Council Direction:

Audit Finance and Administration committee at its’ meeting of January 17th, 2013 approved the following: “That staff be directed to report back to the AF&A Committee, respecting the outcome of the Power of Sale and proceeds with regard to the four properties at 1154 and 1162 Barton Street East and 50 and 52 Fraser Avenue, known as the Olympia Banquet Centre”.

Information:

Staff report FCS13004 was approved by Council on January 23, 2013 agreeing to the write-off of taxes up to $203,709. As the Business Development Bank (BDC) had a mortgage on the properties and as that mortgage constitutes a crown lien, any tax sale of the property would be unsuccessful due to the amount of funds owed to both the City and the BDC. The City at the same time had registered liens on all four properties. The BDC through power of sale legislation, would not be able to sell the property without satisfying the taxes outstanding. As their mortgage lien alone was far greater than the value of the property, both organizations were faced with trying to mitigate their losses. The BDC were the lead organization in this process. As the amount of the lost taxes to the City was unknown and as approval was required to write-off taxes in advance to ensure a successful sale, approval was sought beforehand through the proper process requiring a report from the Treasurer to Council under section 354 of the Municipal Act.
It was originally hoped that this process would conclude by April 2013, however there were many hurdles in the process. BDC initially listed the property for sale in November 2012 for $1,040,000 for which they had no interest from any purchasers. They then lowered the price in April to $875,000 and received an offer in June for $725,000. 1154 Barton at one time was the site of a former gas station/automotive repair and a Phase II environmental assessment identified some issues that then delayed the deal. BDC agreed to lower the price further to $577,000 to keep the deal on track, expected to close in August.

On the date of closing an issue was identified that BDC had failed to include 1154 Barton on their mortgage documents and therefore could not sell this integral piece of the Olympia Banquet Centre. 1154 Barton is a 60 foot by 80 foot parcel that would account for approximately 50% of the parking for the site. Without the guarantee of owning half the parking, the deal once again was cancelled. Upon further negotiation with the purchasers and a further reduction in price to $507,500 the purchasers agreed to finalize the sale October 9, 2013. When operating and closing costs were deducted the net proceeds were $392,781 of which we recovered $58,917 (15%) and the BDC recovered $333,864 (85%). Both organizations are losing 70% of what was owed to them.

The parking parcel at 1154 Barton was still registered with a tax lien and now no Federal Crown Lien. Staff pursued this parcel through tax sale that took place November 12, 2013. Taxes outstanding for that parcel were $40,119.97, for which we received two bids. Our full tax arrears were recovered on this property with a winning bid of $85,123. The excess funds by law have to be paid into Provincial Court which after a year we may be able to pursue as is our right. The purchasers of the other three parcels of the Olympia Banquet centre were the successful purchasers of this piece now allowing them a better opportunity to ensure their business has success.

Going forward it is expected that a restaurant and banquet centre will now occupy this former vacant site and taxes will once again be contributed to our tax base, which in 2013 amounted to $27,209.

As close to a full year of taxes, penalty and interest had accumulated since the report in early January, the total amount of taxes outstanding on the three properties sold by the BDC as of October 9 was $203,262. As the new purchaser is responsible for taxes from the date of sale (84 days), $4,938 of the above amount is not being written off leaving taxes outstanding of $198,324. With our share of the sale proceeds the taxes written of are $139,407. Of that total $39,063 is the provincial education share. The municipal share is $100,344 of which $6,610 is charged back to the water rate budget, $4,379 is various tax registration fees, $20,082 is penalties and interest and the balance $69,273 for actual taxes originally billed.

OUR Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
OUR Mission: WE provide quality public service that contribute to a healthy, safe and prosperous community, in a sustainable manner.
OUR Values: Accountability, Cost Consciousness, Equity, Excellence, Honesty, Innovation, Leadership, Respect and Teamwork.