

Homelessness Services Capital Infrastructure Strategy: Real Estate Strategy and Lease Extensions

Date: December 21, 2023

To: Economic and Community Development Committee

From: Executive Director, Corporate Real Estate Management, General Manager, Toronto Shelter and Support Services, and Chief Procurement Officer

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

Confidential Attachment 1 refers to a position, plan, or instruction to be applied to negotiations carried out or to be carried out by the City of Toronto.

SUMMARY

This report presents the real estate strategy and recommendations to implement the new Homelessness Services Capital Infrastructure Strategy. The Homelessness Services Capital Infrastructure Strategy was approved by City Council in November 2023 and recommended a long-term, proactive approach for Toronto Shelter and Support Services to improve the stability and recovery of the shelter system and address the unprecedented demand for shelter beds. The Homelessness Services Capital Infrastructure Strategy focuses on developing purpose-built shelters, and a gradual transition out of COVID-19 shelter hotels. This real estate strategy was developed in collaboration with Corporate Real Estate Management, and is a companion report to the Homelessness Services Capital Infrastructure Strategy that seeks authorities from City Council required for the real estate and construction activities to implement the Homelessness Services Capital Infrastructure Strategy. The report also reports back on City Council direction to assess opportunities for property acquisition of currently leased sites, including motels that form part of the family and refugee shelter program, and to leverage sites for the dual purpose of shelter and transitional or permanent housing.

The real estate strategy focuses on three streams. The first is to obtain City Council authority to expedite the redevelopment of existing City-owned sites or acquiring new sites for permanent, purpose-built shelters with the goal of securing at least five (5) new shelter opportunities in 2024. The new permanent shelters will focus on addressing

specific groups including youth, families, and Indigenous populations with program models tailored to help clients meet their goals and create capacity to transition out of temporary sites. The second stream is the carefully managed transition plan for the COVID-19 shelter sites, with a focus on renewing existing leases and contracts to ensure stability until the new permanent shelter sites are operational. The extension of leases and contracts will focus on providing multi-year stability to shelter capacity, and to realize cost savings or cost avoidance. The third stream is the continued coordination with the Housing Secretariat on the HousingTO 2020-2030 Action Plan as a mechanism to manage the demand for shelter by providing affordable and supportive housing outcomes to transition people out of the shelter system, or to avoid entry into homelessness all together.

This report also requests authority to amend ten (10) non-competitive blanket contracts and two (2) competitive blanket contracts, established to support temporary shelter operations in hotels. This includes contracts for Infection Prevention and Control, custodial, and catering services.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management, the General Manager, Toronto Shelter and Support Services and the Chief Procurement Officer recommend that:

1. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Toronto Shelter and Support Services, to negotiate and approve leases, licences and extension agreements in relation to the existing properties identified in Table 1 in Confidential Attachment 1, with the length of the term and the total compensation not exceeding that identified in Table 1 of Confidential Attachment 1, and on such other terms and conditions satisfactory to the Executive Director, Corporate Real Estate Management and in consultation with the General Manager, Toronto Shelter and Support Services, and in a form satisfactory to the City Solicitor, subject to all related expenditures are funded in Toronto Shelter and Support Services' Approved Operating Budget.
2. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Toronto Shelter and Support Services, to negotiate and approve the acquisition of real estate interests for the Homelessness Services Capital Infrastructure Strategy that meet the criteria identified in Attachment 1, and on terms and conditions satisfactory to the Executive Director, Corporate Real Estate Management and in consultation with the General Manager, Toronto Shelter and Support Services, and in a form satisfactory to the City Solicitor, subject to all related expenditures being funded within the approved 10-Year Capital Plan for Toronto Shelter and Support Services.
3. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Toronto Shelter and Support Services, to approve pre-development and pre-construction costs for

renovation/conversion/construction of properties into shelter related facilities suitable for the Homelessness Services Capital Infrastructure Strategy, including environmental site assessments, building condition assessments, designated substance surveys, feasibility studies, zoning reviews, site surveys, cost estimates and cost consultant reports, permits, architectural or engineering reports, select demolition for testing purposes, access agreements, or expropriation reports, appraisals, legal/closing costs related to acquisition of land and buildings, subject to all related expenditures being funded within the approved 10-Year Capital Plan for Toronto Shelter and Support Services.

4. City Council authorize the Deputy City Manager, Corporate Services and/or Executive Director, Corporate Real Estate Management to execute the agreements relating to the agreements referenced in Recommendation 1 and 2, and any ancillary agreements and documents on behalf of the City of Toronto.

5. City Council authorize the public release of Confidential Attachment 1 to the report from the General Manager, Toronto Shelter and Support Services, and the Executive Director, Corporate Real Estate Management upon the expiration of the last agreement of the leased and/or licensed premises, as Confidential Attachment 1 contains instructions to be applied to negotiations carried on or to be carried on by or on behalf of the City of Toronto.

6. City Council authorize the Executive Director, Corporate Real Estate Management, in consultation with the General Manager, Toronto Shelter and Support Services and Chief Procurement Officer, to approve the development of pre-qualified lists of fast tracked project design and delivery suppliers, such as design builders, design consultants, engineering consultants, costs consultants, general contractors, and construction managers, to be assigned rotationally or through a second stage process and exceeds the roster work assignment limit of \$250,000 per work assignment and enter into an agreement(s) with a value exceeding \$500,000 for which Bid Award Panel, Committee or City Council approval would normally be required under the City of Toronto Municipal Code Chapter 195, to provide project management, pre-design, design, pre-development, pre-construction, construction, and post construction services for the renovation/conversion/construction of properties into shelter related facilities, suitable for the Homelessness Services Capital Infrastructure Strategy, provided that;

a. the procurement processes are completed in accordance with the City of Toronto Municipal Code Chapter 195, Purchasing, and associated policies and procedures;

b. the procurement is necessary to meet the timelines of the Homelessness Services Capital Infrastructure Strategy;

c. the costs are eligible for, and will be funded through, the Homelessness Services Capital Infrastructure Strategy, subject to being approved within the 10-Year Capital Plan for Toronto Shelter and Support Services; and

d. the terms and conditions of any such agreements are acceptable to the Executive Director, Corporate Real Estate Management and in a form satisfactory to the City Solicitor.

7. City Council in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law) grant authority to the General Manager, Toronto Shelter and Support Services, in consultation with Purchasing and Materials Management, to enter into the necessary amending agreements on terms and conditions satisfactory to the General Manager, Toronto Shelter and Support Services, and in a form satisfactory to the City Solicitor to increase the value and extend the term of ten (10) non-competitive blanket contracts and two (2) competitive blanket contracts outlined in Tables 1 and 2 of Attachment 2 of this report and contingent on funding in Toronto Shelter and Support Services' 2024 and 2025 Operating Budget.

8. City Council direct the General Manager, Toronto Shelter and Support Services and the Executive Director, Corporate Real Estate Management, to report back annually through the Shelter Infrastructure Plan on the exercise of the authorities related to the acquisitions referenced in Recommendation 2.

FINANCIAL IMPACT

All financial impacts resulting from the Homelessness Services Capital Infrastructure Strategy are subject to Council's annual approval of the 10-Year Capital plan and operating budgets.

The Homelessness Services Capital Infrastructure Strategy as approved by City Council, is estimated to require \$674.5 million for capital requirements over the ten-year capital planning period (2024-2033). Cost estimates are inclusive of site acquisition, consulting fees, construction/development, community engagement, design, project staffing, fit up, and inflation, and would primarily cover the cost of permanent sites to replace approximately 1,280 beds in temporary COVID-19 hotel sites, in addition to a further 320 beds in other projects needed to support recovery and stability resulting from growth in the shelter system. Financial impacts for the full implementation of Homelessness Services Capital Infrastructure Strategy are currently unfunded and identified in the Capital Needs Constraints List for Toronto Shelter and Support Services in the 2024 Budget Submission.

The lease extensions of COVID-19 hotels will have ongoing operating impacts to the shelter system depending on the results of negotiation with hotel owners. Confidential Attachment 1 outlines costs for the particulars of hotel extension agreements and their terms. Funding is part of the base budget in the 2024 Operating Budget for Toronto Shelter and Support Services, subject to Council approval through the 2024 Budget Process.

This report also requests Council authority to:

- Amend ten (10) existing non-competitive blanket contracts and purchase orders for various services supporting the operation of the City's emergency shelter response at a total estimated cost of up to \$17.81 million net of Harmonized Sales Tax (HST) recoveries in 2024 and up to \$9.26 million net of HST recoveries in 2025 as detailed in Attachment 1, Tables 1; and
- Amend two (2) existing competitive blanket contracts for various services supporting the operations of the City's emergency shelter response at a total estimated cost of up to \$3.26 million net of HST recoveries in 2025 as detailed in Attachment 1, Tables 2.

The target value of the blanket contracts is non-committed and will be expensed at time of commitment to allow the City to continue to pay the vendor. The actual spending against these agreements will be limited to the Council Approved Toronto Shelter and Support Services' Operating budget.

The Chief Financial Officer and Treasurer has reviewed this report and has been informed of the financial implications associated with the Homelessness Services Capital Infrastructure Strategy and this report as contained in the Financial Impact Section, Attachment 2 and Confidential Attachment 1.

DECISION HISTORY

At its meeting on November 8, 2023, City Council adopted EC7.7 "Shelter Infrastructure Plan and the Homelessness Services Capital Infrastructure Strategy (HSCIS), as the guiding Strategy for capital infrastructure spending decisions from 2024 - 2033 across the City of Toronto's shelter system. This plan includes transitioning the shelter system towards increased permanency and expanding shelter capacity to respond to sector specific needs. <https://secure.toronto.ca/council/agenda-item.do?item=2023.EC7.7>

At its meeting on February 7, 2023, City Council adopted EC1.5 "COVID-19 Shelter Transition and Relocation Plan Update 2023," granting authorities required for lease/licence extensions at temporary shelter sites and services through April 30, 2024, and amend various existing non-competitive blanket contracts/purchase orders established to support the COVID-19 response. <https://secure.toronto.ca/council/agenda-item.do?item=2023.EC1.5>

At its meeting on April 6, 2022, City Council adopted EC28.9 "COVID-19 Shelter Transition and Relocation Plan Update," which granted authorities required for lease/licence extensions at temporary shelter sites and services through until April 30, 2023. <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," approving the plan which included the development of a Capital Infrastructure Strategy for the City's shelter system, and an improved community engagement process. Authority was also granted to amend

various existing non-competitive blanket contracts/purchase orders established to support the COVID-19 response, as well as to open and operate shelters and to take appropriate measures to provide adequate shelter capacity in response to unanticipated demands on the system. <https://secure.toronto.ca/council/agenda-item.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 authorization for the General Manager, Shelter, Support and Housing Administration (now Toronto Shelter and Support Services) to develop plans to rapidly scale up the permanent housing and shelter capacity response required for safe physical distancing to accommodate unanticipated demand on the shelter and housing system during the pandemic.

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

At its meeting on December 17, 2019, City Council adopted PH11.5 "HousingTO 2020-2030 Action Plan" as the framework to address Toronto's housing and homelessness challenges by 2030. This Plan includes a number of actions and targets to address critical needs across the housing spectrum including emergency shelters and supportive housing, social and supportive housing, market and affordable rental housing and home ownership. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting on December 5, 2017, City Council adopted CD24.7 "2018 Shelter Infrastructure Plan and Progress Report." Council approved the 2018 Shelter Infrastructure Plan and a new property development approach to siting shelters, and authorized the Deputy City Manager, Cluster A, to approve specific sites for shelters, provided certain criteria are met. The report also provided information on the development of a New Shelter Service Model.

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

At its meeting on October 2, 2017, City Council adopted Item EX27.12 "City-Wide Real Estate - Delegated Authorities Framework and Transition Plan," which provided delegated authority pertaining to certain real estate matters. This delegated authority was amended by Item GM27.12, adopted by City Council on May 22, 2018, or, where applicable, by Item EX28.8, adopted by City Council on November 7, 2017.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.12>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM27.12>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX28.8>

COMMENTS

Shelter Infrastructure Context

Increased Demand for the Shelter System

The City's shelter system is currently providing critical shelter and support services to 9,500 people. We are also supporting 1,600 people outside the shelter system in bridging hotels and programs run by the Canadian Red Cross. Despite the large number of people supported through the system, the need for emergency shelter is

significantly greater than the current capacity of the system. This is due to insufficient affordable housing supply, increased costs of living, inadequate wage and income supports, and an increase in the number of refugee claimants arriving in Toronto.

In October 2023, an average of 291 callers per day to the Central Intake Call Centre could not be matched to shelter space. There are also an additional 498 families on the family shelter placement list as of December 6, 2023. Forecasting demand models suggest that demand for emergency shelter is expected to remain high and even increase in coming months and years.

The lack of available shelter has also led to an increase in the number of people living outdoors, evidenced by the rise in encampments city wide. As of December 6, 2023, there are over 333 encampments across 135 locations around Toronto. Encampment prevention and reduction rely on leveraging shelter capacity and housing resources and are difficult to address without these supports.

As the City moves into the next phase of the Council-approved [COVID-19 Transition and Relocation Plan](#), additional pressures on shelter capacity will be observed due to the closure of temporary COVID-19 hotel sites. Since the COVID-19 Transition and Relocation Plan was adopted in 2022, there have been 11 site closures. Given the unprecedented demand the shelter system is currently facing, it is critical that new shelter space is developed, and existing capacity is maintained through future temporary site closures.

Homelessness Services Capital Infrastructure Strategy

The City developed the 2024-2029 Homelessness Services Capital Infrastructure Strategy (HSCIS) to proactively inform capital spending decisions to promote recovery and stability in the City's shelter system. This includes short, medium, and long-term goals to transition Toronto's shelter system from an emergency focused COVID-19 response to a long-term, proactive approach to capital planning. This will ensure existing shelter infrastructure is well-designed, efficiently managed, resilient, and in a state of good repair. It will also ensure new spaces are proactively acquired and thoughtfully designed to enhance safety, dignity, and meet the needs of Toronto's diverse homeless population while being well integrated into the surrounding community. The HSCIS will work in alignment with the [COVID-19 Transition and Relocation Plan](#), [Shelter Design and Technical Guidelines](#), [Homelessness Solutions Service Plan](#), [HousingTO 2020-2030 Action Plan](#) and other City-wide strategies.

Nearly half (48%) of the shelter system spaces are held on sites with agreements and leases that end by December 2024. Many of these agreements were introduced during the pandemic when quick mobilization was needed to ensure adequate space was available for clients while adhering to safe distancing standards. Most of these contractual agreements are expiring, and the cost of leasing temporary sites has risen significantly due to inflation and other factors.

The HSCIS maintains shelter capacity by extending existing leases over the medium term, offsets capacity losses in the system through creation of new permanent shelter spaces, and moderately grow shelter capacity in areas where there is significant need

(families, youth, and Indigenous peoples). Toronto Shelter and Support Services (TSSS), Corporate Real Estate Management (CREM), and CreateTO will work collaboratively to secure new permanent and long-term shelters to replace temporary sites and will stabilize the existing temporary site portfolio until permanent solutions are available. The City is also committed to working collaboratively with shelter operators and community partners to implement the HSCIS, including The Shelter Network, the Toronto Indigenous Community Advisory Board, and the Toronto Alliance to End Homelessness.

The HSCIS recommends gradually transitioning from 44% permanent and long-term, purpose-built shelter spaces towards 60%, while also ensuring existing shelter sites are in a state of good repair to prevent service disruptions. This includes increasing the number of permanent or long-term sites in the base shelter system by 1,600 spaces between 2024 and 2033. The new spaces will also provide shelter infrastructure that is purpose-built to serve shelter clients and improve operations. A key focus of this approach is to look for shelter opportunities outside of downtown Toronto and in areas of Toronto that are currently lacking homelessness services. This will help people experiencing homelessness access support in their existing communities.

Emergency Shelter Development Process

In December of 2017, City Council approved through CD24.7 the Emergency Shelter Development Process that authorized the Deputy City Manager, Community & Social Services, to approve specific sites for new shelter services, provided that certain criteria are met. This was done to help speed up and depoliticize the shelter development process and is consistent with a human rights-based approach to housing and related services for vulnerable residents. This authority only applies to approval of sites for use as emergency shelters and the creation of new shelters, and not property acquisitions or other property transactions managed by Corporate Real Estate Management.

All new shelters developed through the HSCIS will follow the Emergency Shelter Development Process approved by City Council through CD24.7 - 2018 Shelter Infrastructure Plan and Progress Report. The Emergency Shelter Development Process outlines the major phases in development of new shelter infrastructure including: 1) Research and Identify Potential Property Sites; 2) Assess Sites against the Municipal Shelter By-Law; 3) Visit Sites and perform due diligence and feasibility of construction; and 4) Execution to secure the real estate assets and commence construction or renovation of a building conversion. Sites will be identified in collaboration with the CREM, CreateTO and Housing Secretariat to ensure optimal use of the lands and opportunities to develop a full range shelter, transitional, supportive, and affordable housing options. In alignment with Council direction, a working group has been created to support this process with Corporate Real Estate Management, CreateTO, Toronto Shelter and Support Services, Housing Secretariat, City Planning and Toronto Building to develop real estate implementation plan for the Homelessness Services Capital Infrastructure Strategy and assess potential new shelter sites.

Figure 1: Property Development Process



Community Engagement and Integration

Effective shelter development and the integration of homelessness services into local communities relies on successful and well-planned community engagement practices. Investing in permanent and long-term, smaller, purpose-built shelter spaces through the HSCIS will not only add more stability and capacity but will ensure shelters are better integrated into local communities. Smaller and longer-term sites can facilitate environments where issues can be addressed more proactively through ongoing engagement activities with the local community. TSSS is committed to continuing to conduct site-specific engagement for new shelters, as directed by City Council through CD19.6 "[Proposed New Engagement and Planning Process for Emergency Shelters.](#)" CREM and TSSS will jointly brief local Councillors about proposed shelters in accordance with the process approved by City Council. By clearly communicating project information and encouraging solution-focused discussions, this engagement shifts discussions focused on shelter location to how communities can provide feedback and improve the successful integration of the new shelter service into the community, paving the path toward deeper and more positive and supportive community relationships.

Real Estate Strategy - New Shelter Development

The HSCIS proposes an ambitious and proactive plan to develop 1600 new shelter beds over the next 10 years (2024-2033) to support recovery and stability in the shelter system. Based on guidance from the HSCIS and Shelter Design and Technical Guidelines, each new shelter should provide an average of 80 beds which will require the development of 16 new shelters to replace current capacity within the temporary hotel sites. Continuing to increase the supply of rent-geared-to-income and supportive housing is also important to relieving the pressure from the closure of the temporary COVID-19 transition sites. TSSS will develop programmatic elements in collaboration with service providers and residents to address specific needs within the resident populations, in addition to supporting them toward housing. Three (3) additional new shelters will add additional capacity to serve specific populations of families, youth, and Indigenous populations, and one (1) new flex space will be used as a temporary swing space when the City's existing shelters undergo renovations.

TSSS, CREM and CreateTO are undertaking a real estate review to identify potential sites for new shelters. To expediate the delivery and to minimize real estate acquisition costs, the initial real estate review will focus on the identification of vacant City-owned properties, suitable sites for infill development, or sites with existing uses that can be easily relocated. The real estate review of City-owned properties will be in coordination with the HousingTO Action Plan to ensure integration of shelter and affordable housing targets across the city. It is expected that a significant portion of shelters in the first five years of the HSCIS will be delivered by renovating existing City buildings, developing City-owned lands, or leveraging real estate from other levels of governments. Utilization of City-owned lands will also allow schematic design and planning approvals (if required) to commence in 2024.

The City of Toronto is also engaging with other levels of government and public agencies to explore opportunities for partnerships and leveraging public owned real estate assets for both affordable housing and shelter infrastructure. As directed by Council through Recommendation 13 from EC7.7, the City continues to engage with school boards on potential real estate assets that can be utilized for social services and City use.

Site Acquisition

The City will also assess opportunities to acquire privately-owned lands that can be quickly and cost-effectively renovated for new shelters. The current commercial real estate market is presenting favourable acquisition opportunities due to current economic conditions and interest rates, with most commercial sectors experiencing a slow-down in the first three quarters of 2023 according to recent industry reports. Both the office and retail sectors have experienced transaction slowdowns in the third quarter of 2023, with year-over-year dollar volume declines of 22 percent and 37 percent, respectively, according to Altus Insights. This presents a unique opportunity for the City to acquire existing buildings potentially suitable for shelter conversions, with favourable supply and pricing, which can expedite delivery of the HSCIS plan.

Acquisitions will also focus on opportunities to acquire existing leased shelter sites, including motels that form part of the family and refugee shelter program, and commercial or office buildings that have high potential for conversion into shelters. Current TSSS shelter design specifications estimate an average building gross floor area of approximately 20,000 square feet for an 80-person single shelter. Exact building sizes and bed capacity will vary based on available properties and site constraints. Acquisition opportunities must be assessed individually to determine the feasibility and cost to convert into a shelter, in addition to the value of the land itself. The feasibility review will consider zoning, interior layout, building condition, site services, accessibility, fire and life safety systems, and environmental investigations. There may be scenarios where the cost of acquiring existing buildings for conversion to shelters can be justified if the renovation costs to convert are significantly less than a new build construction.

To expedite the HSCIS and ensure that the City can transact quickly if suitable sites for new shelters become available, this report recommends additional authority be delegated to the Executive Director, Corporate Real Estate Management, to acquire property and buildings for shelter purposes. The proposed scope of this authority will be

limited to acquisitions that meet the requirements of the HSCIS, provided that funding for these sites is within the capital and operating budget approved by City Council. Further details on the proposed criteria to guide acquire property for new shelters is provided in Attachment 1.

Development Timelines

The 20 new permanent shelters will be achieved through the construction of new buildings on vacant land, or the renovation of existing buildings. Once the sites are identified and secured for shelter use, it is assumed that the design and construction timeline is up to one (1) year to design and two (2) years to renovate existing buildings for occupancy (either government-owned or purchased on the open market). Timelines could increase based on the complexity of the site development, especially planning approvals and site services. Major developments (i.e., new construction) could take up two (2) years to design and three (3) years to build, and as such, staff are identifying minimum of five (5) potential shelter sites in 2024 in order to allow for sufficient timelines for due diligence, planning approvals, design, procurement and construction. To expediate development on vacant land, staff are considering rapid construction techniques including modular construction, where appropriate.

The City is also exploring design, construction, and procurement solutions to reduce project timelines and expedite delivery. In order to accelerate the process to enter into agreements with vendors, this report seeks Council approval for additional delegated authority to procure suppliers for fast tracked project design and delivery services. These services can include design builders, project management, pre-design, design, pre-development, pre-construction, construction, and post construction services for the renovation/ conversion/ construction of properties into shelter related facilities, suitable for the HSCIS. The authority will allow the City to issue and Request for Supplier Qualifications above the current prescribed limit which will expedite the process to prequalify vendors and issue Request for Proposals.

COVID-19 Transition Plan and Extension of Short-Term Leases and Contracts

The [COVID-19 Shelter Transition and Relocation Plan](#) (CTR Plan) was approved by City Council on April 6, 2022, and recommended a thoughtful, phased approach to support a gradual transition out of temporary COVID-19 shelter sites, including the continued use of most sites, where possible. City Council subsequently approved phase three (3) of the CTR Plan in 2023 ([2023.EC7.7](#)). Many of the short-term leases and contracts for shelter hotels were established during the COVID-19 pandemic as a temporary, emergency response. As of November 2023, there are 17 temporary shelter sites under the CTR Plan (the "CTR Portfolio").

The CTR Plan aims to move residents of these temporary sites to permanent housing wherever possible and offset changes to shelter system capacity. Since the adoption of the CTR Plan, 11 temporary COVID-19 sites have been closed, relocated, or repurposed within the base shelter system, requiring support for over 1,400 shelter residents through some form of relocation. Housing has been the first priority of program closures, with 2023 closures achieving a housing outcome rate of approximately 27 percent. In addition, TSSS returned some capacity to the base shelter system through a return to pre-pandemic physical distancing standards, including

reintroducing double occupancy where space allowed. Between June 7, 2023, and November 24, 2023, over 580 beds were returned to the base system across 54 shelter programs. Programs across the system have also converted programming space and common areas to serve as emergency capacity to maximize the capacity of the system and mitigate the continued increases in demand for shelter. The City has exhausted the capacity that can be added by reducing distancing between beds in the base shelter and will not be able to use this approach as a way to address shelter system pressures in future years.

As the City continues toward recovery and stabilization, the CTR plan will now focus on moving people into purpose-built buildings that can adequately meet the diverse needs of shelter clients, allow for enhanced operations and security, and provide more financial sustainability. Sixteen of the 20 new shelters in the HSCIS plan are intended to be new permanent capacity to allow the City to transition out of approximately 1,280 beds within the COVID-19 shelter hotels which were originally mobilized during the pandemic to support the health and safety of shelter clients. Creation of new permanent shelters will take between two to five years from acquisition through design and construction per site. It is estimated that the first replacement shelters will not be operational until 2026. To maintain stability of the shelter system, the shelter hotel leases and contracts will need to be extended until new permanent shelter spaces are available.

Medium term hotel extensions

CREM, CreateTO and TSSS are jointly recommending stabilizing the CTR Portfolio by executing medium-term extensions to existing agreements with temporary shelter site owners, where possible. These medium-term extensions will result in both financial and operational benefits to TSSS, when compared to the historic annual extensions that have been used to sustain the CTR Portfolio.

These medium-term extensions incentivize site owners due to the clarity around the term and ability to anticipate future operational requirements. This allows for CREM and TSSS to secure modest cost reductions, include more favourable restoration and damage repair obligations, clarify and reduce additional and ancillary costs, and include more flexible provisions to support strategic closures (e.g., allowing TSSS to increase/decrease the number of funded spaces within a temporary shelter site on an as-needed basis).

These medium-term extensions also allow TSSS to integrate the CTR Plan more fully with the HSCIS, to transition from an emergency focused COVID-19 response to a long-term, proactive approach to capital planning for Toronto's shelter system. Leveraging these medium-term timeframes, TSSS is developing a plan to align the decommissioning of sites in the CTR Portfolio with the new sites identified through the HSCIS and other confirmed supportive and affordable housing opportunities over the course of 2023-2033. This approach ensures the best possible outcomes for shelter residents, service providers, and the broader community.

In addition to renewing existing shelter hotel leases and licences, this report recommends converting other contractual agreements (procured through a Request for

Proposals or non-competitive procurements) into leases and licences. These leases and contracts were secured as a temporary, emergency response and subsequently extended through short-term renewals as the City responded to pressures of the COVID-19 pandemic and an unprecedented growth in shelter demand. The hotel leases and agreements were generally designed with per room per night rates to provide cost savings and flexibility. In the case that all the beds/rooms were not occupied, the City would only be charged for occupied rooms. Unfortunately, since the COVID-19 pandemic the City has utilized the full capacity of the agreements, and current shelter demand projections, as identified in the HSCIS, call for the continued maximum use of the agreements until suitable replacement sites are developed.

With the long-term infrastructure strategy set out in the HSCIS, the City can restructure existing hotel contractual agreements to align with the strategy. The City has been able to renegotiate the hotel contractual agreements to provide multi-year commitments based on the projected shelter capacity and secured cost savings and/or cost avoidance. The cost savings have been achieved through changes in lease costs, catering costs, and the elimination of restoration requirements at the expiry of the agreements. The additional benefit of renewing and amending the hotel leases and agreement over the medium-term is to provide stability to the shelter system, especially for shelter clients and shelter operators and allow TSSS to strategically plan for closures to focus on relocation and housing outcomes.

Decisions about when and how each temporary shelter site will be decommissioned is based, as a first consideration, on continued availability of the site to operate as a shelter and the willingness of the property owner to continue existing arrangements. Of the remaining sites where extensions can be secured, additional criteria for determining the sequence of decommissioning includes a range of considerations (e.g., operational suitability, current state of good repair, cost per diem, sector served, geographic location, emergent factors, etc). Staff will share details of these site closure plans prior to decommissioning the site and provide as much notice as possible to site residents, staff, and the public where outcomes of lease negotiations allow.

Further details on the CTR Portfolio and terms and conditions of the shelter hotel leases and licences, including analysis of the proposed costs and cost savings are contained in Confidential Attachment 1.

Coordination with the HousingTO 2020 - 2030 Housing Action Plan

The HSCIS report and this accompanying real estate strategy focus on the supply of shelter infrastructure however, the City will need to continue to invest in supportive housing to help people experiencing homelessness permanently leave the shelter system for housing. There will be continued integration and alignment between the HSCIS and the HousingTO 2020-2030 Housing Action Plan to ensure that there's a full spectrum of shelter and housing options, and that the City advances affordable housing to provide opportunities for people to leave the shelter system or avoid entering the shelter system. TSSS is committed to a Housing First approach in all City funded shelters that aims to help people find permanent housing as quickly as possible with the supports they need to maintain it.

CREM and CreateTO will continue to work collaboratively with TSSS and Housing Secretariat to review the City's real estate portfolio for suitable sites to achieve a spectrum of shelter and housing options. The development of new permanent shelters will consider opportunities to leverage sites for the dual purpose of shelter and permanent housing provision and future possibility to convert shelter sites to supportive housing if the demand for shelter stabilizes. CREM and Housing Secretariat are also continuing to assess opportunities for property acquisition of currently leased sites for use as permanent housing.

Non-Competitive Contract Amendments

This report requests authority from the Economic and Community Development Committee to amend ten (10) non-competitive blanket contracts and two (2) competitive blanket contracts, established to support temporary shelter operations in hotels.

Non-competitive blanket contracts for custodial services (Contracts 47023535, 47023521, and 47023534), nursing services (Contract 47023030), laundry services (Contract 47024756), moving services (Contract 47024325), catering (Contract 47023371), infection prevention and control (Purchase Order 6052100), groceries (Contract 47025186), and lodging services (Contract 47024284); and competitive blanket contracts for minor building repairs and alterations (Contracts 47023900 and 47023901) require amendments to align with continuing hotel operations and maintain continuity of critical services and shelter operations at temporary shelter sites.

The non-competitive blanket contract with Kleenway Building Maintenance Services Incorporated (Contract 47023534) is set to expire on April 30, 2024. Kleenway Building Maintenance Services has sufficient target value (\$30,500,000 net of Harmonized Sales Tax, \$31,036,800 net of Harmonized Sales Tax recoveries) but an extension for one additional term to April 30, 2025, is requested.

The non-competitive blanket contract with A-Supreme Nursing & Home Care (Contract 47023030) is set to expire on April 30, 2024. In addition to increasing the value of this contract, an extension for one additional term will extend the contract beyond the allowable 5-year policy.

The non-competitive blanket contract with Practice Health Check Corporation (Contract 6052100) is set to expire on April 30, 2024. In addition to increasing the value of this contract, an extension for one additional term plus potential renewals up to 2028, beyond the allowable 5-year policy, is requested to leverage pricing efficiencies.

CONTACT

Loretta Ramadhin, Director, Infrastructure, Planning, and Development, Toronto Shelter and Support Services, 416-392-7169, Loretta.Ramadhin@toronto.ca

Alison Folosea, Director, Transaction Services, Corporate Real Estate Management, 416-338-2998, Alison.Folosea@toronto.ca

Clarman Yang, Acting Manager, Purchasing Client Services, Purchasing & Material Management, 416-392-1302, Clarman.Yang@toronto.ca

SIGNATURE

Gord Tanner
General Manager, Toronto Shelter and Support Services

Patrick Matozzo
Executive Director, Corporate Real Estate Management

Geneviève Sharkey
Chief Procurement Officer

ATTACHMENTS

Confidential Attachment 1 - Real Estate Agreement Extensions to support the Homelessness Services Capital Infrastructure Strategy

Attachment 1 - Homelessness Services Capital Infrastructure Strategy: Property Acquisition Criteria

Attachment 2 - Amendments to 10 Non-Competitive and Competitive Blanket Contracts

Attachment 1 - Homelessness Services Capital Infrastructure Strategy: Property Acquisition Criteria

The City will assess opportunities to acquire property and buildings for the creation of new permanent shelters. The focus will be on acquiring existing leased sites, including motels that are part of the family and refugee shelter program, or existing buildings that have high potential for the quick conversion and cost-effective construction into shelters. The Homelessness Services Capital Infrastructure Strategy, Shelter Design and Technical Guidelines, and the Emergency Shelter Development Process approved by City Council through CD24.7 - 2018 Shelter Infrastructure Plan and Progress Report provide guidance on the planning and development of new shelter infrastructure.

This report seeks authority to acquire real estate interests to support the implementation of Homelessness Services Capital Infrastructure Strategy, provided that the acquisition meets all of the following criteria:

- Advances the implementation of new shelters to achieve the Homelessness Services Capital Infrastructure Strategy approved by Council
- Consistent with the Emergency Shelter Development Process, including Councillor engagement requirements, as approved by Council
- All related financial commitments/expenditures are funded through Toronto Shelter and Support Services' approved 10 Year Capital Budget, or funding being available from third party sources.
- Property value for acquisition is to be based on appraised value.
- Authority to approve any transaction is subject to statutory anti-bonusing provisions.
- Total financial commitments/expenditures means the aggregate of all types of payments, including property value, estimated clean-up costs, potential arbitration awards, loss claims, taxes, registration costs, etc.
- Compliance with all applicable Council policies, statutes or other applicable law.
- Authority to acquire property is conditional upon provision being made to bring the property into compliance with applicable Ministry of the Environment requirements or other requirements such that it will be fit for its intended municipal purpose.
- Documents are to be in a form satisfactory to the City Solicitor (including indemnity and insurance provisions).
- Where the City is transacting with a public agency, and such agency requires that an unqualified environmental indemnity be granted by the City, the authority to acquire property includes authority to grant such an indemnity, provided that the Phase I and Phase II environmental site assessments undertaken on behalf of the City have identified no significant environmental impacts or human health threats, with no, or minor action required ("Low Risk").

Attachment 2 Table 1: Amendments to 10 Non-Competitive Blanket Contracts

No.	Vendor	Services	Blanket Contract Number	Current Value	Amendment Value Req.	Total Value	Cost Centre/Cost Element/GL Code	2024 Amendment Value	2025 Amendment Value	Total Amendment Value	Current Expiry Date	Amendment Expiry Date Request
				Net of All Taxes	Net of All Taxes	Net of All Taxes		Net of All Taxes	Net of All Taxes	Net of All Taxes		
1	Alpine Building Maintenance Inc.	Custodial Services (multiple sites)	47023535	\$8,000,000	\$2,000,000	\$10,000,000	HS100X / FH5350 - 4415	\$500,000	\$1,500,000	\$2,000,000	April 30, 2024	April 30, 2025
2	Integrated Contracting Solutions Inc.	Custodial Services (multiple sites)	47023521	\$8,000,000	\$1,500,000	\$9,500,000	HS100X - 4415	\$500,000	\$1,000,000	\$1,500,000	April 30, 2024	April 30, 2025
3	Comfy Cotton Diaper Service Inc.	Laundry Services (multiple sites)	47024756	\$1,500,000	\$500,000	\$2,000,000	HS100X Various		\$500,000	\$500,000	April 30, 2024	April 30, 2025
4	Stan Johnson & Son Maintenance	Moving Services	47024325	\$1,300,000	\$1,000,000	\$2,300,000	HS100X FH5350 F00054 F Various		\$1,000,000	\$1,000,000	April 30, 2024	April 30, 2025
5	2790584 Ontario Inc.	Catering (multiple sites)	47023371	\$5,250,000	\$3,000,000	\$8,250,000	HS100X - 5055	\$1,000,000	\$2,000,000	\$3,000,000	April 30, 2024	April 30, 2025
6	Practice Health Check Corp.	Infection Prevention and Control (multiple sites)	6052100	\$9,400,000	\$2,000,000	\$11,400,000	HS100X - Various		\$2,000,000	\$2,000,000	April 30, 2024	April 30, 2025*
7	Sysco Food Services of Toronto Inc.	Groceries, Produce, Frozen foods, Dairy Products (multiple sites)	47025186	\$475,000	\$1,500,000	\$1,975,000	F01122/F 03222/F03622/F03 322/F03072/F0122 2/FH5351 /F03622/ FH5352/ F01437/F 01530/F03322/F03 121/HS100X - 2741	\$500,000	\$1,000,000	\$1,500,000	September 30, 2024	April 30, 2025
8	A-Supreme Nursing Services	Nursing Services	47023030	\$700,000	\$100,000	\$800,000	HS100X – Various		\$100,000	\$100,000	April 30, 2024	April 30, 2025
9	Canadian Red Cross	Lodging Services Ukraine & Asylum Seekers Refugees	47024284	\$15,137,629	\$15,000,000	\$30,137,629	F00060-4840	\$15,000,000		\$15,000,000	December 31, 2023	December 31, 2024
10	Kleenway Building Maintenance Services	Custodial Services (multiple sites)	47023534	\$30,500,000	-	\$30,500,000	HS100X - 4415	-	-	-	April 30, 2024	April 30, 2025
Sub-total Net of All Taxes										\$26,600,000		
Sub-total Net of HST Recoveries										\$27,068,160		

*Additionally requesting for three (3) additional separate one (1) year optional terms for 2026, 2027 and 2028 to be exercised at the discretion of the division.

Table 2: Amendments to Competitive Blanket Contracts and Financial Impact Summary

No.	Vendor	Services	Blanket Contract Number	Current Value Net of All Taxes	Amendment Value Req. Net of All Taxes	Total Value Net of All Taxes	Cost Centre/Cost Element/GL Code	2024 Amendment Value Net of All Taxes	2025 Amendment Value Net of All Taxes	Total Amendment Value Net of All Taxes	Current Expiry Date	Amendment Expiry Date Req.
1	Butler Contracting Group Inc.	Minor building repairs and alterations at various temporary shelter locations	47023900	\$8,000,000	\$2,000,000	\$10,000,000	HS100X - 4420		\$2,000,000	\$2,000,000	April 30, 2024	April 30, 2025
2	Tibro Group Ltd.	Minor building repairs and alterations at various temporary shelter locations	47023901	\$6,800,000	\$1,200,000	\$8,000,000	CHS050-01CHS050-01		\$1,200,000	\$1,200,000	December 31, 2023	April 30, 2025
Sub-total Net of All Taxes										\$3,200,000		
Sub-total Net of HST Recoveries										\$3,256,320		