Toronto Community Housing

Continued COVID-19 Inflation and Price Impacts on General Repair Programs
Item 11
December 8, 2022
Board of Directors

Report:	**TCHC:2022-85**
To:	Board of Directors Meeting (the "Board")
From:	Chief Operating Officer (Acting) General Counsel & Corporate Secretary Vice President, Facilities Management
Date:	December 7, 2022

PURPOSE:

The purpose of this report is to seek the Board's approval of an extension to the 30% price increase to the unit price lists for the Move-Out Unit Turnover Program ("Move-Out"), the Demand General Repair Program ("DGR") for the next eight month period, from January 1, 2023 to August 31, 2023, and the Emergency Property Containment and Restoration Program for the next six month period, from January 1, 2023 to June 30, 2023, as the initial approval by the Board on June 28, 2022 is set to expire on December 31, 2022. This increase will cover significant unplanned increases in costs related to inflation, transportation (fuel costs and labour shortages), manufacturing and delivery logistics, primarily caused by the COVID-19 pandemic.

Board approval is required for this change order as the cumulative amounts of all change orders for all three programs are both greater than $250K and greater than 20% of the original contract amounts. The Board's approval is also required as the revised contract amounts exceed the $5M financial approval limit of the Building Investment, Finance and Audit Committee ("BIFAC").

RECOMMENDATIONS:

It is recommended that the Board:

1. Approve a temporary pricing increase of 30% for eight months, effective January 1, 2023 until August 31, 2023, to contracts with vendors supporting the Move-Out Unit Turnover Program;
2. Approve a temporary pricing increase of 30% for eight months, effective January 1, 2023 until August 31, 2023, to contracts with vendors supporting the Demand General Repairs Program;
3. Approve a temporary pricing increase of 30% for six months, effective January 1, 2023 until June 31, 2023, to contracts with vendors supporting the Emergency Containment and Restoration Program;
4. Approve an increase to the budget for:
    a. the Move-Out Unit Turnover Program in the amount of $9.5M in order to fund the temporary pricing increase contemplated in recommendation 1;
    b. the Demand General Repairs Program in the amount of $9.38M in order to fund the temporary pricing increase contemplated in recommendation 2;
    c. the Emergency Containment and Restoration Program in the amount of $1.54M in order to fund the temporary pricing increase contemplated in recommendation 3; and
5. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendations.

BACKGROUND:

TCHC entered into contracts for the provision of Move-Out, DGR, and Emergency Property Containment and Restoration services in 2021. Move-Out and DGR contracts commenced in September 2021, with the Move-Out Program approved for one year with two one-year optional extensions, and the DGR Program approved for three years plus two optional one-year extensions. Emergency Property Containment and Restoration contracts began in June 2021 for a three-year term with two optional one-year extensions.

Based on recent indicators of the Canadian and global economy associated with inflation, overseas freight costs, supply chain issues, labour market shortages and the recent increases in interest rates, it is imperative to continue the current 30% price increase going into 2023 for the vendors to fulfill the commitments agreed upon in their contracts with TCHC.

On October 5, 2022, TCHC staff from the Move-Out, DGR, and Emergency Property Containment and Restoration programs approached all vendors in general repairs programs for confirmation that the pricing issues faced 6 months ago still remain in order to substantiate the continuation of the 30% increase for the next 6-8 months (January 1, 2023, to June 30, 2023 and August 31, 2022). Vendors have provided TCHC with confirmation from their suppliers that prices have continued to increase for materials. In addition, new factors which include new fuel surcharges levied by their suppliers, economic inflation and recent increases in interest rates are also affecting pricing.

Additionally, staff undertook a review to analyze prices based on current market conditions.[1] Although it was challenging to obtain comprehensive information given the broad variety of products impacted, TCHC staff reviewed external government sources and reports that confirm the increasing costs due to global markets, fuel surcharges, disruption in supply-chain due to the pandemic, and economic inflation.[2,3]

TCHC staff have reached out to Ottawa Housing Corporation and the City of Toronto, and both entities have confirmed that they are experiencing similar challenges with their vendor contracts.

REASONS FOR RECOMMENDATIONS:

Continuing these programs is imperative to maintain service levels and avoid negatively impacting tenants. TCHC, as a landlord, is obligated to provide safe and well-maintained spaces for tenants to live in. By ensuring vendors can provide repair services, TCHC will be fulfilling its duties as a responsible landlord.

The success of the Move-Out Program directly impacts TCHC's ability to provide prospective tenants with a place to live, while also meeting our obligation to the Service Manager related to vacancy rates. If vendors resign from the Move-Out Program, the number of vacant units will quickly increase due to delayed or paused unit turn processes.

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[1] Inflation Trends and how the Consumer Price Index has increased since Q1 2021 https://www.bankofcanada.ca/rates/indicators/key-variables/key-inflation-indicators-and-the-target-range/

[2] Increase in Lumbar prices (Dec 2021 – June 2022) https://www.nrcan.gc.ca/our-natural-resources/domestic-and-international-markets/current-lumber-pulp-panel-prices/13309

[3] 7% increase over the last 12 months in labour cost and market prices (Stats Canada's Consumer Price Index) https://www.statcan.gc.ca/en/subjects-start/prices_and_price_indexes/consumer_price_indexes

FUNDING

The pricing impact per program for Move-Out and DGR for the eight month period from January 1, 2023 to August 31, 2022, and for Emergency Property Containment and Restoration for the six month period from January 1, 2023, to June 30, 2023, are as follows:

Program	Funding Requested
Move-Out Unit Turnover	$9.5M
Demand General Repair	$9.38M
Emergency Property Containment and Restoration	$1.54M
Total	**$20.42M**

The required funding for 2023 will be requested in the capital plan for the Facilities Management portion of Move-Out, DGR and Emergency Property Containment and Restoration. Funding for this award will also be requested within the 2023 Operating Budget for items that do not meet the Capital Policy. An appropriate contribution to this amount will be allocated to Toronto Seniors Housing Corporation. Funding for future year budgets will be requested each consecutive year as per the contracts.

IMPLICATIONS AND RISKS:

Without an adequate number of vendors, TCHC will suffer adverse impacts from a financial and reputational perspective. Should the number of vendors for the programs decrease, the distribution of work orders will be negatively affected with an over-extension of existing vendors to provide coverage. The remaining vendors will continue to incur losses and will also be at an increased risk of an abrupt resignation; if pricing is reduced, the risk of vendors leaving TCHC programs increases. Additionally, failing to expedite repairs within units may lead to health and safety risks to tenants.

SIGNATURES:

"Nadia Gouveia"

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Nadia Gouveia
Chief Operating Officer (Acting)

"*Darragh Meagher*"

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Darragh Meagher
General Counsel & Corporate Secretary

"Allen Murray"

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Allen Murray
Vice President, Facilities Management

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