

DATE OF MEETING JULY 20, 2020

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**SUBJECT 2020 TAX SALE AND TAX SALE REDEMPTION PERIOD  
POSTPONEMENTS TO 2021**

## **OVERVIEW**

### **Purpose of Report**

To introduce “Tax Sale Postponement Bylaw 2020 No. 7311” and “Tax Sale Redemption Period Postponement Bylaw 2020 No.7312” for first, second and third readings and adoption.

### **Recommendation**

1. That “Tax Sale Postponement Bylaw 2020 No. 7311” (To postpone the 2020 Tax Sale to 2021), pass first reading;
2. That “Tax Sale Postponement Bylaw 2020 No. 7311” pass second reading;
3. That “Tax Sale Postponement Bylaw 2020 No. 7311” pass third reading; and,
4. That “Tax Sale Postponement Bylaw 2020 No. 7311” be adopted.
5. That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” (To postpone the 2020 Tax Sale redemption period to 2021), pass first reading;
6. That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” pass second reading;
7. That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” pass third reading; and,
8. That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” be adopted.

## **BACKGROUND**

*The Local Government Act* S.645 requires the City to hold an annual tax sale where at 10:00 a.m. on the last Monday of September, the municipal collector must conduct an annual tax sale by offering for sale by public auction each parcel of real property on which taxes are delinquent. Delinquent taxes are defined as any taxes remaining unpaid on December 31<sup>st</sup>, two years after the year the tax was imposed. For example, taxes impose in 2018 and still unpaid become delinquent 2020-JAN-01.

As part of the property tax sale process all properties have a minimum bid price of the upset price which is equal to the amount of outstanding property taxes plus 5% and the land title registrations fees. The highest bidder above the upset price or, if there is no bid above the upset price, the bidder at the upset price will be declared the purchaser. If there is no bid, or no bid equal to the upset price, the City will be declared the purchaser. Once sold the property owner has one year to redeem the property by paying the outstanding property taxes plus any interest that has been charged.

For many years, Council has authorized Staff to bid on behalf of the City. In the event the City successfully purchases the tax delinquent property, the City will earn interest on the properties until they are redeemed which increases the City's investment return in addition to the interest the City is earning on these funds since the funds will remain invested. The owner of the property is not affected by this since they would have to pay the interest if any other person was the successful bidder. Further, there are benefits to the owner on the property because having a City bidder usually results in the property being sold at the upset price where the property owner will pay less interest.

Finally, if the properties are purchased by the City, the property owner will have the redemption period extended by an additional 11 months and 21 days if they pay at least half of the upset price and the accrued interest within the initial one year redemption period.

In 2019, five (5) properties and in 2018 one (1) property were auctioned off at the minimum upset price and subsequently redeemed by their owners. It is rare for a property owner to not redeem the property.

Ministerial Order M192 allows for all readings and adoption for tax sale items outlined in Ministerial Order M159 to happen at the same meeting.

## **DISCUSSION**

The COVID-19 pandemic continues to cause hardship for many Nanaimo taxpayers. In response to this impact, the Provincial Government has taken action to help those facing hardship by issuing Ministerial Order M159 that allows local governments to delay the 2020 property tax sale and redemption period by one year.

## **TAX SALE POSTPONEMENT**

In order to delay the property tax sale for 2020, Council is required to pass a bylaw supporting the ministerial order on or before 2020-AUG-31. The Provincial order also limits Councils authority to pick and choose between property classes meaning if Council supports delaying the property tax sale, this must be applied to all property classes or not at all.

Within two weeks of the bylaw adoption the City must send a notice to each property owner with delinquent taxes. The notice must state that tax sale has been delayed for one year, until 2021-SEP-27 and unless paid at any time prior to the 2021 tax sale, the outstanding delinquent taxes for 2020 will remain as delinquent through the remainder of 2020 and 2021 (up to the 2021 tax sale date) and will continue to accrue interest.

If the tax sale is delayed, there will be no requirement for public notice of tax sale in 2020 (under S.647 of the *Local Government Act*) because there would be no tax sale. However, it is recommended that the City provide a public notice by posting a notice on the City website and the door of City Hall in addition to placing an ad in the local newspaper advising the public that there will be no tax sale in 2020.

Extending the tax sale date will provide distressed property owners an additional year to pay their delinquent property taxes. Reminders will be sent in August 2020 and Staff will call all property owners of delinquent properties to encourage them to pay prior to the end of September 2020 to reduce the amount of interest they are charged.

If the bylaw is not adopted in accordance with the terms of the order, the City must proceed with the 2020 tax sale in accordance with the *Local Government Act*, and redemption period for the 2019 tax sale will end in September 2020 (the normal process).

As of June 30<sup>th</sup> there were 248 properties that had delinquent property taxes outstanding which would result in the property being sold if these delinquent taxes are unpaid at 10:00 a.m. on 2020-SEP-28.

Staff are recommending that Council adopt a Tax Sale Postponement Bylaw that will give property owners who are experiencing financial hardships an additional year to pay any delinquent taxes owing on their property.

### **TAX SALE REDEMPTION PERIOD POSTPONEMENT**

In order to delay the property tax sale redemption period for all properties that have a redemption period ending in 2020, Council is required to pass a bylaw supporting the ministerial order on or before 2020-AUG-31.

Within two weeks of the bylaw adoption, the City must send a notice to each property owner, as well as the tax sale purchaser, with a property that is subject to a redemption period that has been extended. The notice must state that tax sale redemption period has been delayed for one year, until 2021-SEP-30. Unless redeemed at any time prior to 2021-SEP-30, the properties will continue to earn interest.

If the tax sale redemption period is delayed, there will be no requirement for public notice of the extension of the redemption period (under Division 7 of Part 16 of the *Local Government Act*).

There are currently three (3) properties from the 2019 Tax Sale that have not been redeemed and they were all sold to the City of Nanaimo.

Staff are recommending that Council adopt a Tax Sale Redemption Period Postponement Bylaw that will give property owners who have a property with an upcoming redemption date, an additional year in which to pay all outstanding taxes owing and retain ownership of their property.

### **OPTIONS**

1. That "Tax Sale Postponement Bylaw 2020 No. 7311" (To postpone the 2020 Tax Sale to 2021), pass first reading.  
That "Tax Sale Postponement Bylaw 2020 No. 7311" pass second reading;  
That "Tax Sale Postponement Bylaw 2020 No. 7311" pass third reading; and,  
That "Tax Sale Postponement Bylaw 2020 No. 7311" be adopted.

That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” (To postpone the Tax Sale redemption period to 2021), pass first reading;

That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” pass second reading;

That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” pass third reading; and,

That “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” be adopted.

- **Advantages:** Provides property taxpayers who are experiencing financial hardships with a one (1) year extension to pay any delinquent taxes.
- **Disadvantages:** The City will carry outstanding taxes longer than usual.
- **Financial Implications:** The City will continue to earn interest on any property with delinquent taxes until they are paid in full. As at 2020-JUN-30, there were 248 tax accounts with delinquent taxes totaling \$741,279.

2. That Council not approve the “Tax Sale Postponement Bylaw 2020 No. 7311” and “Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312” and proceed with the 2020 Tax Sale on 2020-SEP-28 and keep the original redemption period date of 2020-SEP-30.

#### **SUMMARY POINTS**

- Council must adopt the Tax Sale Postponement bylaw on or before 2020-AUG-31 in order to postpone the 2020 Tax Sale until 2021 in accordance with Ministerial Order M159.
- Council must adopt the Tax Sale Redemption Period Postponement bylaw on or before 2020-AUG-31 in order to extend the expiration of the redemption period for all properties that have a redemption period in 2020 until 2021 in accordance with Ministerial Order M159.
- Financially distressed property owners will have an additional year to pay their delinquent property taxes.

#### **ATTACHMENTS:**

Attachment A – Ministerial Order M159

“Tax Sale Postponement Bylaw 2020 No. 7311”

“Tax Sale Redemption Period Postponement Bylaw 2020 No. 7312”

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