



STAFF REPORT ACTION REQUIRED

Write-off of Uncollectible Account – Arms Properties II Inc.

Date:	January 21, 2008
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

The purpose of this report is to seek Toronto Public Library Board approval for the write-off of an uncollectible account for rent owing from a former tenant, Arms Properties II Inc.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. Approves the write-off of an uncollectible account of \$35,348.87 (excluding GST) for rent owing from a former tenant, Arms Properties II Inc.

FINANCIAL IMPACT

The write-off recommended in this report amounts to \$35,348.87 (excluding GST of \$2,340.91). There is no impact on the 2007 operating budget because this account was fully provided for in 2006 when the collectibility of the account first came into question.

The Director, Finance & Treasurer has reviewed this Financial Impact statement and is in agreement with it.

BACKGROUND

Toronto Public Library (TPL) has a number of tenants at 40 Orchard View Boulevard where the Northern District branch is located. Arms Properties II Inc. has been a tenant at 40 Orchard View Boulevard since 1993 and operated a restaurant and bar under the business name of Winchester Arms. The tenant was evicted on November 30, 2006 for non-payment of rent. The chronological sequence of events is as follows:

- As the 2000 lease was to expire on September 30, 2005, TPL attempted to negotiate a new lease with the tenant during much of 2005.

- TPL advised the tenant of the new rental rate effective after September 30, 2005. The rental rate would be \$11 per square foot plus operating and common area costs. The proposed rate represents a market rate and City Facilities & Real Estate staff assisted with determining the rate.
- Despite their agreement to pay the new rental rate, the tenant continued to pay rent after September 30, 2005 based on the old lease.
- For the period October 1, 2005 to November 30, 2006, TPL continued to receive rental payments, but the amounts were below the new rates and payments were frequently delinquent.
- Multiple demands were made for payment of the correct monthly rent and balance past due, but the tenant refused to make the appropriate payments.
- On October 17, 2006, TPL delivered a letter to the tenant providing notice of the termination of the lease and stating that the tenant was required to deliver up vacant possession of the premises on or before November 30, 2006.
- The tenant vacated the premises in November 2006.
- On January 8, 2007, City Legal requested the Ontario Supreme Court to note the tenant to be in default.
- City Legal obtained a Judgement against Arms Properties II Inc. dated March 1, 2007 for rent in arrears and interest of \$3,336.30.
- City Legal has made all attempts to collect the account, but efforts to locate Arms Properties II Inc. have proven unsuccessful.

As there are no remaining legal avenues to collect the default Judgment, City Legal advised TPL on January 8, 2008 that “it appears that this debt is uncollectible and will have to be written off”.

COMMENTS

Staff from City Facilities & Real Estate and City Legal advised and assisted TPL throughout the process up to the eviction of the tenant and in attempting to collect the outstanding balance.

As of November 30, 2006, when the Tenant evacuated the premises, rent arrears totalled \$35,348.87 (excluding GST) and interest owing was \$3,336.30. As is common practice, the interest penalty is used as an incentive to encourage rental payments, but this interest was not recorded as revenue in the financial system. At the end of 2006, it appeared that the rent in arrears may not be collectible and so a provision for doubtful or uncollectible accounts was set up and charged against that year’s budget. Because a provision has already been set up in a prior year then when the account is actually written off, there is no impact on the budget.

All reasonable efforts have been made to collect the account and City Legal has now advised that the account balance is not collectible. Per Section 12.1 of the Financial Control Policy, as the account balance is over \$10,000, Board approval is required to write off the account.

CONTACT

Larry Hughsam, Director, Finance & Treasurer; Tel: 416-397-5946; Fax: 416-393-7115;
E-mail: lhughsam@torontopubliclibrary.ca

SIGNATURE

Josephine Bryant
City Librarian