



Price Impacts on General Repair Programs due to COVID-19 and Other Factors

Item 8A

June 28, 2022

Board of Directors

Report: TCHC:2022-31

To: Board of Directors (the “Board”)

From: Building Investment, Finance and Audit Committee (“BIFAC”)

Date: June 17, 2022

PURPOSE:

The purpose of this report is to provide the Board with an update on cost impacts for vendors delivering demand general repair program services in TCHC communities. It is requested that BIFAC approve a temporary six (6) month pricing increase of 30% to the unit price lists. This increase will cover significant unplanned increases in costs related to transportation (fuel costs and labour shortages), manufacturing and delivery logistics, primarily caused by the COVID-19 pandemic.

RECOMMENDATIONS:

It is recommended that the Board:

1. Approve a temporary pricing increase of 30% for six months, effective July 1, 2022 until December 31, 2022, to contracts with vendors supporting the Move-out Unit Turnover Program;
2. Approve a temporary pricing increase of 30% for six months, effective July 1, 2022 until December 31, 2022, to contracts with vendors supporting the Demand General Repairs Program; and
3. approve an increase to the budget for:

- (a) the Move-Out Unit Turnover Program in the amount of \$ 6.6M in order to fund the temporary pricing increase contemplated in recommendation 1;
- (b) the Demand General Repairs Program in the amount of \$ 11.74M in order to fund the temporary pricing increase contemplated in recommendation 2.

BIFAC:

This report was approved by the BIFAC on June 17, 2022.

BACKGROUND:

TCHC entered into contracts for the provision of these services in 2021. Move-Out and Demand General Repairs contracts commenced in September 2021. The Move-Out program is for one year with two one-year optional years at TCH. The Demand General Repairs program is 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.

In early January 2022, TCHC staff were engaged by a number of contractors highlighting major challenges related to rising costs and supply chain issues. Each vendor cited significant impacts related to ongoing supply chain issues related to worldwide COVID-19 infection rates and public health measures. Compounding impacts associated with inflation, overseas freight costs, labour market shortages and the flooding of the lower mainland of British Columbia in late 2021 have further impacted their ability to facilitate these contracts within the negotiated pricing. Vendors have articulated that these issues have profoundly impacted their ability to meet the obligations agreed to in their contracts with TCHC, further citing that they are experiencing unsustainable loss on each work order.

On January 14, 2022, the Strategic Procurement Unit engaged all vendors in the general repairs programs and requested that they provide backup documentation to validate their impacts and provide a percentage increase that would allow the vendor to continue to meet their obligations under the contracts. Vendors submitted their pricing suggestions to TCHC staff by January 21, 2022. Through the review of staff, an average price increase of 28% was identified. Additionally, staff undertook a review of its own to analyze pricing based on current market conditions. Although it was

challenging to obtain comprehensive information given the broad variety of products impacted, our research did support the information received by the vendors of these programs.

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. 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 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.

FUNDING

TCHC Staff members have engaged the City of Toronto and raised concerns about supply chains. Staff at the City of Toronto have validated that they are experiencing similar challenges within their vendor contracts and are currently developing a report to provide high-level guidance to City staff regarding how to respond to requests for price increases. Currently, City Divisions are making decisions on a case-by-case basis.

The City has indicated to TCHC that there are no funding streams that TCHC can access to support increased costing. As such, TCHC will be required to identify internal funding to support the continuation of deliverables in these contracts.

Staff have explored options to reduce costs for each program by reviewing standard finishes and specifications provided by the Facilities Management Design and Engineering team. Each respective group reviewed specifications to create a Primary list used by all three programs and highlighted opportunities to change or replace certain high volume or scarce items with lower cost or more durable alternatives.

The pricing impact per program for 6 months are as follows:

Program	Funding Requested
Move-Out Unit Turnover	\$ 6.6M
Demand General Repair	\$11.74M
Emergency Property Containment and Restoration	\$ 1.54M
Total	\$ 19.88M

Established based on a breakdown of 2021 costs for work orders for Demand General Repairs, 81% of the cost of the program were for work orders above \$1,500. The remaining 16% of the cost of the program falls under the Operations division and 3% of the costs is attributed to Toronto Seniors Housing Corporation. With this information, the breakdown for additional funding would be \$1.88M for Operations, \$9.51M for Facilities Management and \$0.35M for TSHC totaling \$11.74M.

A breakdown by fiscal year for the Demand General Repair Program can be found below:

July 1, 2022 to December 31, 2022	Total
\$ 9.51 M	Capital (81%)
\$ 1.88 M	Regions (16%)
\$.35 M	TSHC (3%)
\$ 11.74 M	\$11.74 M

The required funding for 2022 will be available in the capital plan for the Facilities Management portion of Demand General Repair, Move-Out and Emergency Property Containment and Restoration, and the balance will be requested in the 2023 capital budget. Facilities Management has confirmed that the funding is available.

IMPLICATIONS AND RISKS:

Without an adequate number of vendors, TCHC will suffer financial and reputational adverse impacts. The distribution of work orders will be negatively affected due to a diminishing vendor group available to complete work and the over-extension of existing vendors to provide coverage. The remaining vendors will continue to incur losses and will be at an increased

risk of an abrupt resignation. Failing to expedite repairs within units may lead to health and safety risks to tenants.

SIGNATURES:

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