

Subject: Request for Deferment/Cancellation of Taxes and Penalties**APPROVALS:****Annette Antoniak**_____
Director_____
Chief Administrative Officer**Recommended Motion:**

THAT collection of the taxes owing and associated penalties for late payment on the tax accounts identified in Attachment 1 in the amount of \$1,002,903.40, be deferred for a period of 13 months from December 1, 2019; and

THAT taxes or tax arrears and associated penalties in the amount of \$2,194,752.02 be cancelled without further resolution of Council, at the end of the 13-month deferment period, if municipal taxes for those properties for 2018, 2019 and 2020 are paid in full.

Summary:

The company that formerly carried on an oil sands operation on properties associated with the tax accounts identified in Attachment 1 became unable to meet its financial obligations during the oil price downturn of 2015 - 2016 and went into receivership. As a result, the properties are not currently producing. The receiver, Everest Canadian Resources Corp. ("Everest") has purchased and plans to substantially re-work and, in some cases, replace the oil producing assets with the goal of bringing the properties back into production. Only Council has the legal authority to accomplish this. Everest has requested that Council defer collection of the taxes and penalties now shown on the relevant tax accounts, and further authorize cancellation of the tax arrears if Everest pays the taxes assessed on the producing assets for 2018, 2019, and 2020.

Rationale for Recommendation:

In normal circumstances, for commercial land and buildings, Administration would not recommend cancelling back taxes so that a new company could take ownership of the taxable property free and clear of the tax arrears. This is because in normal circumstances the return to the Municipality by applying the usual tax recovery process would be more than sufficient to pay the tax arrears in full. In this case however, there are two unique aspects to consider:

- (a) the nature of the assets is such that the return to the Municipality by following the

tax recovery process would almost certainly be significantly less than the amount of the tax arrears;

- (b) if the assets are not reworked to bring the property back on production, there will be no future tax revenue from these properties since the receiver will have no choice but to turn them over to the Provincial orphan well program.

For these reasons, Administration believes that agreeing to cancel tax arrears left behind by a failed company, on condition that the Everest pay its taxes for 2018, 2019 and going forward, makes good business sense and is in the best interests of the Municipality and its taxpayers. Accordingly, Administration recommends that Council exercise the authority vested in it alone under section 347 of the Municipal Government Act, to pass the resolution set out in the "Administrative Recommendations" section of this Council Report.

As per legal advice, the fact that the former company is now out of business and that the assets in question are no longer producing oil at this time, there is limited legal risk of setting precedent for any other oil company that remains in production.

Strategic Priorities:

Responsible Government

Attachments:

1. Everest Tax Accounts