written explanation of why conducting a tax sale would be ineffective or inappropriate.

Staff have determined that all or some of the taxes billed on 14 properties are uncollectible or no longer payable and should be written off. Details of the properties, including the reason and the amounts that are being recommended for write-off, are provided in Document 1 on file with the Deputy City Treasurer, Revenue.

A breakdown of the corresponding amounts can be found in Table 1 below.

Table 1 – Breakdown of corresponding amounts

<i>Municipal Act Authority</i>	Municipal Tax	Education Tax
354(3) Unsuccessful Tax Sale	\$121,269	\$40,446
354(4)(a) Government Owned Property	\$718	\$121
354(4)(b) Tax Sale Ineffective or Inappropriate	\$91,141	68,721
Total	\$213,128	\$109,288

Unsuccessful Tax Sale

Section 354(3) of the *Municipal Act, 2001* permits the Council to write off taxes after an unsuccessful tax sale. This provision recognizes situations where properties have accrued substantial tax arrears, and the municipality has attempted to sell these properties to recover the owed taxes. However, due to various reasons, there were no bidders for these properties, resulting in an unsuccessful tax sale.

In 2024 and early 2025, the City has conducted five tax sales, resulting in 12 properties that were not sold. These properties account for \$161,715 in unpaid property taxes.

Two properties—0 Lenore Place (900-101-40250-0000) and 1029 Penelope St (500-301-13843-0000)—with outstanding taxes totaling \$46,174, were part of unsuccessful multiple tax sales in 2025 and 2024, respectively. Despite extensive collection efforts, there are no further means to collect the taxes on these two properties, as a property tax sale is generally the municipality's last resort for recovering outstanding taxes. After consulting with Housing Solutions, Investment Services, and Legal Services, it has been determined that these properties hold strategic value for the Recreation, Cultural, and Facility Services Department. Section 379(5)(b) of the *Municipal Act, 2001* allows the municipality to prepare and register a notice of vesting in its name if there is no successful purchaser. Therefore, staff recommend that the City vest both properties in accordance with section 379(5)(b) and add them to the City's property inventory. Once the taxes are written off, the City will vest the properties, initiate a tax class change to exempt status, and ensure that no further taxes accumulate.

The remaining ten properties from the unsuccessful tax sales represent \$115,541 in outstanding taxes. Currently, the City has not opted to vest these properties due to a lack of immediate utility. It is recommended that the City write off between 50 per cent and 100 per cent of the outstanding taxes based on each property's individual circumstances. At the same time, the City will collaborate with the Municipal Property Assessment Corporation (MPAC) to review and potentially revise the assessed values to ensure the accuracy of the tax roll and reflect each parcel's current market conditions. Some parcels are non-buildable or landlocked and have minimal market value.

Following MPAC's review, the City may:

- Reinitiate the tax sale process using the revised valuations and reduced tax amounts to improve sale prospects.
- If the properties remain unsold, consider vesting where there is potential use or common lands to prevent further tax accumulation.
- Where appropriate, explore consolidation with abutting parcels to enhance land utility and future development potential. This approach may require collaboration between various departments and the abutting property owners.

This reflects the City's commitment to fiscal responsibility, accurate tax administration, and strategic land management, ensuring that underutilized assets are either returned to productive use or responsibly managed to avoid ongoing financial liabilities.

The municipal share of the taxes of the 12 properties is \$121,269 and the City's remissions budget includes a provision for these types of property tax adjustments and write-offs. The education tax portion of the 12 properties is \$40,446 and will be applied against the education property tax remittance to Ottawa school boards.

Government Owned Property

Section 354(4)(a) of the *Municipal Act, 2001*, allows Council to write off taxes without a tax sale if the property is owned by Canada, a province or territory or a Crown agency of any of them or by a municipality.

Taxes levied on one government property totalling \$839 are recommended for write off as the City has no viable tools to recover the balance.

Taxes levied on the one government-owned property, totaling \$839, are recommended for write-off. The outstanding balance remains unpaid due to long-standing disputes related to tenanted or incorrectly classified spaces within Crown-owned properties, dating back more than a decade. These spaces were billed regular property taxes as required by legislation. However, since these are not Payments in Lieu of Taxes (PILTs), the City cannot pursue resolution through the Dispute Advisory Panel.

Given that this property is government-owned, they are not eligible for tax sale proceedings. Despite extensive discussions and negotiations with the responsible entities, no resolution has been reached. As no further collection efforts are viable, staff recommend that the taxes be written off.

The municipal share of the taxes amounts to \$718, and the City's remissions budget includes a provision for these types of property tax adjustments and write-offs. The education tax portion totals \$121 and will reduce the education property tax remittances to the Ottawa school boards.

Tax Sale Is Ineffective Or Inappropriate

Section 354(4)(b) of the *Municipal Act, 2001* allows the Council, based on the Treasurer's recommendation, to write off taxes if a tax sale is deemed ineffective or inappropriate. This provision is intended for situations where the municipality recognizes that a tax sale will likely not succeed. Properties such as contaminated lands or

landlocked parcels with significant arrears are often unsuccessful at tax sales. In these cases, it may be more prudent to write off part of the taxes instead of pursuing a sale that would incur additional costs for the properties.

A total of \$159,862 in taxes levied on one contaminated property is being recommended for write-off, as the arrears exceed the property's value. This reduction is necessary to facilitate the sale of the property and recover the outstanding taxes. The City has made collection efforts for several years but has been unsuccessful. Given the property's prime location, staff believe that a tax sale with reduced arrears would improve the City's chances of selling the land and recovering the remaining taxes, despite the property's contamination.

The municipal share of the taxes amounts to \$91,141, and the City's remissions budget includes a provision for these types of property tax adjustments and write-offs. The education tax portion totals \$68,721 and will reduce the education property tax remittances to the Ottawa school boards.

FINANCIAL IMPLICATIONS

The City's share of uncollectible taxes is \$213,128 in municipal taxes plus any related interest and fees has been provided for under the property tax remissions budget. The education tax portion is \$109,288 and will be applied towards education property tax remittance to Ottawa school boards.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

The public consultation process is not applicable.

ACCESSIBILITY IMPACTS

Finance and Corporate Services Department adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the current 2023-2026 Term of Council Priorities as well as the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

These documents are "Confidential" as they contain information relative to personal matters about an identifiable individual.

Document 1 – 2025 Report # 1 Recommendation to Council under section 354 of the *Municipal Act, 2001*, held on file with the Deputy City Treasurer, Revenue.

DISPOSITION

Upon approval, Revenue Services will ensure all the necessary adjustments are applied to the property tax accounts.