



Change Order: Contract Extension for the Supply of Appliances

Item 7

June 23, 2023

Building Investment, Finance and Audit Committee

Report: BIFAC:2023-67

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Chief Operating Officer (Acting)

Date: June 15, 2023

PURPOSE:

The purpose of this report is to seek the Building Investment, Finance and Audit Committee's ("BIFAC") approval of a change order to The Brick Warehouse LP, doing business as Midnorthern Appliances for the supply and installation of appliances for up to four months on an as-needed basis for all Toronto Community Housing ("TCHC") units west of Yonge Street and as a backup for all units east of Yonge Street.

BIFAC and Board approval is required for the recommended change order, as the cumulative amount of all change orders exceeds the \$2.5 million financial approval limit of TCHC's Procurement Award Committee ("PAC") while the cumulative value of the contract, with this change order, exceeds BIFAC's \$5 million financial limit.

RECOMMENDATIONS:

It is recommended that the BIFAC approve and recommend that the Board approve the following recommendations:

- (a) Approve a change order to The Brick Warehouse LP, doing business as Midnorthern Appliances for up to \$501,019 (exclusive of taxes) for

the supply and installation of appliances for up to four months on an as-needed basis for all TCHC units; and

- (b) Authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

REASONS FOR RECOMMENDATIONS:

Decision History

At its meeting of February 23, 2018, the Board of Directors approved the award of work regarding the supply, delivery, installation, removal and disposal of appliances for a term of five years (three years with the option of two additional one-year terms at TCHC Management's discretion) based on the outcome of Request for Proposals ("RFP") 17168 to The Brick Warehouse LP, doing business as Midnorthern Appliances ("Midnorthern").

At its meeting of November 16, 2020, the Building Investment, Finance and Audit Committee approved a direct award to Midnorthern for the supply and installation of appliances to one-half of the Toronto Community Housing Corporation ("TCHC") portfolio for a six (6) month period.

BIFAC:2020-76 - Direct Award: Midnorthern Appliance

At its meeting of May 18, 2021, the Building Investment, Finance and Audit Committee approved a change order to Appliance Canada (Division of Leon's Furniture Ltd.) ("Appliance Canada") and a change order to The Brick Warehouse LP, doing business as Midnorthern Appliances ("Midnorthern Appliances") for a six month extension of services related to appliance supply and delivery from June 1, 2021 to November 30, 2021.

[BIFAC:2021-48 - Change Order: Six Month Contract Extension for Appliance Supply and Delivery](#)

At its meeting of June 15, 2021, the Board of Directors approved the award of work regarding the supply, delivery and installation of new appliances and the removal and disposal of old appliances at various TCHC locations for a three year term for the East Group, with an option to extend for two additional 1-year terms at TCHC management's discretion, based on the outcome of Request for Proposals ("RFP") 20314 to Canadian Appliance Recycling Enterprise. The report considered by the Board, at that time, noted that through the evaluation process of the RFP Submissions, Canadian Appliance Recycling Enterprise was the lone successful proponent and that current vendors Midnorthern and Appliance Canada would continue to

service both east and west groups pending the award approval of Canadian Appliance Recycling Enterprise. A subsequent RFP will be issued as soon as possible to source a primary vendor for the group not selected by Canadian Appliance Recycling Enterprise as well as select potential back up vendors.

[TCHC:2021-31 - Contractor Award: Supply, Delivery and Installation of New Appliances at Various TCHC Locations \(RFP 20314\)](#)

At its meeting of December 9, 2021, the Board of Directors approved a change order to Midnorthern for up to \$2,000,000.00 (exclusive of taxes) for the supply and installation of appliances for up to eight months on an as-needed basis for all TCHC units.

[TCHC:2021-65 Change Order: Eight Month Contract Extension for Appliance Supply and Delivery](#)

At its meeting of December 8, 2022, the Board of Directors approved a change order to Midnorthern for up to \$577,000.00 (exclusive of taxes) for the supply and installation of appliances for up to seven months on an as-needed basis for all TCHC units.

[TCHC:2022-87 Change Order: Contract Extension for the Appliance Program](#)

Background

TCHC provides tenants with appliances as part of the tenancy agreement. When appliances breakdown and cannot be repaired economically, replacements are ordered.

Due to the supply chain challenges caused by the COVID-19 pandemic, TCHC faced significant delays in delivering appliances through its Building Information Repository (BIR). In order to address this issue and clear the backlog that had accumulated since June 2020, TCHC granted a direct award to Midnorthern in December 2020 for the west region. This decision was made because the sole incumbent was unable to meet the demand for appliances across the entire TCHC portfolio. The direct award expired on May 31, 2021.

In January 2021, TCHC issued RFP 20314 through which it sought two vendors, one for supplying appliances to units east of Yonge Street and another for units west of Yonge Street. Only one vendor, Canadian Appliance Recycling Enterprise (“CARE”), was awarded the contract for units east of

Yonge Street (Report TCHC: 2021-31). No successful proponents were found for units west of Yonge Street.

As part of the market research conducted for RFP 20314, TCHC determined that Midnorthern was the only qualified vendors capable of meeting the inventory requirements due to the size of the west portfolio and the supply chain issues resulting from the COVID-19 pandemic. To ensure an adequate supply of appliances and serve as a backup for CARE in case of order fulfillment challenges, a change order was issued to Midnorthern for the area west of Yonge Street and as a backup for all units east of Yonge Street. The services covered by the change order with Midnorthern was valid from June 2021 to November 2021.

In July 2021, TCHC issued RFP 21126 to procure a primary for supplying, delivering, and installing appliances for the west portfolio for the West. No successful proponents were found and the tender was cancelled. To ensure uninterrupted service, Midnorthern received a change order that expired on July 31, 2022 to cover the area west of Yonge Street and act as a backup for all units east of Yonge Street.

In June 2022, TCHC issued RFP 22091 to procure a vendor for supplying, delivering, and installing appliances for the west portfolio, along with backup vendors for both east and west portfolios. No proponents submitted units that matched the posted specifications in Stage I and the tender was cancelled.

To cover the services for the west of Yonge Street and as a backup for all units east of Yonge Street from December 2022 to June 2023 while seeking successful proponents for the next RFP, a change order of \$577,000.00 was approved by the Board of Directors at its December 8, 2022 meeting to maintain service continuity until the new RFP process is completed (TCHC: 2022-87).

In January 2023, TCHC issued RFP 22278 to procure vendor(s) for supplying, delivering, and installing appliances for the west portfolio, including backup vendors for both east and west portfolios. Currently, TCHC is evaluating RFP 22278 internally.

MITIGATING EFFORTS IMPLEMENTED IN RFP 22278 (CURRENT):

1. Diversification of Vendor Pool: TCHC is implementing opportunities to expand the pool of qualified vendors and mitigating risk

associated with relying on a single vendor. For RFP 22278, the West Portfolio was divided into two equal sections. TCHC is looking for a minimum of two primary proponents to handle the West Portfolio, which will be divided into two parts.

2. Improved Product Specification: TCHC has implemented a collaborative environment with vendors to create a clearly defined list of proposed products (Stage IV – Proposed Product Finalization). Proponents who successfully pass Stage III - Rated Criteria have been invited to Stage IV – Proposed Product Finalization. During this stage, each proponent has been given an opportunity to provide a make and model for each required primary and secondary appliance that meets or exceeds the proposed products specifications. TCHC has reviewed the proposed products to ensure that minimum specifications are met. Any inconsistencies and/or any products that did not meet the specifications, have been returned to the proponent for rectification. This is an open dialogue between the proponent and TCHC and multiple rectifications have been requested. TCHC will conclude this phase in three weeks (or earlier) from the date of first rectification provided to the proponent.
3. Enhanced Vendor Evaluations: TCHC has implemented site visits as part of the initial stages of the RFP evaluation. In the event that vendors fail to meet the requirements, TCHC now possesses the ability to disqualify them at the early stages of the RFP process

In order to provide services until the new RFP is awarded, a change order to cover an additional four (4) months is being requested. The four (4) months represents the period from July 1, 2023 to October 31, 2023, which will allow time to issue and award the new RFP. During this time, Midnorthern will also provide services as a back-up vendor for the east portfolio should there be any supply chain issues. The change order is necessary to ensure continuous appliance supply due to previous challenges with the supply chain. Midnorthern Appliances has been providing satisfactory performance and has acted as a backup vendor when needed.

TCHC will be able to terminate its contract with Midnorthern if the RFP is awarded before the contract expiry date.

ALIGNMENT OF TIMELINES FOR RFP AND CHANGE ORDER:

The existing direct award with Midnorthern is set to expire on June 30, 2023. A change order is being requested to cover services from July 1, 2023 to October 31, 2023.

In early 2023, concerns arose regarding product specifications, vendor capacity, inventory management, and administrative controls, as reported by local operations. To address these concerns and enhance the evaluation process for contract submission, TCHC has implemented additional measures. These measures include conducting more facility visits, ensuring a secure supply chain, and establishing clear escalation management protocols. Despite the extension of procurement caused by the additional measures, the primary objective remains to address performance issues prior to awarding contracts. The ultimate goal is to secure a more reliable contract that can effectively meet the needs of TCHC, while minimizing disruptions to tenants in the event of equipment failures.

TCHC expects to award the final contracts and purchase orders for RFP 22278 to vendors by August 1, 2023, with services expected to be in place by October 15, 2023. The requested change order of four (4) additional months serves as a contingency plan in case the implemented measures lead to the disqualification of any proponents and to factor the 60-day notice to terminate the contract. In an effort to ensure continuity of service, staff have approached CARE to act as a backfill until the successful vendor of the RFP has established ample and sustainable inventory levels up inventory.

The proposed product review is currently in its final stage and the Pricing Evaluation will be submitted by vendors on June 26, 2023.

Table 1: RFP Process Timelines

RFP 22278 Stage	Date
RFP Posted	18-Jan-23
RFP Closing Date (original)	17-Feb-23
RFP Closing (extended)	24-Feb-23
Stage II - Mandatory Site Inspections (2 of 3 proponents)	8-Mar-23
Stage II - Mandatory Site Inspections (1 of 3 proponents)	13-Mar-23
Stage III - Rated Criteria - Consensus Meeting Date #1	17-Apr-23

RFP 22278 Stage	Date
Stage III - Rated Criteria - Consensus Meeting Date #2	28-Apr-23
Stage IV - Proposed Product Finalization (start date)	8-May-23
Stage IV - Proposed Product Finalization (completion date)	26-May-26
Stage V - Second Stage Invitation RFQ (Posting target date)	2-Jun-23
Stage V - Second Stage Invitation RFQ (Closing target date)	26-Jun-23
RFP 22278 Stage – Next Six (6) Months	Timeline
Stage II of RFQ – Pricing Evaluation	26-Jun-23
Vendor Approval Committee & PAC Approval	10-July-23
BIFAC Approval	17-July-23 to 21-July-23
BIFAC / VAC Signature Finalization	24-July-23 to 28-July-23
Contract Extended to Vendors/ Purchase Order Issuance	31-July-23
Midnorthern contract extension	1-July-23 to 31-Aug-23
Issuance of 60 day termination notice to Midnorthern	1-Sep-23 to 31-Oct-23
New Vendor kick off period	1-Aug-23 to 15-Oct-23
CARE Backfill	1-Nov-23 to 30-Nov-23

IMPLICATIONS AND RISKS:

Midnorthern will be holding their current pricing. Any changes in costs due to discontinuation of makes, models, or supply chain issues will be negotiated if and as required.

The total cumulative change orders issued to Midnorthern Appliances amount to \$3,878,019.00, equivalent to 408.21% of the original purchase order. The revised total contract amount is \$4,828,019.00 (Table 2).

Funding for the Change Order award is within the Capital Appliances GL 192-724100.

The amount of each change order is determined by taking into account various factors, including fluctuations in demand and efforts to address them. Additionally, measures such as increased efforts to expedite unit turnover and reduce vacancy rates have influenced the number of appliances required.

By implementing mitigation efforts to enhance the RFP process and streamline timelines, TCHC aims to secure a more reliable contract. These measures are intended to minimize the likelihood of encountering change orders or unforeseen adjustments in the future.

Table 2: Purchase Order and Change Order Summary

VAC #	Approval Date	Extension Period	Details	Total
20492B	16-Nov-2020	1-Dec-20 to 31-May-21	Direct award for half of the west portfolio	\$950,000
21130	18-May-2021	1-Jun-21 to 30-Nov-21	Change order to the Direct Award. Contract extension for half of the west portfolio	\$800,000
21434	9-Dec-2021	1-Dec-21 to 31-Jul-22	Change order to the Direct Award. Contract extension for the Appliance Supply Program	\$2,000,000
22633	8-Dec-2022	1-Dec-22 to 30-Jun-23	Change order to the Direct Award. Contract extension for the Appliance Supply Program	\$577,000
Cumulative approved change orders to date				\$3,377,000
Change order as requested in this report				\$501,019
Total Cumulative change orders				\$3,878,019
Original contract awarded (Direct award BIFAC:2020-76)				\$950,000
Revised total contract amount				\$4,828,019
Cumulative CO % of contract award/purchase order				408.21%

SIGNATURE:

“Nadia Gouveia”

Nadia Gouveia
Chief Operating Officer (Acting)

STAFF CONTACT:

Richard Grotsch, Senior Director Operations
416-981-4054
Richard.Grotsch@torontohousing.ca