



REPORT FOR ACTION

Bulk Room Accommodations Agreement at 3 Park Home Avenue

Date: June 17, 2022

To: General Government and Licensing Committee

From: Executive Director, Corporate Real Estate Management and General Manager, Shelter, Support and Housing Administration

Wards: 18 – Willowdale

SUMMARY

The purpose of this report is to obtain City Council authority to enter into a Bulk Room Accommodations Agreement (the "Agreement") with North York Park Home Hotel LP (the "Landlord") for the building municipally known as 3 Park Home Avenue (the "Property") to provide accommodations for the refugee sector, in accordance with the Council-approved Emergency Shelter Development Process for siting and securing new shelters, as outlined in CD24.7.

Demand for refugee temporary shelter continues to increase as a result of growing numbers of new arrivals of refugee claimants. The anticipated number of new arrivals of refugee claimants may surpass what was seen in 2018 and 2019. A recommendation that refugees and refugee claimants be provided temporary accommodation and related supports outside of the City's base emergency shelter system was adopted in EC28.9, COVID-19 Shelter Transition and Relocation Plan Update that included authorization for temporary grant funding of approximately \$15 million to support approximately 750 refugees.

Given the increasing pressures of the overall shelter system and the number of refugee families in particular seeking access to temporary accommodation, the use of the Property will support the City to expand the number of new spaces available for refugees. This plan helps to free up spaces within the base shelter system while providing temporary accommodation and better outcomes for refugees.

In addition, Corporate Real Estate Management and Shelter Support and Housing Administration worked in accordance with the recommendations put forward in the recent Auditor General's report, "Audit of Emergency Shelters: Lessons Learned from Hotel Operations" adopted by Council on June 16, 2022.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management and the General Manager Shelter, Support and Housing Administration recommend that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager of Shelter, Support and Housing Administration, to execute a Bulk Room Accommodations Agreement, and any related ancillary agreements, with North York Park Home Hotel LP., or a related legal entity, with respect to the property known municipally as 3 Park Home Avenue generally on the terms and conditions outlined in Appendix A to the report, and on such other or amended terms and conditions as may be deemed appropriate by the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Shelter, Support and Housing Administration, and in a form acceptable to the City Solicitor.
2. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager of Shelter, Support and Housing Administration, to execute such consents, acknowledgements or other agreements as may be required by third parties with an interest in the lands known municipally as 3 Park Home Avenue in order to permit for the Bulk Room Accommodation Agreement, in each instance on such terms and conditions as may be deemed appropriate by the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Shelter, Support and Housing Administration, and in a form acceptable to the City Solicitor.

FINANCIAL IMPACT

The total cost of the Agreement, inclusive of rent and catering expenses, is \$68,564,870 (net of Harmonized Sales Taxes), comprised of \$51,665,078 (net of Harmonized Sales Tax recoveries) for rental costs and \$16,899,792 (net of Harmonized Sales Tax recoveries) for catering expenses.

Funding of \$60.69 million is included in the 2022 SSHA Approved Operating Budget under cost centre F00062 to provide accommodations for the refugee sector. If approved, the total amount required to implement this contract in 2022 is \$12,747,272, accordingly, there are no additional operating impacts to the City in 2022 resulting from this contract. See Table 1 below for details.

The financial implications of continuing to provide the temporary accommodation for refugee clients will be considered for funding along with other City priorities, public health requirements and available federal-provincial funding through the 2023 budget process.

Table 1: Financial Impact of Rental and Catering Costs

Fiscal Year	Gross rental costs	Catering costs	Annual Costs Prior to Harmonized Sales Tax	Annual Costs Net of Harmonized Sales Tax
Year 1 (2022 Budget)	\$9,205,300	\$3,321,500	\$12,526,800	\$12,747,272
Year 2 (2023 Budget)	\$9,679,800	\$3,321,500	\$13,001,300	\$13,230,123
Year 3 (2024 Budget)	\$10,154,300	\$3,321,500	\$13,475,800	\$13,712,974
Year 4 (2025 Budget)	\$10,628,800	\$3,321,500	\$13,950,300	\$14,195,825
Year 5 (2026 Budget)	\$11,103,300	\$3,321,500	\$14,424,800	\$14,678,676

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impacts associated with this report as contained in the Financial Impact Section.

DECISION HISTORY

At its meeting on April 6, 2022, City Council adopted EC28.9 "COVID-19 Shelter Transition and Relocation Plan Update". Authority was granted for SSHA to enter into grant agreements as needed with at least three non-profit organizations to provide accommodations for approximately 750 refugee claimants outside of the City's base emergency shelter system.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EC28.9>

At its meeting on November 9, 2021, City Council adopted EC25.6 2022 "Shelter Infrastructure Plan, Community Engagement Review and Amendments to Contracts and Purchase Orders to Support Shelter Services", which granted authority to amend various existing non-competitive blanket contracts/purchase orders established to support the COVID-19 response, as well as authority to open and operate shelters and to take appropriate measures to provide adequate shelter capacity in response to

unanticipated demands on the system.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EC25.6>

At its meeting on October 27, 2020, City Council adopted EC16.1 "Interim Shelter Recovery and Infrastructure Implementation Plan". It included several recommendations, including authorizing the General Manager, Shelter, Support and Housing Administration to receive funding and enter into new or amend existing agreements, subject to the approval of Shelter, Support and Housing Administration's 2021 Operating Budget, to continue to provide the City of Toronto's response for the homelessness service system

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EC16.1>

At its meeting on December 5, 6, 7 and 8, 2017, City Council adopted CD24.7 "2018 Shelter Infrastructure Plan and Progress Report". The report included authorizing the Emergency Shelter Development Process ("ESDP") for siting and securing new shelters.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD24.7>

At its meeting on April 26, 2017, City Council adopted CD19.6 "Proposed New Engagement and Planning Process for Emergency Shelters". The report included a new community engagement process that sets out how the public will be engaged around new or relocated municipal shelter locations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.CD19.6>

At its meeting on October 2, 2015, City Council adopted CD6.5 "Updated Toronto Shelter Standards". The report included the current version of the Toronto Shelter Standards that present City of Toronto-funded shelter providers and clients with a clear set of expectations, guidelines and minimum requirements for the delivery of shelter services in Toronto.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.CD6.5>

COMMENTS

Demand for Refugee Services

After decreasing during the first 18 months of the COVID-19 pandemic, the number of refugees in the shelter system continues to steadily increase since September 2021. This increase is largely due to the border reopening and easing of international travel restrictions after more than two years. On September 1, 2021, there were 507 refugee clients in Toronto's shelter system. This figure has increased to 1,677 as of June 19, 2022; an increase of more than 230%. Further, in the first half of 2022, an average of 55 new refugee arrivals have been accessing the shelter system per week, with approximately 55% of recent arrivals accessing services in the family sector.

The City has requested, on numerous occasions, immediate and urgent action from the federal and provincial governments to plan for the large-scale increase in refugee claimant arrivals in order to avoid a potential crisis. With the projections for increasing refugee claimant arrivals and current global instability, including the unfolding Ukrainian humanitarian crisis, addressing this urgent issue requires not only federal financial support of \$61 million (for 2022), but an ambitious federal and provincial intergovernmental strategy that includes funding for large scale arrivals. This must include a range of urgent measures to ensure that appropriate supports are in place right across Ontario including reception programs and facilities outside of Toronto (especially near ports of entry), coordination to refer new arrivals across the province, and providing direct funding to refugee houses and refugee specific shelter providers in strategic locations across Ontario, including Toronto.

City's Refugee Response

Through EC28.9, COVID-19 Shelter Transition and Relocation Plan Update City Council adopted a recommendation that refugees and refugee claimants be provided temporary accommodation and related supports outside of the City's base emergency shelter system; temporary grant funding of approximately \$15 million to support approximately 750 refugees and refugee claimants was authorized. Refugee serving programs are distinct in many ways from services provided in the rest of the shelter system – they offer specialized services and serve a population with distinct needs. Creating a distinct refugee service sector will allow us to better understand and monitor demand for services from very different causes. It will also allow better tracking of financial impacts of providing these services, and coordination with the federal government for distinct funding streams, like the Interim Housing Assistance Program ("IHAP") which previously supported the City in providing this service.

In response to the increased pressure and in particular, the number of refugee families seeking access to temporary accommodation, in April, SSHA worked with the Toronto Newcomer Office to increase services available for refugee claimants by providing temporary grant funding to three community-based refugee service providers, to increase their capacity. These additional programs are now supporting up to 750 people. However, these programs are now fully occupied, and the number of refugees requesting access to shelter space continues to grow.

Through activation of the Property, refugee and refugee claimants currently being accommodated through the base shelter system will be offered the opportunity to be accommodated and free capacity in the base shelter system. This approach supports the increased demand for shelter services while providing temporary accommodation and better outcomes for refugee claimants.

Site Selection and Property Details

The City completed a comprehensive search for shelter and housing opportunities to provide temporary accommodations for refugees entering Canada. Throughout the past two years, Corporate Real Estate Management ("CREM"), in collaboration with SSHAA Bulk Room Accommodations Agreement at 3 Park Home Avenue

and CreateTO, compiled a pipeline of possible properties to activate for shelter purposes, and also worked closely with City Planning and Toronto Buildings. The City also received inquiries and referrals from hotel operators, property managers, community members, developers and landlords.

All potential properties identified for shelter use were assessed by an interdivisional team against program needs. In looking for temporary locations rather than permanent locations, staff focused on spaces that were turn-key ready for operations with minimal retrofits required to facilitate quick operationalization. Hotels are considered optimal solutions as they provided the furniture, clients with their own rooms and bathrooms, cleaning services as well as catering, if required.

Through the comprehensive search and assessment process, the City identified the Property located at 3 Park Home Avenue for use as temporary accommodation for the refugee sector. CREM, in collaboration with SSHA, has negotiated a bulk room accommodations agreement for the Property for City's Council consideration. The Property was chosen because it met all required criteria for shelter use and was available at a fair market value, significantly below comparable offers for alternative hotel sites. The Property is available immediately with minimal retrofits required, and for the required term of the Agreement. A service assessment of the Property demonstrated the site was accessible, close to public transit, and the size was appropriate for the refugee program. The site supported the City's goal of spreading physical distancing sites outside of downtown Toronto.

The Property is located on City-owned lands. A ground lease and related development agreement were entered into in 1985 with City Centre Development Corporation - North York ("CCDCNY") to support the construction of the hotel facility and parking amenities. CCDCNY, as ground lease head tenant, subsequently entered into a sublease with North York Hotel Holdings Ltd. ("NYHH"), as tenant, for the operations of the hotel, expiring in December 9, 2083. CCDCNY, as ground lease head tenant, subsequently assigned all its rights, title and interest in and to the sublease to the Great-West Life Assurance Company and London Life Insurance Company and NYHH, as tenant and hotel operator, assigned all its rights, title, and interest in and to the sublease to North York Park Home Hotel LP, the current owner.

The Property contains 260 hotel units and includes the lobby, the food service and meeting rooms on the ground floor; the common area, administration, meeting and storage rooms on the ground, second, and third floor; and the hotel rooms located on floors four (4) to seventeen (17).

The Property is subject to North York Zoning By-law 7625 which permits a hotel on the site, and is not subject to city-wide Zoning By-law 569-2013. The site is also subject to Municipal Shelter By-law 138-2003, as amended by By-law 545-2019, which permits a municipal shelter.

Bulk Room Accommodations Agreement

CREM will oversee the Agreement in accordance with recommendations put forward in the Auditor General's report "Audit of Emergency Shelters: Lessons Learned from Hotel Operations" adopted by Council on June 16, 2022.

The structure of the Agreement is generally based on the existing temporary hotel lease agreements that were executed at the beginning and during the peak periods of COVID-19. This allowed for efficiency in running shelter operations, as the respective hotel operators continued to operate and maintain the premises, allowing SSHA and the operator to focus on providing necessary wrap around services.

CREM, in consultation with SSHA, will complete a fulsome assessment on the condition of the Property, focusing on the condition of rooms and related room elements within the hotel, including condition and age of furniture, flooring and other elements impacted by the proposed use. In addition, the hotel operator is required to provide a recent building condition assessment of the Property. The fulsome assessment will support the City's restoration obligations pursuant to the Agreement. The Agreement formalizes the restoration obligation framework by defining restoration obligations using a straight-line depreciation method based on the remaining useful life of each chattel or fixture, according to pre-agreed industry standards.

Further, the Landlord has indicated a willingness to sell the Property, and the related leasehold interest in City-lands, and has proposed that a portion of the payments under the Agreement can be used to offset a future acquisition, if contemplated. Given the fact that the Property is on City land, this option reflects a cost-effective opportunity to unencumber City land for future City need, while offsetting foregone rental payments. Staff will continue to assess this opportunity, including future City uses at the Property, and will report back to City Council on the outcome in 2023.

Emergency Shelter Development Process (ESDP)

In CD24.7, City Council authorized the Deputy City Manager, Community & Social Services, to approve specific sites for emergency shelters provided that it meets certain conditions and follows the Council approved Emergency Shelter Development Process. Now that the Emergency Measures Act in response to COVID-19 has come to an end, activation of new shelter locations will follow the City Council-approved Emergency Shelter Development Process (ESDP) for siting and securing new shelters. The goal of the ESDP is to update and modernize the shelter development process to be more efficient and nimble, to effectively engage City Council, service users and the community, and to strengthen the City's ability to successfully and quickly secure properties in Toronto's competitive and fast-moving marketplace.

The City is planning a number of initiatives to ensure community members are kept informed of the planned services at the Property prior to site activation. This includes a joint SSHA and CREM briefing with the local Ward councillor. A community engagement facilitator will be hired to develop a comprehensive engagement plan for the site in accordance with City Council direction (CD19.6 and EC25.6).

CONTACT

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SIGNATURE

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Gord Tanner
Acting General Manager, Shelter, Support and Housing Administration

ATTACHMENTS

Appendix A - Major Terms and Conditions of the Agreement
Appendix B - Location Map of 3 Park Home Avenue

Appendix A - Major Terms and Conditions of the Agreement

1. Premises:

The Property contains 260 hotel units and includes the lobby, the food service and meeting rooms on the ground floor; the common area, administration, meeting and storage rooms on the ground, second, and third floor; and the hotel rooms located on floors four (4) to seventeen (17).

2. Term:

Five (5) years, commencing on September 1, 2022 and ending on August 31, 2027. The Landlord and the City acknowledge that the dates may be deferred subject to approval from Toronto Fire Services and SSHA.

3. Gross Rent (net of Harmonized Sales Tax recoveries):

Year 1: \$9,367,313.28

Year 2: \$9,850,164.48

Year 3: \$10,333,015.68

Year 4: \$10,815,866.88

Year 5: \$11,298,718.08

4. Catering Expenses (net of Harmonized Sales Tax recoveries):

\$3,379,958.40 per annum for a total of \$16,899,792.00

5. Option to Extend:

None

6. Fixturing Period:

The City will receive early access to the Property at least 15 days prior to the commencement date, on a rent-free basis to prepare the Property according to Toronto Shelter Standards

7. Municipal Capital Facilities Tax Exemption:

The Landlord acknowledges that the City has the right to request Council to exempt the Property from realty taxation for municipal and school purposes, and if Council passes a by-law for such exemption, the Landlord agrees to enter into a Municipal Capital Facility Agreement with the City and pass the full benefit of the exemption to the City.

8. Use of Property:

The City shall use the Property solely for the purposes of a temporary shelter and other ancillary services.

9. Landlord's Responsibilities:

- Management of the building with 24/7 coverage at the front desk
- Waste management services; fire & life safety systems and related maintenance and monitoring, including provision of Hotel Fire Safety Plan document and Inspection reports for all Fire and Life Safety Systems as required by the Ontario Fire Code
- Elevator maintenance, repair and replacement
- Routine pest control services based on full occupancy use.

- Building envelope and capital repairs;
- HVAC system capabilities, limitations and maintenance activities on site;
- Custodial, housekeeping and laundry services, including weekly room cleaning, room cleaning upon occupant turnover and custodial/housekeeping services for all common areas and common washrooms on the Property
- and other day to day issues as they may arise; and
- Provide a Building Condition Assessment or Building Condition Report

10. City's Responsibilities:

- All costs related to preparing the building for shelter use, including labour and materials.
- Security 24/7 from a licensed security provider if the City deems it to be required, to be procured either by the City or by a third-party organization on the City's behalf
- Any damages to the Property or additional costs incurred by the Landlord as a result of the City's occupancy of the Property, provided that the Landlord immediately reports any damages or costs to the City.

11. Indemnification/Insurance

The City will provide \$10,000,000.00 of coverage for Commercial General Liability and \$1,000,000.00 of coverage for Automobile Liability. The City will meet reasonable insurance requirements as established by the Landlord, subject to reasonable amendments as required by the City's Insurance Risk Management. The City shall provide the Landlord with a certificate of insurance adding the Landlord as additional insured on the City's Commercial General Liability Policy.

12. Restoration Plan

The City shall, within 30 days following the end of the term, remove any property of any kind brought onto the Property by the City. The City will pay for the value of any major chattels and fixtures using the straight-line depreciation method based on the remaining useful life, an estimate of the number of years it will remain in profitable service, according to industry standards of the said chattel/fixture.

Appendix B - Location Map of 3 Park Home Avenue

