



Past Tenant Arrears

Item 11C

October 18, 2024

Board of Directors

Report: TCHC:2024-65

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee
 (“BIFAC”)

Date: September 23, 2024

PURPOSE:

This report provides the Board with an update on past tenant arrears and seeks the Board’s approval for write-off amounts pertaining to past tenant arrears pursuant to TCHC’s Delegation of Signing Authority policy.

RECOMMENDATIONS:

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

BIFAC:

The recommendations were approved by the BIFAC on September 23, 2024.

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	Aug-24
Current Arrears TCHC	26,757,751	29,296,303	30,237,707
Current Arrears TSCHC	2,164,885	2,279,119	2,133,926
Past Arrears TCHC	34,240,802	37,060,044	39,901,021
Past Arrears TSHC	3,682,747	4,215,393	4,599,149
Total Arrears	66,846,186	72,850,858	76,871,803
Past Arrears as % of Total Arrears TCHC	56%	56%	57%
Past arrears as % of Total Arrears TSHC	63%	65%	68%
Total Files send for collection	3,370,442	3,073,138	903,022
Total Amounts Collected	59,679	25,458	6,982
% of collection by Agency	1.8%	0.8%	0.8%

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. One of the challenges is lack of tenant forwarding contact information. Currently we are unable to obtain contact information for 25 to 30% of the past tenants.
- 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.

Categories	# of Tenants	Total Amount	Comments
Tenants with move out prior to 2011	5954	\$9,806,356	PWAD reporting not required to report any balances prior to 2011- subject to final review and finalization
Tenants moved out between 2012 -2017	1496	\$385,948	PWAD reporting no requirement to report any balances under \$500
Non tenant parking past arrears	1311	\$296,323	Balance pertains to amounts owing from 2016 to 2021 ¹
Total	8761	\$10,488,627	

¹ Balances from 2015 and before were written off July 2022. Once the new policy is in place, write offs will continue on a regular basis. There is no practical option to recover these arrears.

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”

Lily Chen
Chief Financial Officer

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