THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
June 2, 2004
Report of the
General Manager
and
Treasurer

COLLECTION OF TENANT ACCOUNTS POLICY

1. RECOMMENDATIONS

It is recommended that:

1. The Collection of Tenant Accounts Policy for Housing York Inc. be approved as set out in *Attachment 1* of this report.

2. That the Treasurer or General Manager be authorized to write-off bad debts of less than $3,000.

2. PURPOSE

The purpose of this report is to seek approval for the Collection of Tenant Accounts Policy (see *Attachment 1*) that will drive collection processes used by Regional staff for administering accounts for current and former tenants who have defaulted on their rent and other tenancy related charges. The overall strategy of the policy is to balance eviction prevention measures with the desire to treat all tenants fairly and equally, and the business need to ensure that bad debt exposure is carefully managed.

3. BACKGROUND

The creation of Housing York Inc. (HYI) as a legal entity on January 1, 2003 resulted in the need for existing policies and practices to be reviewed and standardized. The area of rent collection and the recovery of tenant charges emerged as important focus areas because inherited policies from the former housing corporations were inconsistent and dated. Additionally, a review of former tenant arrears revealed that recovery efforts produce very low success rates, largely due to a need for improved policies and procedures.

This finding required a one-time write off of aged accounts covering a three year period from 2000-2002 and a commitment to the Board to update policies to prevent recurrence.

The updated tenant account collection policy incorporates best practices as well as awareness of tenant needs. It also maximizes synergy with existing York Region practices and technology tools in multiple areas. Where applicable, the revised policy also considers the most recent legislative and program changes. All policy statements are supported by detailed operating procedures which are available to staff charged with the responsibility of applying the requirements.

4. ANALYSIS AND OPTIONS

4.1 Policy Stages

The collection of tenant accounts policy requires a proactive approach to managing tenant accounts during the life cycle of the tenancy. It promotes a systematic approach unique to the various stages of a tenant's residency. The overall objective is to mitigate tenant arrears early and prevent them from accumulating to excessive amounts that make it impossible for the tenant to fulfill their payment obligations for overdue rent.

4.1.1 Applicant Stage

Compared to prior business practices, the revised policy increases the emphasis on an applicant's credit history when they are being considered for residency. Following a routine credit check, an applicant may not be accepted for tenancy where HYI's risk tolerance is exceeded after full consideration of the client's affordability issues and tenant history. This means that when the applicant is confirmed or known to be a high credit risk and it is believed they are likely to default on their rent payment, occupancy into a HYI unit may not be approved.

This position complies with Section 18 of Ontario Regulation 339/01 made under the *Social Housing Reform Act, 2000* (SHRA). The legislation only allows housing providers to refuse offering a unit if the applicant's rental history supports the belief that they will not be able to pay rent when due.

Applicants whose credit history is a concern but not necessarily a high credit risk may be approved for occupancy but will be monitored for early signs of rent payment problems.

4.1.2 Current Tenant Stage

The *Tenant Protection Act, 1997* (TPA) provides the regulations for tenants and landlords with respect to settling differences, including rent arrears. The Ontario Rental Housing Tribunal is the independent government agency that oversees the provisions of the TPA.

Preserving the tenancy is considered a priority when collecting outstanding rent charges from HYI tenants. Prior to exercising legal provisions under the TPA, the Property Manager will establish ongoing contact with the tenant with the goal of settling the overdue account. Standard letters are issued on the second day of the month should rent not be received. Where appropriate, eviction avoidance activities will include referrals to support agencies and assisting the tenant to secure social services or alternate sources of funding that may be used for the payment of rent. While specific initiatives are tailored to the individual case, the prevailing philosophy is that all tenants are treated fairly and provided as much support as possible.

Sometimes internal avenues of collection are unsuccessful and it is necessary to commence legal action. In these circumstances, the guidelines for using the Tribunal are introduced in the collection strategy. The TPA requires multiple contacts with the tenant whose rent payments have become delinquent. The first step is to launch a Notice to Terminate Early for Non-Payment of Rent Form N4, which is typically issued on or about the 10th working day of the month. This action provides the tenant with approximately 20 business days to settle the account. Many tenants opt into a payment plan with their Property Manager during this time in order to avoid a Tribunal hearing. When the tenant has neglected the requirements of the N4 form and has not entered into a payment plan, an Application to Terminate Tenancy for Non Payment of Rent and for Collection of Arrears of Rent Form L1 will be issued by HYI. This initiates a Tribunal hearing for the specific purpose of mediating a payment settlement in a legal forum. Throughout the course of this activity the tenant is provided continued opportunity to settle their account in full or through a negotiated payment plan. When HYI has met all of the legal requirements provided by the TPA and the account is still unpaid, HYI will apply for eviction orders from the Tribunal for non payment of rent.

Given the demography of HYI residents, it is recognized that complex or genuine hardship cases may appear. The Collection of Tenant Accounts Policy allows for flexibility in extenuating circumstances.

Overall, the proposed policy is intended to encourage rigorous monitoring of current tenant accounts with early and supportive remedial action by the Property Manager on a non-legal basis, followed by official procedures identified in the TPA.

4.1.3 Former Tenants Stage

The new policy has been strengthened considerably over past practice and introduces new methods for recovering unpaid charges from former tenants.

Currently, the Housing Access Unit in York Region and an external credit corporation is notified when a former HYI tenant has defaulted on their account. This action affects the tenant's eligibility for future rent-assisted housing until the account is settled. Under the SHRA, a former tenant of social housing who leaves owing arrears is not eligible to reapply until those arrears have been repaid. In some circumstances, i.e. one spouse of a former joint tenancy is reapplying, payment arrangements are negotiated. These activities will continue.

A significant enhancement to the recovery efforts is the early involvement of the York Region Eligibility Review Officer (ERO) once a tenant has vacated with arrears. The ERO is provided investigative authority under the SHRA. The collection activity by the ERO allows HYI accounts to link to other investigations and initiatives that may already be underway in the Region. The ERO will locate the tenant and contact them by phone or mail. The intent is to negotiate reasonable payment arrangements for recovery of the debt that reflects the tenant's ability to pay over a realistic time period. All activities conducted by the ERO on behalf of HYI are done in partnership with Property Management staff. When the ERO has exhausted all avenues of collection using internal capability, the account is recommended for write-off.

4.1.4 Bad Debt Write-Off

When Property Management staff agree that the account is a legitimate bad debt, the policy authorizes the Treasurer or General Manager to write off accounts less than $3,000 with annual disclosure to the Board at year-end. Specific write-off criteria will be recognized, with the annual budget providing overriding fiscal control.

This is seen as a best practice and a reflection of existing policy in York Region. The materiality limit is considerably lower than Regional standards set at $10,000, but recognizes that delinquent HYI accounts greater than $3,000 may be problematic and worthy of the Board's consideration in its due diligence role.

Despite the decision to write off an account, continued collection action is recommended. As a result, the policy introduces another collaborative effort to supplement collection using the York Region external collection service. Under the Purchasing By-Law, York Region recently entered into an agreement for collection services pertaining to other Regional delinquent accounts. HYI will participate under the same contract using the same service provider and processes as Corporate Finance. This avenue becomes the primary means of keeping the account open and active over the long term with a higher potential for recovery.

Like the Regional policy, the HYI Collection of Tenant Accounts Policy does potentially allow for recovery of bad debts through Small Claims Court, however, this course of action is viewed to be exceptional and would only be exercised following legal advice from the Department Solicitor.

5. FINANCIAL IMPLICATIONS

The objective of this policy is to lessen the exposure of HYI to rental arrears or bad debts throughout the life cycle of tenancy using a tenant sensitive approach to eviction prevention.

The Housing York Inc. 2004 Business Plan identifies various goals associated with rent collection:

<u>Current Tenants:</u>	
Uncollected Rent > 30 days/Rent Revenue	4%
Number of Accounts > $2,500 at year-end	4 accounts
<u>Former Tenants:</u>	
Ratio of Uncollected Accounts against Total Move-out Accounts	15.2

These targets reflect a modest improvement over 2003 results and are within industry norms for non-profit housing providers where it is recognized that rent collection is more challenging than in the private sector.

The ultimate necessity to write off any bad debts associated with delinquent former tenant accounts is facilitated through the annual provisions established in the Housing York Inc. Budget.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

The Collection of Tenant Accounts policy is a firm but fair approach to collecting tenant rents using legislated landlord provisions of the TPA and York Region collection strategies over the entire life cycle of the tenant, with the objective of maintaining the lowest possible exposure to bad debts.

The Senior Management Group has reviewed this report.

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for

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Attachment - 1
KC/dm

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