

The Regional Municipality of York

Housing York Inc.  
December 1, 2016

Report of the  
General Manager  
and  
Chief Financial Officer

Write-Off Former Tenant Bad Debts

1. Recommendation

It is recommended that:

1. The Board of Directors approve the write-off of three former tenant accounts totalling \$66,428.15.

2. Purpose

This report seeks approval for the annual write-off of debts owed by former tenants of Housing York Inc. (Housing York) where the debt has been determined to be uncollectible and where accounts exceed the \$6,000 threshold established by the Board's Collection of Tenant Accounts Policy.

3. Background

Bad debt occurs when a former tenant defaults on rent and the debt is deemed uncollectible

During a tenancy, regular reviews are conducted on all tenant accounts. If an account is overdue staff will: evaluate the tenant's reasons for not paying rent; assess any supportive needs; and attempt to negotiate a payment plan. If the tenant has not entered into a payment plan, eviction may be pursued through the Landlord and Tenant Board. Termination of tenancy is considered to avoid the accumulation of unpaid rent.

## Write-Off Former Tenant Bad Debts

Once a tenant vacates their unit, the Region continues to try and locate the former tenant. If unsuccessful, the Region will engage a third party collection agency to try and locate the tenant and collect the arrears. In addition, the Region's subsidized housing wait list unit is notified in case the former tenant applies for subsidized housing in the future. The former tenant is only eligible for subsidized housing if the arrears are paid in full or a mutually agreed upon payment plan is established.

Bad debts are reviewed for write-off by the President and the Board

The President is authorized to approve the write-off of former tenant accounts less than \$6,000 using criteria defined in the policy. The Board of Directors are required to approve the write-off of former tenant accounts greater than \$6,000.

### 4. Analysis and Implications

In 2016, there are 42 bad debt write-off accounts that are deemed to be uncollectible, totalling \$118,533.26. Housing York's four-year experience with bad debt write-offs is outlined in Table 1.

**Table 1**  
**Bad Debts Write-Off**  
**2013-2016 (\$)**

	2013	2014	2015	2016
Up to \$6,000 (total)	48,133.66	57,372.84	40,465.89	52,105.11
\$6,000 or more (total)	21,574.62	-	13,875.64	66,428.15
<b>Total</b>	<b>69,708.28</b>	<b>57,372.84</b>	<b>54,341.53</b>	<b>118,533.26</b>
Up to \$6,000 (average)	1,070	1,399	941	1,336
\$6,000 or more (average)	7,192	-	6,938	22,143
<b>Total</b>	<b>1,452</b>	<b>1,399</b>	<b>1,208</b>	<b>2,822</b>
Family (total)	61,694.28	49,952.02	46,074.46	107,752.38
Senior (total)	8,014.00	7,420.82	8,267.07	10,780.88
<b>Total</b>	<b>69,708.28</b>	<b>57,372.84</b>	<b>54,341.53</b>	<b>118,533.26</b>

The President is authorized to approve the write-off of former tenant accounts, up to \$6,000, when they are considered to be uncollectible. In 2016, there are 39 bad debt accounts that fall into this category, totaling \$52,105.11.

## Write-Off Former Tenant Bad Debts

Despite portfolio growth and annual rent increases, Housing York has not seen an escalation in the number of arrears under \$6,000 over the last 4 years. Although the average bad debt write-off under \$6,000 is higher in 2016 than in the previous year, it is in line with expected amounts (under \$1,500) and the amounts written off in 2014.

Family tenants continue to experience a higher rate of arrears delinquency, with 91% of the proposed debt write off associated with family units rather than senior units. This is because seniors tend to have a guaranteed income while family's income tends to be more unpredictable.

Three former tenant accounts totalling \$66,428.15 require Board approval for write-off

Three accounts, totaling \$66,428.15, exceed the \$6,000 threshold and therefore require Board approval. Table 2 provides the details of the three accounts over \$6,000.

**Table 2**  
**Accounts over \$6,000 (2016)**

	Rent (\$)	Repairs (\$)	Utilities (\$)	Other (\$)	Total (\$)
1.	3,943.02	37,480.66	218.39	0	41,642.07
2.	16,318.00		41.93	310.00	16,669.93
3.	6,822.00	1,294.15	0	0	8,116.15

All three accounts over the \$6,000 threshold were subsidized family units in townhome properties. In the first case, the large amount owing was related to damages that occurred during the last few months before the tenant was evicted. Prior inspection reports showed no concerns or damages were found when staff entered the unit for maintenance repairs. A pre-move out inspection was not conducted because the tenant left without giving proper notice.

The other two tenants misrepresented their incomes. Under the Housing Service's Act, tenants are required to report any income changes within 30 days of when the change occurs. During the annual rent-gear-to-income review period, Housing York discovered that the two tenants misrepresented their previous year incomes, resulting in substantial retroactive rent charges reflecting the difference between what they should have paid and what they actually paid. Since the tenants were not in the financial position to pay the arrears, they voluntarily moved out.

The Region's attempts to locate the former tenants through Equifax and the Credit Bureau were unsuccessful. All collection avenues remain open and active

and are being supplemented with external assistance from a collection agency. Legal action may be pursued under the advice of Housing York's solicitor.

Housing York will review current policies to improve collections

In 2017, Housing York will review the Collection of Tenant Accounts Policy and the Eviction Prevention Policy. Alternative collection solutions will be explored as part of this policy review. The goal of the review is: to ensure the policies are aligned; the collections process adequately controls and manages risk; tenants are held accountable; and consistent customer care is provided to vulnerable tenants.

## 5. Financial Considerations

The consolidated amount of \$118,533.26 recommended for bad debt write-off represents approximately 0.6 per cent of the annual rental revenue generated by Housing York.

The write-off ensures that accounts receivable balances are fairly stated at year-end in the financial statements. The arrears file remains open and collection efforts continue after the write-off entry has been made. In 2016, bad debt recovery from former tenants amounted to \$8,388.

## 6. Local Municipal Impact

There is no local municipal impact.

## 7. Conclusion

In 2016, there are a total of 42 bad debt write-off accounts totalling \$118,533.26. Of these, three accounts totalling \$66,428.15 require Board approval. Despite efforts to collect these bad debt accounts, recovery is now considered unlikely. Collection efforts will continue on any written-off accounts and the current policies will be reviewed to improve collections.

## Write-Off Former Tenant Bad Debts

For more information on this report, please contact Michelle Willson, Chief Financial Officer, at 1-877-464-9675 ext. 76064.

The Senior Management Group has reviewed this report.

Recommended by:

Rick Farrell  
General Manager

Michelle Willson  
Chief Financial Officer

Approved for submission:

Adelina Urbanski  
President

November 18, 2016

#7029956

Accessible formats or communication supports are available upon request