

TAX FORGIVENESS OPTIONS - SOUTHERN SPRINGS GP LTD

Recommendation

That the May 14, 2025, Financial and Corporate Services report FCS02963, be received for information.

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| Requested Action | | Information only | |
| ConnectEdmonton's Guiding Principle | | ConnectEdmonton Strategic Goals | |
| CONNECTED This unifies our work to achieve our strategic goals. | | N/A | |
| City Plan Values | N/A | | |
| City Plan Big City Move(s) | N/A | Relationship to Council's Strategic Priorities | Conditions for service success |
| Corporate Business Plan | Managing the corporation | | |
| Council Policy, Program or Project Relationships | <ul style="list-style-type: none">C607B - Retroactive Municipal Tax Relief | | |
| Related Council Discussions | <ul style="list-style-type: none">N/A | | |

Previous Council/Committee Action

At the February 19, 2025, City Council Non-Regular meeting, the following motion was passed:

That Administration provide a report to Committee on the background and outlining the tax forgiveness options for Southern Springs GP LTD from 2020-2024 for property address 671 Watt Boulevard SW (account 10934587).

Executive Summary

- Southern Springs GP Ltd. built the Southern Springs condominium complex in phases between 2011 and 2023 and began selling units while retaining ownership of an amenity building and parking stalls.
- Taxes were paid until 2019, but in 2020 tax payments ended resulting in penalties and the accrual of a significant outstanding balance.
- An overassessment of the property was discovered in 2023, but past assessment years cannot be legally changed.
- Southern Springs GP Ltd. entered a tax repayment agreement in September 2023, but payments were inconsistent and ended in November 2024.
- The Southern Springs Condominium Corporation is now seeking tax forgiveness in order to take possession of the amenity building.

REPORT

Southern Springs GP Ltd. was the original builder and owner of the Southern Springs condominium complex. The complex is located in the Walker neighbourhood and was built in phases between 2011 and 2023.

Between 2011 and 2023, Southern Springs GP Ltd. sold condominium units to individual property owners, with the Southern Springs Condominium Corporation being established in 2012. While this was underway, Southern Springs GP Ltd. maintained possession of an amenity building within the complex under a separate legal title, along with a few titled parking stalls. Taxes on all accounts were paid until 2019. In 2020, the amenity building was transferred to a separate tax account and individualized assessment and tax notices were mailed in January and May 2020 respectively. The same mailing address as previous notices was used.

Payment on the tax account associated with the amenity building as well as two individually titled parking stalls owned by Southern Springs GP Ltd. was not received in 2020. A reminder notice was sent in August 2020, but payment was not made. In accordance with the City's Tax Penalty, Interest and Monthly Payment Bylaw, Bylaw 12914, penalties began accruing in 2020. Further levies and penalties were applied in 2021 and not paid. In accordance with procedure, the City mailed a tax recovery warning letter on February 7, 2022, which outlined the outstanding balance and the need to pay prior to March 18, 2022 in order to avoid the registration of a tax recovery notification on the certificate of title. Southern Springs GP Ltd. did not contact the City or make arrangements to pay the outstanding balance in 2022 and the notification was registered with further tax amounts being applied later that year.

In August 2023, the City contacted Southern Springs GP Ltd. to advise them of the outstanding balance and the potential for tax sale proceedings later that year if the outstanding balance was not paid. Southern Springs GP Ltd. indicated at that time that they were attempting to transfer ownership of the property to the condominium corporation, but also questioned the assessment value placed on the property.

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Upon review, the City determined that the land value associated with the amenity property had been overallocated in error, resulting in a significant overassessment (\$1.94M, rightly \$278,500). Unfortunately, this error existed in the previous assessment years when assessment and tax notices were issued and went unpaid.

The City was able to amend the 2023 assessment value and associated tax levy, but under the *Municipal Government Act*, past taxation years cannot be changed after the year has elapsed. As of September 2023, after current year corrections were made, the outstanding unpaid balance stood at \$90,351.37, with the two parking stalls adding an additional \$683.70 for a total of \$91,035.07.

In order to avoid tax sale proceedings, Southern Springs GP Ltd. entered into a tax repayment agreement on September 12, 2023, agreeing to monthly repayment terms of \$2,000 per month starting on December 1, 2023 and continuing in the same amount on the first of each month. Southern Springs GP Ltd. also inquired at that time into the possibility of tax forgiveness for previous taxation years.

The City informed Southern Springs GP Ltd. that previous year adjustments could not be processed administratively and that it is the responsibility of property owners to review annual assessment notices and contact the City of any error. However, the City also acknowledged that the previous assessment value was too high. An option available to the owner would be to engage City Council to request retroactive tax forgiveness given the unique and extenuating circumstances.

While Southern Springs GP Ltd. indicated that they would request tax forgiveness, this did not take place. Southern Springs GP Ltd. began payment in accordance with their agreement, though the first payment was received on December 13 rather than the agreed to December 1 date. Subsequent payments in January and February were not received and the City contacted Southern Springs GP Ltd. on February 6, 2024 to inquire into whether they intended to honour their agreement. The organization indicated that there were some issues clearing the cheques and would make arrangements to catch up on payments. A payment of \$6,000 was received on March 5, 2024, and subsequent payments were received at different times throughout the following months to account for payments until November 2024.

In November 2024, Southern Springs GP Ltd. inquired with the City as to whether it would be possible to transfer their tax repayment agreement to the Southern Springs Condominium Corporation. The City indicated that this would require agreement from all three parties (the builder, the Condominium Corporation and the City) and inquired as to whether the builder intended to seek tax forgiveness from Council. The builder responded saying that they were looking to transfer ownership of this building to the Condominium Corporation and expected them to pursue tax forgiveness going forward. Despite the signed tax repayment agreement requiring full balance payment, no further payments were received.

On December 6, 2024, the City's legal counsel spoke with the legal counsel for the Southern Springs Condominium Corporation and it was clear that the Condominium Corporation was reluctant to take on the outstanding tax liability of the owner. Nevertheless, there was an

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indication that the Condominium Corporation would contact Council to discuss tax forgiveness options.

On December 17, 2024, the Southern Springs Condominium Corporation sent a letter to a member of Council outlining their understanding of the situation and requesting support towards tax forgiveness. The Condominium Corporation was open to taking possession of the amenity building and associated parking stalls, but only after the outstanding tax matters were resolved.

Considerations

Council is able to provide retroactive property tax forgiveness in situations where they believe it equitable to do so. Administration generally recommends that Council establish clear policy guidelines for the use of its tax forgiveness powers; however, unusual circumstances may arise that require specific intervention. The circumstances associated with this request are unique and unlikely to be repeated in the future.

Administration acknowledges that the property assessment issued between 2020 and 2023 reflected higher assessment values than were warranted. While the 2023 assessment value was amended within the calendar year, the City does not have the legal authority to amend assessment values of previous years, nor refund associated tax amounts.

Property owners are responsible for reviewing the annual assessment notice and raising concerns within the calendar year. Similarly, property taxes are due in full by June 30 of each year, unless a property owner is on the monthly payment plan. Outstanding tax balances are subject to tax penalties in accordance with the City's Tax Penalty, Interest and Monthly Payment Bylaw, Bylaw 12914.

The request for tax forgiveness is originating from the Condominium Corporation, who is looking to take possession of the remaining property in their complex owned by the original builder. While there is an outstanding tax balance (~\$87,000), the Condominium Corporation is unlikely to agree to the title transfer. Southern Springs GP Ltd., on the other hand, has not indicated an intention to pay the remaining balance on the account. Tax forgiveness would clear the path for the builder to transfer ownership of the amenity building to the Condominium Corporation.

If Council wishes to provide tax forgiveness, the following motion can be recommended to City Council:

That tax forgiveness for accounts 10934587 (amenity building), 10277195 and 10277196 (parking stalls) be approved to bring the tax balance to \$0.00 as of May 1, 2025, to be effective when, and conditional upon, title transferring to Southern Springs Condominium Corporation, with funding to come from the City's property tax loss budget.

This motion would cover historical tax amounts and associated penalties, but would not include taxes levied in 2025.

Budget/Financial Implications

Council's use of tax forgiveness in this circumstance would result in a total tax write off of \$87,545.77. Administration has an established budget for tax losses that generally covers outstanding Assessment Review Board decisions and qualifying tax forgiveness requests. The

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current budget is sufficient to absorb this forgiveness amount, and so no additional funding source would need to be identified.

Legal Implications

Section 347 of the *Municipal Government Act* allows Council to cancel, reduce, refund or defer municipal taxes and arrears when it considers it equitable to do so. Council Policy C607B - Retroactive Municipal Tax Relief is intended to guide Council in its use of this authority, but Council can grant tax forgiveness beyond the policy if it wishes. Section 305 of the *Municipal Government Act* only allows an assessor to correct an assessment error in the current year.

Community Insight

As this concern is related to a specific property, broad engagement with Edmontonians was not conducted for this report. Administration has been in contact with both Southern Springs GP Ltd. and Southern Springs Condominium Corporation throughout this process.

GBA+

Property taxes are paid directly by property owners and assessed persons, and revenues are used to fund City infrastructure and services for all residents. It is difficult to link property tax data with demographics, particularly for a situation dealing with one property owner. Administration is not able to record demographic information about property owners seeking tax relief. While all other taxpayers ultimately pay for any tax relief provided, the impact on the overall tax rate, should the tax forgiveness be approved, is minimal.

Environment and Climate Review

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.