



## Past Tenant Arrears

Item 7

September 23, 2024

Building Investment, Finance and Audit Committee

**Report: BIFAC:2024-73**

**To:** Building Investment, Finance and Audit Committee  
("BIFAC")

**From:** Lily Chen, Chief Financial Officer

**Date:** August 21, 2024

### PURPOSE:

This report provides the Building Investment, Finance and Audit Committee ("BIFAC") with an update on past tenant arrears and seeks BIFAC and Board approval for write-off amounts pertaining to past tenant arrears pursuant to TCHC's Delegation of Signing Authority policy.

### RECOMMENDATIONS:

It is recommended that BIFAC and Board approve the Phase 1 write-off past arrears from 2017 and prior of \$10,488,627.

### REASONS FOR RECOMMENDATIONS:

#### Background

Past Tenant Arrears represent arrears of former TCHC tenants. Per current practice, past tenants are provided with a collection notice within 60 days of moving out. Within 90 days of moving out, past tenants are sent to a collection agency if TCHC staff are still unable to collect the outstanding balances.

The following table provides trending of past and current arrears as well as the corresponding collection rate:

#### AR Trending and Collection

	Dec-22	Dec-23	Mar-24
Current Arrears TCHC	26,757,751	29,296,303	30,540,135
Current Arrears TSCHC	2,164,885	2,279,119	2,310,813
Past Arrears TCHC	34,240,802	37,060,044	38,039,553
Past Arrears TSHC	3,682,747	4,215,393	4,343,772
<b>Total Arrears</b>	<b>66,846,186</b>	<b>72,850,858</b>	<b>75,234,274</b>

#### Past Arrears as % of Total

Arrears TCHC	56%	56%	55%
Past arrears as % of Total	63%	65%	65%
Total Files send for collector	3,370,442	3,073,138	903,022
Total Amounts Collected by collection agency	54,319	19,523	3,097
<b>% of collection by Agency</b>	<b>1.6%</b>	<b>0.6%</b>	<b>0.3%</b>

### IMPLICATIONS AND RISKS:

There are several challenges faced in the collection of past tenant arrears:

- The collection rate for past tenants has been low (below 2%) over the past few years. Finance have followed up with the collection agency, awaiting the data points.
- The Finance team has limited resources to proactively follow up on these past tenants with two unionized collection clerks who manage the process from end to end. One of the opportunities is to review our internal processes to assess the timing of when these files are sent to the collections agencies, based on discussions with peer housing services providers who typically send their files to the collection agency immediately after the tenants move out.
- TCHC needs to focus our attention more on early intervention to manage current arrears as the probability of collection drastically diminishes once the tenants move out.
- TCHC does not have a formal write-off policy. Based on past practice, we have been writing off small balances, bankruptcy, and deceased tenants. We have not written off any significant past balances since HoMes system went live in 2021.

- Mandatory report to the province (Province-wide Arrears Database-“PWAD”) on past arrears: we are actively exploring Yardi system configuration capability to ensure that the write-offs will not restrict our ability to continue to meet this mandatory provincial reporting requirement.

### **Proposed past tenant arrears writes-off**

We obtained the city write-off policy and collaborated with our peer housing providers such as Ottawa Community Housing, City Housing Hamilton, and Victoria Park Community Homes to determine write-off criteria and the stage-gated approach.

The collection agencies will be informed of all the proposed write-offs.

As these tenancies terminated, we would have fully provided for the outstanding arrears in accordance with TCHC bad debt practices, hence this write-off will not have an impact on our current year bad debt expense.

### **Phase 1: PWAD reporting not required, to complete by Q3/2024**

The first phase of the write-off has been determined based on the reporting requirements to the province, which will allow Finance and ITS to further explore/configure Yardi System to write off any balances where reporting to the province is mandatory.

<b>Categories</b>	<b># of Tenants</b>	<b>Total Amount</b>	<b>Comments</b>
<b>Tenants with move out prior to 2011</b>	5954	\$9,806,356	PWAD reporting not required to report any balances prior to 2011-subject to final review and finalization
<b>Tenants moved out between 2012 - 2017</b>	1496	\$385,948	PWAD reporting no requirement to report any balances under \$500
<b>Non tenant parking past arrears</b>	1311	\$296,323	
<b>Total</b>	8761	\$10,488,627	

**Phase 2: Other categories pending further data collection/analysis, to complete by Q4/2024**

Phase 2 will focus on tenants with bankruptcy, deceased tenants, and tenants over the age of 99 years.

**Phase 3: Formalize Write-off policy for on-going periodic review, to complete Q4/2024**

Data will be collected to quantify the impacts. System configuration will be required. We will also explore systems changes/reporting to ensure that we complete the write-off on an annual basis.

**SIGNATURE:**

*"Lily Chen"*

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Lily Chen  
Chief Financial Officer

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