



**MEMO / NOTE DE SERVICE**

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**TO: Finance and Economic Development Committee**

**DESTINATAIRE : Comité des finances et du développement économique**

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**DATE: September 1, 2020**

**1 septembre 2020**

**FILE NUMBER: ACS2020-CSS-GEN-0009**

**SUBJECT: Follow up to Motion- Request for Offers to Acquire or Lease  
Hotels/Motels and Other Housing Options**

**OBJET : Suivi de la motion concernant la demande d'offres pour l'achat ou la  
location d'hôtels, de motels et d'autres types de logements**

## **PURPOSE**

The purpose of this memo is to report back to Committee and Council regarding the results of the City-led Request for Offers (the “**RFO**”) to purchase or lease multi-unit accommodations for use as medium-term or permanent housing for people exiting homelessness.

This RFO was conducted further to the direction to staff in the Motion carried by Council on May 13, 2020 (Motion 33/9).

## **EXECUTIVE SUMMARY**

As a result of recent economic conditions related to the COVID-19 pandemic and the increasing need for affordable housing, Council directed staff, by way of a motion on May 13, 2020, to conduct an RFO to identify potential opportunities for the acquisition, funding and financing of hotels, motels or other multi-unit housing solutions for the purpose of affordable housing.

The City issued the RFO on May 21, 2020. Seven offers were evaluated by a panel of five City staff.

Of the seven offers, one did not meet the mandatory requirements. The mandatory requirements were that the property:

1. contains at least ten private units (minimum 300 square feet), each with their own bathroom;
2. Is available for purchase or minimum one-year lease term; and
3. Is located within the City of Ottawa’s urban boundaries.

Of the six remaining offers, three passed the rated requirements. The rated requirements were a combination of 12 features and the building condition. These were evaluated by staff based on whether they met the City’s needs for the purpose of affordable or medium-term housing.

The three offers that passed the rated requirements were evaluated against the financial requirements. The panel concluded that, while the offers may be good value for use as a hotel/commercial enterprise, they did not present good value for money for the intended purpose.

As a result, no offers are being recommended to Council pursuant to the RFO.

Staff will actively pursue other opportunities and report back to Committee and Council with recommended options to satisfy the immediate need for affordable housing by Q4 2020.

In addition, staff will seek out other hotels/motels or multi-residential, commercial or institutional properties which staff expect would have the features sought.

## **BACKGROUND**

While the City and its community partners have worked, and continue to work, to identify safe and adequate housing and shelter options for individuals and families, the need for affordable units continues to grow and immediate solutions are needed.

On January 29, 2020, the City declared a housing and homeless crisis and emergency. Since then, the COVID-19 pandemic has only exacerbated the need for more affordable housing, especially for those individuals and families within the emergency shelter system.

Given the current economic conditions, Council directed the General Manager of Community and Social Services and the Director of the Corporate Real Estate Office to issue a formal Request for Offer (RFO) to identify potential opportunities toward the acquisition, funding and financing of hotels, motels and/or other multi-unit accommodations. The Community and Social Services Department identified \$3 million from the City's 2020 commitment of \$15 million for Affordable Housing, which could be used as the City's contribution towards the acquisition and financing of affordable housing. While it is recognized that \$3 million would be inadequate to acquire a significant number of affordable housing units, the funding could be leveraged with additional funding or financing from partner organizations and/or other levels of government. Alternatively, the \$3 million could be used to lease space for a medium-term housing solution.

Following the direction by Council, the City issued the RFO on May 21, 2020. Seven offers were received by the submission deadline of 4:00 pm on June 12, 2020. The evaluation of the offers was completed by the panel on July 20, 2020.

Council directed that staff report back to Council with options identified through the RFO process.

## **DISCUSSION**

The RFO process was launched as a result of the current economic situation coupled with the increasing need for affordable housing and recent interest to offer hotels/motels and multi-unit accommodations to the City for the purpose of permanent affordable housing and/or medium-term housing for the purpose of physical distancing for people experiencing homelessness

The RFO sought to ensure that the sector was aware of the City's interest in acquiring suitable real estate for the purpose of affordable/medium-term housing and that offers would be evaluated in a fair, open and transparent manner that is competitive and provides value for money. Respondents could propose that their buildings be acquired or leased. Respondents could also propose an alternate model.

Offers were required to:

- a) Meet the Mandatory Requirements;
- b) Meet or exceed the Rated Requirements threshold; and
- c) Provide value for money based on the evaluation of the Financial Offers, taking into consideration the Rated Requirements.

To satisfy the Mandatory Requirements, the property had to:

1. contain at least ten private units (minimum 300 square feet), each with their own bathroom;
2. be available for purchase or minimum one-year lease term; and
3. be located within the City of Ottawa's urban boundaries.

The Rated Requirements were divided into two categories: (1) Property Features; and (2) Building Condition. The Features category considered 12 elements including cooking/ eating facilities, location, proximity to transit, interior and exterior gathering spaces, availability of parking and laundry facilities, AODA/Barrier-Free accessibility, etc. The features were evaluated based on meeting the City's needs for the intended use of the property as either affordable housing (for the long-term) or housing for the medium-term.

The Respondents were required to provide their Financial Offer of the property and indicate the Average Unit Rates. Offers of lease were also required to identify the rental cost of the building and identify elements that were included and excluded in their

operating expenses. Financial Offers were evaluated based on value for money for the intended use.

Seven offers were received by the deadline of 4pm on June 12, 2020 and evaluated by a panel. The panel was comprised of five City staff, of which two were from Housing Services, two were from the Corporate Real Estate Office and one was from Planning Services. The process was overseen by a staff from Legal Services who acted as the integrity officer and the process received support from Procurement Services.

The submissions were evaluated and scored using the common evaluation/scoring grid.

Of the seven offers, one did not pass the Mandatory Requirements since the units were scattered single family homes (did not contain ten or more units on the property).

Of the six remaining offers, three met the 70% threshold required to pass the Rated Requirements. The three that did not pass the Rated Requirements did not meet the property features requirements based on the needs of the City for the intended use as affordable housing and/or medium-term housing and included occupied single, duplex, and semi-detached dwellings for conversion into rooming houses and two shipping container options where land would need to be located.

The three offers that passed the Rated Requirements were evaluated against the Financial Requirements. The panel concluded that, while the offers may be good value for use as a hotel/commercial enterprise, they did not present good value for money for the intended purpose of permanent and/or medium-term housing since:

1. the purchase prices were significantly higher than comparable housing options;
2. they required major renovations for use as permanent housing, which would further increase the cost; and
3. the longer-term lease options were more costly than purchasing the property.

The factors considered in assessing value for money were as follows:

- Purchase price being offered;
- Internal opinion of present-day market value of the property (based on comparables);
- Comparing the market value with comparable commercial/institutional operations;

- Determining whether additional modifications/updates were required beyond the purchase price for use as permanent housing;
- Examining historical information regarding any previous sale/purchase price and known capital improvements;
- Comparing timing of acquisition versus length of time required for new construction; and
- Comparing cost per door for acquisition compared to new construction.

Given this, the panel has not proceeded with site visits, preliminary due diligence and clarifications before bringing a recommendation to Committee and Council.

Since no offers are being recommended, staff will actively seek out other opportunities and report back to Committee and Council by Q4 of 2020 with a recommended allocation of the \$3 million dollars earmarked for the purpose of affordable and/or transitional housing. In addition, staff will seek out other hotels/motels and multi-unit residential, commercial or institutional buildings which staff expect would have the features sought but for which offers were not received.

## **CONCLUSION**

The Request for Offers to acquire or lease hotels/motels and other housing options has not resulted in a lease or purchase recommendation. Since the City of Ottawa continues to see high demand for rental housing that is affordable to people on low and moderate incomes, staff will continue to seek out immediate solutions and report back to Committee and Council by Q4 2020.

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