



Office of the
Auditor General
City of Hamilton

Housing Audits: Barton-Tiffany Temporary Shelters Investigation and Lessons Learned



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Executive Summary

- 1 The audit of the Barton-Tiffany Temporary Shelter project was launched by the Auditor General in 2025 as a spontaneous “lessons learned” value for money audit due to a number of Fraud and Waste Hotline reports that were received by the OAG regarding this project, and this audit is Phase One of the broader Housing Services Audit that is part of the 2023-2026 Office of the Auditor General Work Plan ([Report AUD23012, Appendix A](#)). We have conducted this audit in the hope that the City will capitalize on the experiences gained and lessons learned from the Barton-Tiffany Temporary Shelter project.
- 2 Our audit set out to answer the following lines of inquiry:
 - a. What research, planning and actions were undertaken to implement the Mayoral Directive MDI 2024-02 and Council direction to research options for manufacture and installation of a temporary outdoor shelter facility?
 - b. What happened in the procurement, project planning, and site construction for the project?
 - c. What should have happened (but did not happen) in the procurement, project planning, and site construction of the shelter structure and site construction?
- 3 The answers to these questions are captured in the audit report (Detailed Findings) and can be grouped into the following themes:
 - There was insufficient research undertaken with respect to the Mayor’s Directive in that it was not adequate to deliver a range of feasible alternatives, including delivery options and associated costs. Similarly, the research of potential vendors to supply/install the shelter units was not done in any organized way.
 - Lack of standard processes and minimum requirements for identifying and vetting vendors for major projects and initiatives, and for Policy 11 exclusions.
 - Inadequate project planning and significantly underestimating of the complexity of a construction project involving a contaminated site.
 - Lack of understanding the risks associated with the project and failure to have a strategy to mitigate or manage the related risks.
 - Failure to communicate to Council the options available, and failure to keep Council informed in a timely manner of known cost overruns.
 - Lack of accountability, governance and control mechanisms in project execution, including ineffective, late, or inconsistent engagement of or by

appropriate subject-matter expertise, non-optimal contract management mechanisms, and lack of oversight over project costs.

- 4 Based on the analysis from our legal experts (Cassels), at a high-level, we have concluded that the contracting approach the City took on this Project was not optimal and likely contributed to the increased costs, which in turn were impacted by gaps between the design and construction related activities.
- 5 In arriving at this conclusion, we understand and acknowledge that there was an underlying current of urgency that played a significant role in the time sensitive decisions City staff were required to make regarding the engagement of its various contracting parties. However, the lack of consistency in contract methods, and associated weaknesses appears to have contributed to the issues including cost overruns and did not leave the City with a necessarily clear path for the type of remedies an owner would normally expect to see when facing these kinds of issues. Further, we understand that the contract (or lack thereof) for the purchase of the temporary shelter units was not reviewed by the City's legal team, which may have further contributed to the outcome.
- 6 Lessons to be learned from this project, and similar to many we have audited, is the importance of adequate planning and due diligence, rigorous project management and a having a project team with experience that aligns with the nature of the work. The initial project team lacked construction experience, which contributed to underestimating the costs and complexity of building on a contaminated site. The selection of a vendor who had no prior sales or track record in the supply of temporary shelter structures, was something the City did not know because basic due diligence was not performed. The City put itself in a weak position contractually to the point it had to accept delivery of goods that did not meet Canadian and Ontario safety and building standards, which introduced unnecessary uncertainty and risk regarding product quality, reliability, delivery timelines, and post-sale support.
- 7 Another lesson to be learned is using contractual tools consistently by City staff to protect the interests of the City of Hamilton.
- The purchase of the temporary shelter units for this project was governed solely by the City's purchase order (POs) conditions, rather than a formal contract. In addition, of the few limited terms prescribed in the purchase order conditions, these conditions were ultimately not utilized to hold vendors accountable for delays and deficiencies.
 - The general contractor (GC) was engaged under a time and materials (T&M) contract, but the contract lacked adequate provisions to control or monitor T&M costing. Compounding this issue, there was significant room for improvement in the contract with the firm functioning as the Prime Consultant (yet not specified as such in the contract), which is in our opinion, a critical oversight given their role in managing construction documentation, coordinating stakeholders, and ensuring compliance.

- The decision to proceed with a time and materials contract—especially under a tight timeline—exposed the project to uncontrolled cost escalation. Without contractual or clearly defined cost ceilings, the cost of the construction became unpredictable.

- 8 It is acknowledged there were time pressures associated with critical needs in the community, and the fact that the Barton-Tiffany Temporary Shelter project was first- of-its-kind (in Hamilton). However, the project needn't have overlooked or bypassed the due diligence required. These circumstances, exacerbated by the absence of formal project control mechanisms, reduced the ability to effectively manage the project, leading to the significant budget overrun, where some vendors were able to capitalize and take advantage of the urgency of the project, and the lack of sophistication in the City's approach to its management. Weak or missing contractual terms and conditions, and the City's lack of effective oversight and experience in this type of project planning and contracting created a permissive environment where vendors had the opportunity to “make a meal” of the project while the City and its taxpayers absorbed the financial and operational fallout.
- 9 On the positive side, one strength of the City that we found is the many experts, including third parties, that were eventually made available or came on board when needed, and delivered what needed to be done in a professional manner. This underscores what could have been achieved if all applicable cross-departmental staff in this project were effectively engaged/took responsibility earlier and empowered with clear accountability in this project. Legal, procurement, construction, planning and permitting officials and project management were all well engaged. Too often, however, it was after critical decisions had already been made for this project. In some cases, departments were engaged early, but their involvement did not result in timely or meaningful action by the appropriate internal expertise.
- 10 Overall, we found that the imperative of urgency overrode the importance of due diligence and good governance. The Housing Services project team lacked experience in construction projects, which is fundamentally what this was. Although construction project expertise existed within the organization, it was not consistently engaged by the applicable department head in the early stages of the project. Thus, the project proceeded without timely construction oversight and coordination until after major commitments had been made. Later intervention by senior leadership, including Senior Leadership Team, improved the alignment and engagement of appropriate expertise.
- 11 OAG made 11 recommendations to management for improvement which are contained in Appendix C. Due to the far-reaching implications of some of them we asked that management provide an overall response with a commitment to return at a future date to Audit, Finance and Administration Committee with detailed action plans.

Introduction and Background

- 12 The Barton Tiffany project was borne out of a vision for having temporary shelter homes built within sanctioned sites for those citizens who were experiencing homelessness and living in encampments. It was part of a broader initiative to increase shelter spaces and was the first such project undertaken by the City.
- 13 The following timeline lists some of the key events related to the implementation of the Barton Tiffany Temporary Shelters project (“Barton Tiffany”).

June 19, 2024

GIC Direction

Staff were directed to report back on the resources needed to integrate supports at “sanctioned sites”, and to provide a jurisdictional scan of sites and costs.

July 31, 2024

Initial Research of Shelter Pricing

City staff reached out to a provider of shelters in Canada (“Company A”) to obtain an understanding of the pricing and availability of shelter units. The company sent an email containing their prices along with general information and questions about the initiative. However, the information was not a formal quote.

August 1, 2024

Unsolicited Quote Received

The city received an unsolicited quote for the provision of temporary shelter units from “Company B”.

August 6, 2024

Mayoral Directive

Mayoral Directive MDI 2024-02 was issued directing staff to undertake research “*respecting options for the manufacture and installation of temporary shelter structures within Hamilton including costs, identification of funding sources, potential vendors and potential site*” and to report back with relevant information and recommendations at the September 18, 2024 General Issue Committee (GIC) meeting.

August 12, 2024

Report Back to GIC on Sanctioned Sites Research

Staff reported back on the June 19, 2024 GIC direction regarding options for sanctioned sites. Included in this information were cost estimates of providing structures within sanctioned sites.

- August 13, 2024** **Unsolicited Expression of Interest**
- The city received an expression of interest for the provision of shelters from "Company C". The information included preliminary price quotes.
- August 15, 2024** **Initial Pricing Information Received from Microshelters Inc.**
- City receives a slide deck with pricing and marketing information for the provision of shelter structures from an individual who later incorporated as Microshelters Inc.
- August 28, 2024** **Incorporation of Microshelters Inc.**
- Corporate search indicates Microshelters Inc. was incorporated August 28, 2024.
- September 18, 2024** **Budget/Single Sourcing Approval at GIC**
- At GIC the General Manager, Healthy and Safe Communities was authorized to single source contracts for procurement of structures, shelter operators and contractors preparing the site for use, and a budget of \$2.8M for the site construction, including shelter installations, was approved.
- September 25, 2024** **Council Ratifies GIC Approval of Single Sourcing and Budget**
- The single sourcing recommendation and budget presented at the September 18, 2024 GIC meeting via report HSC24027(b)/FSC24028/PED24162 was approved by Council.
- September 27, 2024** **Microshelters Inc. Official Quote**
- Microshelters submitted an official quote at the request of City of Hamilton staff, which on October 1, 2024 was revised to include a quotation for an office/common area structure.
- October 17, 2024** **Microshelters Inc. Purchase Order Issued**
- A Purchase Order CR01551 was issued to Microshelters Inc. in amount of \$2,039,027 (\$2,304,100 including HST).
- October 24, 2024** **Deposit Paid to Microshelters Inc.**
- Payment to Microshelters Inc. of a deposit of fifty (50%) percent of the purchase order amount. The upfront payment was \$1,019,513 (\$1,152,050 including HST).

- October 30, 2024** **Shelter Structure Design Drawings Received by City of Hamilton**
- Microshelters Inc. provided design drawings of the shelter units as requested by City of Hamilton staff on October 29, 2024.
- October 30, 2024** **City Receives Environmental Mitigation Plan**
- The city received a report from its environmental consultants, containing the measures they recommended for site mitigation including a capping system, fencing, drainage, inspection procedures, soil and water management, and health and safety protocols.
- October 31, 2024** **Update Report to GIC**
- Staff reported progress on Barton Tiffany including the contracting of an engineering services firm for environmental site evaluation, and the ordering of 40 double occupancy shelter units and 3 ancillary buildings from Microshelters.
- November 18, 2024** **Update Report to Council**
- Staff report the recommended environmental Barton Tiffany site mitigation measures to Council.
- November 19, 2024** **Ministry of Labour Orders**
- The Ministry of Labour, Immigration, Training and Skill Development (MOL) was on site and issued stop work orders due to regulatory non-compliance. All work had to cease until a Notice of Project Registration was completed, a Constructor identified, an on-site supervisor appointed, and list of designated substances was being maintained on site.
- November 21, 2024** **Public Works Department Engaged**
- At a Senior Leadership Team (SLT) meeting, the Public Works Department was engaged for the project and the secondment of project manager from PW was finalized to support the project.
- November 22, 2024** **Communication Update to Council Re: MOL Order**
- Staff reported to Council the circumstances of the MOL Order of November 19.

- November 29, 2024** **Communication Update to Council**
- Staff reported an update to Council regarding steps taken to achieve full compliance with the MOL Order. Site construction was expected to resume December 2.
- Late November, 2024** **Hiring of Toms + McNally**
- Toms + McNally was contacted for provision of architectural/design services to the project beginning late November 2024. However, a formal PO was not issued to Toms + McNally until January 28, 2025.
- December 2, 2024** **Site Construction Resumes**
- Rankin Construction mobilizes on site and starts performing work.
- December 4, 2024** **Final Payment to Microshelters**
- The City made final and full payment to Microshelters (excepting certain changes) for the shelter structures. This brought the total paid out to Microshelters to \$2,289,680. This means that full payment was made before any units were delivered.
- December 23, 2024** **Building Permit Application Submission**
- Building permit application was filed on December 23, 2024.
- December 24, 2024** **Contracting for Construction**
- The contract with Rankin Construction Inc. for site preparation and installations is dated December 24, 2024. Four POs were also issued to Dillon Construction during December 2024.
- January 6, 2025** **Update on Cost Overruns**
- A confidential briefing note dated January 6, 2025 was brought to the General Manager of Healthy & Safe Communities and/or SLT regarding costs of the project experiencing significant overruns.
- January 13, 2025** **First Shelter Unit Shipment Arrives**
- The first shipment of 20 shelter units arrives in Hamilton.
- January 31, 2025** **Building Permit Approved**
- Building Department approves the building permit.

February 4, 2025

Shelter Opens for First Resident

The first shelter was ready for occupancy for the first resident on February 4, 2025.

March 14, 2025

Barton Tiffany Fully Operational

The shelter site becomes fully operational with installation of all structures.

April 17, 2025

Certificate of Substantial Performance

The certificate is signed.

April 30, 2025

Communication to GIC of Cost Overruns on the Project

Report HSC24027(e), Reducing Homelessness and Managing Encampments is presented at General Issues Committee Meeting. The report explains how there were numerous deficiencies with the shelter units as delivered which required modifications prior to occupancy, and coordinated reviews had to be undertaken and technical documentation created to meet permitting and regulatory requirements. The report explains how capital costs have increased to \$7.9M from the original \$2.8M and requests approval for budgetary changes.

May 7, 2025

Approval of Budget Increase at Council

An expanded budget is approved for the rise in costs and City staff are directed to bring back to GIC a report with more detailed explanation for the rise in costs.

May 8, 2025

Certificate of Substantial Performance

Certificate is issued.

May 21, 2025

Report Back on Cost Escalation

Staff report HSC24027(f) responds to Council direction for more detail on costs incurred on Barton Tiffany. Report breaks down costs of \$7.9M into planning, design, structure costs, unit modification and site construction.

Project Phases

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In the above timeline it is notable that there were 4 phases of the project.

- 15 The first phase was a "research of options" phase meant to evaluate and identify a feasible way forward for building a community of temporary housing structures. This phase began with the Mayors Directive and culminated 6 weeks later with a report to GIC on "Reducing Homelessness and Managing Encampments.
- 16 The second phase was planning, procurement and contracting in which vendors were identified, selected, and contracted, and work set in motion to ensure delivery of the structures and materials supply, preparation of the site for its intended use including environmental considerations, and coordination of project plans for building, permitting and installing the structures and supporting infrastructure.
- 17 The third phase consisted of constructing the actual site and installation of the structures and site amenities.
- 18 The fourth and final phase was operationalization of the site, and "course correction" of any gaps or deficiencies.
- 19 Our review of the project focused mainly on the first three of these four phases.

Challenges and Issues with the Project Come to Light

- 20 The first phase of the project began with the Mayor's Directive and culminated with a report to General Issues Committee on September 18, 2024. This report lent very little detail as to what actual research had been completed, and options developed for the way forward. However, the report was very clear in setting out a goal of creating and operating 80 temporary shelter beds at the Barton Tiffany site, with an estimated \$3.9M in annual expenditure to operate the spaces, and \$2.8M in one-time capital costs to establish the site. In addition, there was a request that Council provide approval for the General Manager HSC to authorize single source contracts so that project implementation could move swiftly. While some individuals we spoke with alluded to there being an objective of bringing the project into an operational state in time for the heavy winter, we found no evidence that this was established in any formal plan or document. Council ratified going forward with the project as well as the requested approvals for budget and single sourcing on September 25, 2024.
- 21 After receiving budget and single sourcing approval on September 25, 2024, City staff asked Microshelters Inc. for a formal quote for supply of the shelters and ancillary buildings. Previously, Microshelters, along with two other potential suppliers, had sent price information along with expressions of interest and marketing information. Another potential supplier had, early on, provided generalized information, via email, about their prices at the City's request. However, that information was in no way complete. After the single sourcing was approved by Council, Microshelters was the only supplier asked for a formal quote which was received by the City on September 27, 2024.

- 22 Three weeks later, on October 17, 2024, the City issued a purchase order to Microshelters, based on their quoted price structure and their assurances for supply of units having the characteristics the City wanted. To the best of our knowledge, the City had received no detailed specifications of the units as of that date, although there was some limited information provided, with pictures of the units, including those purporting to be installed examples of the units being supplied.
- 23 According to the September 18, 2024 staff report, through which approval for single sourcing was requested and granted, the single sourcing with vendors and contractors was to be undertaken on terms and conditions acceptable to the General Manager HSC, and in a form satisfactory to the City Solicitor. However, in so far as Microshelters is concerned, there was no involvement of the City Solicitor, and a formal contract with Microshelters was never executed.
- 24 On October 22, 2024, five days after a purchase order with Microshelters was approved for just over \$2M, which formed the only basis of contract with Microshelters, the City made an agreed 50% upfront payment of \$1.152M to formalize and secure its order for the supply of shelters. At this stage it is important to note that no City staff, nor any designated representatives, had physically examined any of the units or any detailed specifications for how they were constructed, or gained any suitable understanding of the extent to which the structures would meet permitting and regulatory standards. Further, on December 4, 2024 the City paid out a second and final installment, bringing the total pre-delivery payout to \$2,289,680. In effect, the City paid the full amount, approximately \$2.3M, for the shelters "sight unseen".
- 25 It is our understanding, after discussions with Building Division officials, that project staff had been advised in August 2024, that procurement of any structures greater than 10 square metres would require permitting to Canadian standards. However, the Building Division did not learn that the structures exceeded this threshold until after the City had committed to Microshelters with a purchase order and 50% deposit. The implications of permitting were significant in that detailed specifications, drawings, documentation, and possibly testing, would likely be required to demonstrate compliance with Canadian/Ontario standards for permitting of the installation of the shelter structures. The intended use of the structures for accommodation and their dimensions required they be demonstrably fit for purpose which included meeting fire, insulation, electrical, loading, environmental, structural and other standards including those articulated in the building code.
- 26 After receiving the drawings from Microshelters, it is our understanding that it quickly became apparent to Building Division officials that the drawings were inadequate and permitting would require extensive efforts to document, test and possibly modify the units to meet Ontario standards under a process known as "alternative solution". Also, new drawings would have to be created and stamped

by a professional engineer that could attest to meeting compliance requirements in Ontario.

- 27 On October 30, 2024, the City received from its environmental consultants, the mitigation measures that they recommended to address environmental concerns at the site. These included a system of capping (covering over the soil) and other steps to prevent exposure to contaminants.
- 28 During the months of November/December, project staff executed contracts with a number of contractors needed to assist with the permitting (Toms + McNally), construction oversight (Dillon), and construction (Rankin). Also, during November, a Ministry of Labour stop work order curtailed preparations at the site, which resumed when requirements were met. November 2024 also saw more engagement by the Public Works department in assisting with the construction project management aspects of the project.
- 29 By January, 2025 it became apparent that costs were escalating beyond the original estimates, and a number of issues were emerging regarding the procurement of Microshelters. The City became aware that Microshelters had only incorporated as a company shortly before quoting its price for the shelter units. When the first shelter units arrived, it was determined that extensive and costly modifications would be necessary to bring them up to Ontario standards.
- 30 With the assistance of Toms + McNally, and appropriate testing, documentation and stamped drawings, the building permit application was approved on January 31, 2025. The cost overruns on the project were reported to GIC on April 30, 2025. The costs had escalated from \$2.8M to \$7.8M.
- 31 Our Office received multiple complaints from members of the public and an investigation into the circumstances of this project, and how it was managed, was initiated.

Audit Objective

- 32 The audit objective was to assess:
- a. What research and planning were undertaken to implement the Mayoral Directive MDI 2024-02 and Council directions to establish a temporary outdoor shelter facility?
 - b. What happened in the procurement, site construction, and operational launch for the project?
 - c. What are the reasons the project experienced difficulties and set-backs?

- d. What should have happened (but did not happen) in the procurement, site construction, and operational launch of the shelter structure and site construction? This included:
- Determining whether the procurement for the Barton-Tiffany Temporary Shelter project was compliant with City of Hamilton Procurement By-Law Policies.
 - Determining if value for money was achieved in project delivery.
 - Identifying areas for improvement and the related lessons learned from this project that can be applied to future City projects.

33 This resulted in the OAG making recommendations to improve future project delivery at the City of Hamilton.

Audit Scope

34 The Barton-Tiffany Temporary Shelter capital project and the related operations were in scope for this audit.

What We Did and How We Did It

35 We conducted the audit to fulfill the audit objectives.

36 We reviewed:

- Council and Committee reports, minutes, Council and Committee meetings.
- Contracts, purchase orders (POs) and invoices related to the project.
- Application of relevant Provincial standards for Time and Material Basis contracts and communication records that were available to us.
- Building inspection records, and other construction records that were provided to us.

37 We engaged an external legal expert specialized in construction and procurement law for contract review and general advisory work.

38 We sampled and reviewed construction invoices. We compared the invoiced charges to the Provincial standards and for overall reasonability.

- 39 We interviewed relevant City staff, including, staff who led the project from Housing Services Division in the Healthy and Safe Communities Department and the Hamilton Water Division in the Public Works Department.
- 40 We conducted examinations under oath of relevant individuals, using the authority of the Auditor General under the *Municipal Act, Section 223.21* and requested various relevant evidence from these same individuals.
- 41 We obtained information from Global Axxis, in California, USA, from which Microshelters Inc. sourced the temporary shelter structures.
- 42 We contacted and met virtually with representatives of Foldum Corp., a supplier/installer of temporary shelters.
- 43 We made efforts by reaching out to local vendors for comparable the pricing of shelter structures.
- 44 We conducted a site visit of the Barton-Tiffany Temporary Shelter site, we reviewed the Operator’s policies and procedures, and schedules of operation for the site.
- 45 We performed analysis of available data including invoices and payments.

Key Terms

127 Rate – also known as **OPSS.PROV 127**. Ontario Provincial Standard Specification titled Schedule of Rental Rates for Construction Equipment Including Model and Specification Reference.

AODA – *Accessibility for Ontarians with Disabilities Act, 2005* – An Ontario law with a purpose to benefit all Ontarians by, (a) developing, implementing and enforcing accessibility standards in order to achieve accessibility.

Continental Shift – Refers to a rotating work schedule designed to provide 24/7 coverage. It’s commonly used in industries that operate around the clock, such as healthcare, manufacturing, etc. A continental shift divides employees into four teams. Each team works 8-hour shifts that rotate between day, evening (swing), and night shifts. The schedule usually follows a 28-day cycle, where employees work 7 consecutive days, then get 2–3 days off, and then rotate to a different shift type.

FOB Destination – in the context of this audit report, it means the seller assumes ownership until the goods are delivered to the City.

Net 30 – in the context of this audit report, net 30 means the City has calendar 30 days after the invoice date to pay.

OPSS.MUNI 100 – The OPSS MUNI 100 is a publicly available standard form construction contract published by the Ontario Provincial Standards organization for use by owners on infrastructure projects. The OPSS MUNI 100 isn’t necessarily designed for Ontario municipalities, but it is a type of contract municipalities can and often do elect to use since it is geared toward infrastructure projects.

Single Source – Standardized goods or services that are procured from one preferred vendor. It is a strategic choice made by decision makers to use one supplier for a particular product or service, even though other suppliers exist.

Sole Source – Only one supplier is capable of providing the required goods or services. There is no alternative due to the uniqueness of the product, intellectual property, or market exclusivity.

TBTS – Barton-Tiffany Temporary Shelter located at 250 Hess Street North, Hamilton, Ontario.

T&M Contract – A T&M contract means a “time and materials” contract, which is a construction contract where the price is supposed to be based on the contractor’s actual costs for labour and materials plus a percentage or fee for overhead and profit.

Detailed Audit Findings

46 The findings below are based on information available to us.

The Process of Researching Options and Searching for Vendors

47 In general, we found that the level of research at the outset of the project was not robust enough to provide Council with a realistic appraisal of the feasibility, range of options, costs and timelines of providing a temporary shelter community solution.

48 The timeline in the Introduction to this report illustrates that from the time of the Mayor's Directive, on August 6, 2024, to "undertake research on options for manufacture and installation of temporary structures" and report back with information and recommendations on September 18, 2024, there were only six weeks to complete the appropriate research and develop a comprehensive analysis and recommendations, and submit the report in accordance with the Clerk's advance timeline requirements.

49 In all likelihood, this would not have been enough time to do fulsome research. In addition, there was far more going on than just the researching of options in response to the Mayor's Directive. For example, the same program staff were heavily engaged in working with existing shelter suppliers in expanding the system capacity by an unprecedented 192 spaces. In fact, much more of the September 18, 2024 report deals with this aspect of the homelessness strategy as opposed to the temporary shelters.

50 As a result, the September 18, 2024 report-back on the Mayor's Directive lacks meaningful detail as to what research had actually been completed to help inform on feasibility, cost, schedule and supply/delivery options for temporary shelters. Rather it was focused on articulating budget requirements and the need for authorization for single source procurement.

Vendor Search

51 Regarding the search for vendors that could supply and install temporary shelters, we found no evidence of any organized search. There was no advertising, and no formal call for expressions of interest. As part of this review, staff in the OAG did a simple Google search and came up with potential vendors that could have been contacted, but weren't, including a firm we spoke with in Hamilton.

52 Based on the OAG's review of available records, it appears that the shelter supply information that was obtained, came in to the City unsolicited from firms

that had a mix of experience with temporary/modular structures. The one exception was where the City reached out to a vendor via email, prior to the Mayor’s Directive. However, their response was incomplete.

53 In all, there were four companies from which the City received at least tentative pricing information. All four sets of information received did not include site preparation/servicing, connecting to infrastructure or installing the shelter units. This information is summarized as follows:

Table 1: Summary of Tentative Pricing Information Received by the City

Company	Quote Price	Brief Descriptions	Units needed	Lead Time
Microshelters Inc. \$200/sq ft (Sep 27)	\$32,142.50 CAD per shelter unit, \$3,461.90 per bed/table \$100,187.50 per common building	<ul style="list-style-type: none"> 8’ x 20’ double, foldable unit Foldable bunk beds with table 16’ x 40’ for common buildings (2) Total cost: \$1,763,027	40	6-8 weeks
Company C \$265/sq ft (Aug 13)	\$20,500 CAD per shelter unit	<ul style="list-style-type: none"> 10’ x 8’ single unit Total cost: \$1,795,000 Also stated various sizes prefabricated modular structure and community house available	80	6-8 weeks
Company B \$409/sq ft (Aug 1)	\$28,664.24 CAD per unit based on exchange rate \$325,000 CAD per unit common building	<ul style="list-style-type: none"> 70 sq ft sleeper with bed and desk 25 cabins per cluster recommended. 550 sq. ft. common building Total cost \$2,618,139.20	3 clusters (25 single cabins per cluster)	6-8 weeks
Company A (incomplete) \$210/sq ft (July 31)	\$22,500 CAD per unit \$575,000 CAD per unit common building	<ul style="list-style-type: none"> 8’ x 13.4’ x 10’ cabins delivered and installed. Common building for office with bathrooms, shower. Total cost: \$2,375,000	80	Production in and beyond November 2024

Source: Appendix A to Report HSC24027(e), April 30, 2025 and City of Hamilton Staff, Temporary Outdoor Shelter Site Procurement Process for Structure Confidential Briefing Notes dated January 6, 2025.

- 54 In analyzing the above information, we reviewed the cost per square foot (sq ft) as a way of comparison. The base costs (excluding the costs of foldable beds and shipping) were as follows:
- Microshelters - \$200/sq ft
 - Company A - \$210/sq ft
 - Company B - \$409/sq ft
 - Company C - \$265/sq ft
- 55 Microshelters was the lowest price. However, the quotes themselves were perfunctory, and lacked meaningful information with which to compare the specifications, other than size, that would be delivered. The search of vendors was not conducted in any organized way and was, for all intents and purposes, a list of unsolicited and incomplete proposals.
- 56 In June 2025 and again in December 2025, the Office of Auditor General conducted examinations under oath of the two directors of Microshelters Inc., in accordance with the Auditor General's Power re: Examination in Section 223.21(1) of the *Municipal Act*,
- 57 The examination revealed:
- Microshelters Inc. is an Indigenous owned company, incorporated on August 28, 2024, with two staff, who are also the corporate directors and the executives. We found Microshelters Inc.'s registered business address is a residential address in Brantford, Ontario.
 - Microshelters Inc. does not manufacture any product, nor do they have a sample of the merchandise they sell (shelter structures) on site for viewing or demonstration. They marketed their merchandise through a slide deck. As at the date of the OAG's examinations, City of Hamilton is their sole customer.
 - Microshelters Inc. claimed to have a distribution agreement with a California-based company Global Axxis, LLC, who was the representative of the manufacturer from China. Microshelters Inc. staff claimed they sourced the shelter units through Global Axxis, and they did not know who the ultimate manufacturer of the shelter units was.
 - Microshelters Inc. staff claimed to have travelled to China in Late November 2024 to oversee the shipment, however could not provide us with the name and address of the hotel they stayed at. They were able to provide evidence of a flight booking confirmation to Shanghai, China during this time period, a Chinese Visa and the name of the Global Axxis, LLC representative that they met with at the factory.

- Microshelters Inc. staff (via their legal counsel) refused to provide the OAG with their costs for the shelter units, and claimed that the OAG's request was not relevant.

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Our audit work and review of communication records further revealed:

- Microshelters Inc. staff and their representative made multiple efforts to connect with City senior staff and elected officials to market their product as early as May 2024 (via email). City staff informed Microshelters Inc. on September 11, 2024 that the City is interested in their product. This was prior to City staff receiving direction from Council to utilize a single source procurement to source the shelter structures at the September 25, 2024 Council meeting.
- The manufacturer and/or distributor listed on the publicly available shipping documents is Jiaxing Sunstone Metal Products Co. Ltd., which is located at 50 West Guanyin Bridge, Xingchen Town, Xiuzhou District, Jiaxing City, Zhejiang Province in China. OAG followed the link provided on the "Jiaxing Sunstone Metal Products Co. Ltd Company Overview" page, which took us to a webpage named SUNSTONE METAL PRODUCTS located at 16004 Central Commerce Pflugerville, Texas. This Texas-based company appears to supply outdoor cooking appliances and accessories, not shelter structures. The OAG further made multiple attempts during Chinese business hours to call the telephone number (based in China) provided on the "Company Overview" page, and each time there was no one answering the phone.
- In our view, it is reasonable to assume that this company was the provider of folding beds/other components, and not the manufacturer of the structures themselves. Having said that, we are struck by the fact that Microshelters did not know who the manufacturer of what they were selling was; and it is obvious that the City never asked that important question.

Comparable Product Research

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OAG made efforts to connect with the California based company Foldum Corporation who has filed a complaint at Superior Court of California in February 2025 against Global Axxis, LLC and Microshelters Inc. Foldum Corporation alleged that Global Axxis and Microshelters Inc. conspired to use Foldum's intellectual property: design of transportable housing, manufactured and supplied the City of Hamilton with Foldum's housing. We were able to connect with Foldum in November 2025.

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Foldum was not a company that the City reached out to, or in all likelihood was even aware of in its research. However, for comparison, we asked their

representatives a number of questions about their product, services and pricing to try to get a sense of what the City could have learned, had more due diligence been applied in their research approach.

- 61 According to Foldum, the folding units they have available range from \$14,000 to \$35,000 in USD (\$19,000 to \$48,000 CDN), depending on the quantity, model type, components and features. At the higher end, their configurations come with plumbing and cooking facilities. For the equivalent models that Hamilton purchased from Microshelters their pricing would have ranged from \$18,000 to \$25,000 USD (\$25,000 to \$34,000 CDN). We found there were major differences, however, in what Foldum offers. Their product comes with a 10 year warranty on structures and 1 year on components.
- 62 Foldum selects and certifies local service providers to handle ongoing support. Their process includes an assessment of the specific needs of the project, including safety and code compliance, and providing all the necessary materials (drawings, images etc) in advance, for review and approval by the City's building department, ensuring compliance and alignment with expectations before manufacturing and shipping. In addition, they have a quality assurance process that involves Foldum examining and testing every unit (exterior, interior, electrical, flooring etc) to ensure they meet quality control, safety certifications, and specific requirements of the order before units are sent to their ultimate destination.
- 63 We further reached out to a local manufacturer for comparable costs of the shelter units by trying to obtain a quote from the manufacturer. The price quoted by the local manufacturer for a steel frame 8' x 22' unit was about \$60,000, a 24' x 32' office structure without washroom or laundry was about \$160,000.
- 64 We understand there are various websites where one can research the cost of a similar looking shelter unit. Unfortunately, without detailed specifications, we are not able to validate if the costs are truly comparable, and as far as we could determine, the City of Hamilton did not develop or have specifications for the temporary shelter units required for this project, nor seek to have them developed by a third party.

Perfunctory Research and No Detailed Specifications or Drawings Requested or Developed

- 65 To the best of our knowledge, the City in its research neither developed nor received any detailed specifics of the units being contemplated for purchase and installation. There was some limited information provided by potential vendors. In the case of Microshelters, there were descriptions of the units, along with pictures, including those purporting to show installed examples of the units being proposed.

- 66 However, there was very little market research performed to understand and learn what types of micro shelter/tiny homes were available on the market, the quality, the specifications needed for permitting approval, the cost of different types, etc. particularly in the local Hamilton market. Further, there just wasn't enough done to determine who and how many providers were out there. Such market research does not take a lot of effort. OAG performed some basic searches in Google and Microsoft CoPilot by using prompts such as “list of manufacturers of modular homes near Hamilton Ontario” which would return a list of vendors near Hamilton with their contact information and addresses.
- 67 Such market research could have been better informed and performed had the team brought experts on board sooner in the process, or had they consulted with City procurement staff. It may also have been prudent, knowing the relatively short timelines involved, to have enlisted third-party support in the actual search for possible vendor solutions.
- 68 A total of four sets of information (both solicited and unsolicited) were received during July and August 2024. The information received by the City was neither analyzed based on provided costs, specifications, delivery timelines, nor considered factors that may affect the project delivery timeline. Instead, only Microshelters was taken seriously based on their stated ability to supply double occupancy units within a timeline not officially documented which, in our opinion, was not a prudent procurement decision.
- 69 Unknown to the City at the time, Microshelters Inc. was only recently incorporated as a Canadian Company, and as determined in OAGs examinations under oath, had no proven business track record when it was selected and contracted to supply the shelters (i.e. zero previous sales). Given the issues that later surfaced, the City would most certainly have benefited from a formal and detailed due diligence review. We asked Foldum Corp. representatives whether they had any insights they could share, that would help us understand how such issues could be avoided in the future. They offered the following recommendations for due diligence:
- Arrange site visits to inspect units and facilities at existing installations to physically see the units.
 - Seek direct references from customers of the potential provider that have previously installed sites to seek their commentary on the experience and how the structures have performed.
 - Conduct advanced plan reviews to filter out potential issues and anticipate problems.
 - Request provider representatives to coordinate with local contractors before manufacturing and shipping.

70 The City did not undertake any of these steps and so the supply of units was inherently a risky proposition, no matter who the vendor.

71 A prudent decision for a project such as this, even with a short timeline, should be informed by adequate research and analysis. We are perplexed at the decision to select a vendor based on its stated ability with little research or analysis, and further, overlooking the other three equally unsolicited quotes. It is our opinion that when Council delegated the authority for this project to staff, they were expecting that adequate market research, analysis and specification development would occur.

Barton-Tiffany Budget Request

72 A requested budget for developing a low-barrier temporary shelter site with 80 beds, prioritizing couples, and individuals with pets, was presented to General Issues Committee (GIC) on September 18, 2024. For construction of the site itself the requested budget was \$2.8M.

73 Also at this meeting, staff brought forward recommendations that requested:

- Funding for 192 additional temporary shelter spaces in existing facilities.
- Staffing resources to support the operation of the increased temporary shelter initiatives.
- Authorization for the General Manager, Healthy and Safe Communities to single source, execute and administer all contracts related to the Barton-Tiffany temporary outdoor shelter project including operator, provider of the structures, support services and any site work to prepare the site for the use.

74 These request recommendations were subsequently approved by Council on September 25, 2024.

75 The additional 272 (192 + 80) temporary shelter spaces being created were expected to temporarily house an estimated 290 people living unsheltered in Hamilton (as at September 2024), until they could find a permanent housing solution.

76 In explaining the capital budget request of \$2.8M, the September 18, 2024 Committee report relied on general information obtained from a jurisdictional scan of previously constructed shelter projects. That information cites the costs of 25 structures as averaging \$1.5M and the costs of 50 structures \$3M. However, that was the only information made available to us and we were not able to obtain a reliable understanding of how the project team arrived at \$2.8M. Even so, using the benchmarks as a given, the number of structures being built was 40 which is fewer than 50. If that 50 were considered a benchmark, one might have

assumed that 40 structures would arrive at an estimate of \$2.4M plus the cost of two common area buildings. However, the structures being acquired were double occupancy, essentially double the square feet of space than the more typical 80 sq ft structures. In our view, a more sensible estimate of overall cost, assuming the benchmark was accurate, would have been the \$3M/50 prorated for 80 structures, or about \$4.8M, plus the costs of the two common area buildings. Thus, the costs experienced by other projects suggest that the \$2.8M estimate was well below what it should have been.

Vendor Selection

77 As our investigation progressed, it became apparent that an overriding priority of the project was to have double occupancy units. However, as we discuss later in this report, the implications of that decision were not fully appreciated. Further, the only vendor, at least on paper, that came prepared with units meeting that need, was Microshelters. In our view, this drove the project team toward a strong preference for the Microshelters solution, and no other vendor was given serious consideration.

78 From May to September 2024, Microshelters Inc. reached out to the senior City staff and the Mayor's Office on multiple occasions to market their shelter structures using a slide deck. We are aware of claims that staff were directed to go with Microshelters Inc. as the vendor for the shelter structure. We did not find any evidence that City staff were specifically directed to single source with Microshelters Inc.

79 The initial pricing information that came in from Microshelters was received on August 15, 2024. A few weeks later (September 11), City staff inquired regarding the feasibility of delivery by mid-November 2024 from Microshelters Inc. for:

- 40 double units with the bed/table
- A structure (or 2 depending on size) suitable for common space (just rooms, no washrooms, kitchens, etc.)

80 Microshelters Inc.'s response to the above inquiry was "We would be able to have 40 Units by Mid to end of November. Timing to initiate the order is critical to meet this requirement." What this response indicates is that the time from order to delivery was anticipated to be about two months.

81 In addition to pricing, City staff received marketing information about the company, including representations that purported to show their experience in supplying other temporary shelter projects.

82 To the best of our knowledge, the City received no detailed specifications of the units.

- 83 Given that the OAG is now aware that the City of Hamilton was Microshelters Inc.'s first and only sale (as of December 2025), we began to question the information provided on Microshelter's website and brochure that were used to market the shelter units of the City of Hamilton. More specifically we questioned the accuracy and integrity of the images used in the brochure and on the website that are not Microshelters Inc. projects, and that they potentially misrepresented the extent of their experience in delivering this type of project.
- 84 We therefore reviewed the information provided to the City as part of our audit.
- 85 In our review of the information that was made available to the City, OAG developed concerns that the information misrepresented the level of experience of Microshelters. Specifically, we had reasonable cause to believe that the pictures provided to the City were of units supplied by a different company, Foldum Corporation, to one or more of their projects in the United States. According to information we received from that company, Foldum Corporation, the images presented were Foldum's shelters with the Foldum logo and branding obscured.
- 86 Our concerns were later heightened when we learned that the technical drawings provided to the City of the units being supplied, were redacted or altered, obscuring the fact that they appeared to originate from Foldum Corp. including blocking out the company name and logo, and redacting any reference to the professional engineers that had stamped the drawings for one of Foldum's projects in Utah.
- 87 OAG obtained a copy of the drawings that were sent in by Microshelters to the City for the purposes of obtaining building permit approval. In reviewing the drawings, we were able to see that portions of the drawings were redacted. The redactions were done in such a rudimentary way, essentially by covering over the underlying information, that by using appropriate software we were able to see what lay underneath the presented information. Basically, this allowed us to see the unredacted drawings. What we observed were references to Foldum Corporation, its corporate logo and engineering stamps for a Foldum project in Utah.
- 88 We sent the drawings to representatives at Foldum Corporation and we asked whether they could confirm whether the drawings Hamilton was provided by Microshelters were Foldum's drawings or the degree to which they bore similarity to their drawings. We received a written response from them as follows:

"Foldum can confirm that the redacted drawings provided by Microshelters are indeed Foldum's drawings and are virtually identical to those used in previous projects."

- 89 In answer to our question "Do the engineer stamps on the redacted drawings conform with the dates and engineers you used for any of your projects," the response of Foldum (in part) was:
- "Yes, we can confirm that the redacted drawings you provided were from an engineering company that Foldum engaged, contracted, paid for, and used for several projects. We are very concerned about the use of these plans and specifications, including that they were taken from a project that likely would have had different specifications and needs than what the City of Hamilton required."
- 90 OAG also enquired of Foldum about certain marketing and archived website information for Microshelters that OAG was able to obtain to confirm if there were resemblances to Foldum's information.
- 91 Their response (in part) was that "The Microshelters website featured images and videos of Foldum units and installations, with attempts to obscure Foldum logo and branding, and inclusion of hyperlinks to articles in the press identifying Foldum's installations."
- 92 At our most recent interview, we asked Microshelters principals about the source of redactions for the drawings and they responded that the drawings given to the City were what they themselves received from their manufacturing contact Global Axxis and must have been done by them. We tried to obtain from them the contact information of the individual whom we know worked on Microshelter's website and did the redactions to verify what they told us. They agreed to do so but despite repeated attempts we never received that information from them and were unable to locate the individual.
- 93 In response to the issues regarding marketing and website similarities and use of Foldum-installed product in their materials they said they received all of their marketing materials from Global Axxis.
- 94 In summary, it is unclear to us how Microshelters was selected as the vendor for the shelters for the Project.
- 95 We do know that the company "Microshelters Inc." was only incorporated as a Canadian company on August 28, 2024, and as determined in the OAG's examinations under oath. Microshelters Inc. had no previous business track record when it was selected and contracted to supply the shelters (i.e. zero previous sales).
- 96 From public sources of research, we determined it used a corporate address that appears to be a residential address, has no line of credit, no financing or any forms of loans, like many businesses in Canada would have - all of which would have come to light and be seen as red flags if basic due diligence on the

company had been performed. In discussions with Procurement staff, we found out that there are no prescribed procedures or processes at the City for due diligence on vendors, which is especially concerning for high value and single source procurements.

97 As noted above, it is the OAG's opinion that the City decided to do business with Microshelters without reference checks or physical examination of product samples due to the urgency and importance ascribed to the project. As of the date of our examination with Microshelters Inc. principals in June and again in December 2025 they said they had only made one sale, the one to the City of Hamilton.

98 In our review, we found no evidence that any City staff or administrators had personally benefited from, or undisclosed connections with, the transaction with Microshelters Inc. Even so, it was a disturbing departure from the responsible administration of taxpayer dollars to single source \$2 million worth of product without exercising basic due diligence such as comparing and analyzing the proposals received, performing research of companies in the marketplace beyond the unsolicited proposals that were received, performing reference checks and corporate searches prior to placing an order, physical or on site examination of product samples and working with Legal Services to devise a suitable contract that protects the City's rights. The outcome of such an under-researched purchase, without adequate due diligence, led to Microshelters Inc. overpromising and under delivering, and to costly modifications of the supplied structures.

How the Procurement of Shelters Proceeded after Council Approval

99 With Council's authorization on September 25, 2024, the project team from Housing Services Division set out to implement the temporary outdoor shelter spaces at Barton-Tiffany site with an approved, one-time capital budget of \$2.8 million, and the authority to single source any necessary procurements. At this juncture there were four (4) vendors that had provided information to the City about the potential supply of units. After the single sourcing was approved by Council, Microshelters was the only supplier asked for a formal quote which was received by the City on September 27 and later revised on October 1. They were the only vendor whose proposed delivery matched the desired requirements of double occupancy units on a relatively timely delivery schedule. However, there was no due diligence performed on the history of the company and its experience with supply and installation of such structures. The City had not reviewed or even seen any detailed specifications of the units themselves. There were no customer references provided by the company regarding previous installations, nor any physical inspection of the proposed units at installed sites.

100 Microshelters Inc. final quote included 40 sets of container-like 8' x 20' double occupancy shelter structures, and two 16' x 40' folding structures for use as on-site office/kitchen space, along with 80 single foldable beds at a price (excluding taxes) of \$1,763,027 plus shipping and handling of \$252,000 for a total of \$2,015,027. Including shipping costs and 2 beds per structure the cost was approximately \$262/sq ft.

Table 2: Microshelters Inc. Revised Final Quote

Description	Unit Price in Canadian Dollars (CAD) (excluding taxes)	Total Price in Canadian Dollars (CAD) (excluding taxes)
40 units of 8'x20' double/divided folding structures	\$32,142.50	\$1,285,700
2 units of admin/activity non-divided folding structure	\$100,187.50	\$200,375
80 single foldable bunk beds	\$3,461.90	\$276,952
Shipping and handling, excise and duties		\$252,000
	TOTAL	\$2,015,027

Source: Revised, final quote from Microshelters Inc, dated October 1, 2024.

101 The terms of the Microshelters Inc. quote were:

- Deposit: Fifty (50) percent with purchase order issuance.
- Cancellation Fee: Twenty five (25) percent if cancelled 30 days after receipt of purchase order.
- Balance: Prior to Ex-Factory date.
- Freight Conditions: TBD (to be determined).
- Lead Time: To be confirmed upon receipt of executed purchase order.

102 Under these terms a purchase order was issued by the City to Microshelters in the amount of \$2,039,027 (excluding taxes). The difference from the above quote was the addition of \$24,000 for heaters.

Payment in Advance

- 103 Consistent with the "terms" included in the quote received from Microshelters Inc., the City made a 50 percent deposit in the amount of \$1,019,513.50, one week after the purchase order (PO) issue date of October 17, 2024. The PO was the official authorization to Microshelters Inc. to supply and deliver the shelter structures and common building structures. The PO was Net 30, FOB Destination. FOB destination means the seller assumes ownership risk until the goods are delivered to the City, and net 30 means the City has 30 calendar days after the invoice date to pay.
- 104 Microshelters Inc. initially quoted two (2) units having a 16' x 40' structure for the common buildings that were to be used as office / kitchen at \$100,187.50/unit. Later, however, there was a change to the order. Microshelters Inc. proposed a different size of structure supplied by their subcontractor SBG. The proposed structure was one (1) unit 24' x 60' with two 1,000-gallon water and sewer tanks at a cost of \$282,375. The City accepted this proposed change, however no formal documentation of this acceptance was able to be provided to the OAG.
- 105 Drawings for the shelter units as ordered were requested by City staff from Microshelters Inc. on October 29, 2024, after the Purchase Order was issued. The drawings were received by the City on October 30, 2024. We note that the first deposit was made before having seen any drawings for the units. The drawings, once they arrived, were sent for review by staff in the Building Division. Shortly thereafter (November 14, 2024), the City's Chief Building Official reported back to the project team that there were going to be issues with code compliance.
- 106 On December 4, 2024, the balance due to Microshelters was paid out in accordance with the terms of the PO/quote ("balance: prior to ex-factory date"). This complied with the terms stated in the PO in that full payment was to be made before being shipped from the factory. This brought the total payout, ostensibly in full, to \$2,289,680, although there would later be payments due for some changes made to the order. At this juncture, the City had paid out \$2.3M for the supply of structures "sight unseen" and despite the concerns about code compliance raised a few weeks earlier.
- 107 In our view, such a large advance was not a prudent arrangement. It is our understanding that there is no City policy prescribing any conditions or criteria under which these types of business arrangements can be made. In our opinion, the payment of advances should be strictly controlled, and preferably avoided altogether.

Arrival of The Shelter Units and Subsequent Modifications

- 108 The shelter units and common building units were manufactured in China. In our research using public sources we found shipping documents that trace the shipments back to a company named Jiaxing Sunstone Metal Products located in Jiaxing Zhejiang, a province outside Shanghai, China.
- 109 With the arrival of the shelter structures and common building structures in mid-January 2025, the project team that was composed of staff from both the Housing Services Division, their consultants, and the Public Works Department set about analyzing the structures and confirmed the structures were not in compliance with Ontario Building Code and Ontario Electrical Safety Code. From the time that drawings were made available back in Fall 2024 to the City's Building Division, it was obvious the structures would not meet the Building Code and Canadian standards. Further, it was anticipated that the application for a building permit would involve a proposed "alternative" that was signed off by professional engineers and architects. The use of an alternative simply means that, typically, a professional firm of experts will propose how the structures, possibly with modifications, meet the intent of the building code through design, materials, or methods that differ from the code's standard "acceptable solutions" but still meeting or exceeding the code's core safety, health, and performance objectives. So, with the arrival of the structures there began an investigation of the structures themselves, identification of modifications that would be necessary, and professional drawings and a proposed alternative solution submitted as part of the building permit application.
- 110 With this approach, there were three major issues identified for modification: electrical wiring, fire barriers, and safety. As a result, rework to bring the structures into compliance was completed, primarily by Rankin, to enable compliance with the Ontario Building Code. The following are a list of issues identified after the structures were delivered to the site:
- Electrical component markings not meeting Canadian standards.
 - Shock preventing ground bond and circuit nameplate not provided.
 - Insufficient output of heating that required a supplemental heater to provide adequate warmth in cold weather.
 - Inadequate insulation to withstand heat.
 - Absence of fire/smoke barrier wall for double occupancy.
 - Wall not fire-rated-presented a fire hazard.
 - Structural members not tested to Canadian standards.
 - Absence of door viewers and anchor brackets to secure the structure to asphalt.

Modifications and Compliance Requirements Add Significant Costs

- 111 These needed modifications and requirements added major costs to the installation of the shelter units on site. Significant among the added costs were changes related to the common building and re-wiring of the shelter units.
- 112 Upon delivery of the units, it was found that the common building unit was not accessible. As a result, Microshelters Inc. was requested to supply the labour and materials, and install the ramp and stairs, to make it accessible. Dillon Consulting issued three (3) change orders. Microshelters Inc. billed the City in three invoices that contained errors, double counting and work not completed by Microshelters’ subcontractor. Dillon Consulting then requested Microshelters Inc. to make corrections and resubmit the invoices. The costs added for the common building were \$156,331. Fairway Electrical (Fairway) was retained by the General Contractor, Rankin Construction Inc. (Rankin) as a subcontractor to connect electricity and rewire the electrical system. Insulation and missing parts were supplied and worked by Rankin. The rework was required to bring the structures in compliance with the Ontario Building Code and added to the cost of the project. This cost of electrical system rewiring alone was \$266,404 according to documents provided to the OAG. The costs of other modifications was \$164,341.

Table 3: Average Cost Per Shelter Unit

Item	Cost in CAD (including 1.76% tax burden)
Costs of shelter units including common area, shipping, duties and excise	\$2,061,927.78
Added Costs for the office/common area building	\$156,331.85
Added Costs to rewire the shelter units	\$266,404.00
Added Cost of other modifications	\$164,341.13
Cost of preparation of alternative solution including drawings for building permit approval	\$82,214.95
TOTAL	\$2,731,219.71
Average cost per shelter unit	\$55,739 or \$348 per sq ft
Note: each unit accommodates 2 people. As an approximation estimate we assumed the common building was equivalent to 9 (8x20) units	

Source: Temporary Barton-Tiffany Outdoor Shelter (TBTS) Projected Costs vs. Actuals as at July 27, 2025 provided by the City’s Finance & Administration team. Cost includes 1.76% tax burden.

113 Due to the modifications and compliance requirements the cost of the shelter units rose approximately 74% to \$55,739 or about \$348 per sq ft.

Establishment of Construction Project Team

114 Although early on, efforts were made to get subject matter experts in construction management engaged, it was not until November 20, 2024 that significant action took place to ensure such support for the project including experts from various Departments and Divisions outside of the Housing Services Division. The action plans from November 21, 2024 SLT (Senior Leadership Team) meeting minutes reveal that the SLT supported the project by expediting the secondment of a designated project manager from Public Works for the construction work.

115 On November 22, 2024, a Project Manager from the Hamilton Water Division in the Public Works Department was assigned to the project. With the onboarding of expertise from Public Works, the construction was now led by a designated Project Manager to coordinate and oversee the project for aspects such as scope, budget, and final deliverables. The Project Manager was supported by the management and the initial project team from Housing Services Division.

116 It was also around this time period that the team was filled out with consulting firms providing various services to move the project along. The Policy 11 Council approval of September 25, 2024 to allow single sourcing of outside contractors to fulfill needed roles for the project resulted in Dillon Consulting being contracted for project management, engineering consultant services, electrical engineering services, and site plan preparation. Although they were not formally contracted as a “prime” consultant, in practice they fulfilled this role in terms of overseeing the progress of construction. Rankin Construction was hired to be the General Contractor and Toms + McNally consulting was engaged for its engineering/architectural design services and assistance in meeting requirements of the Building Code and Canadian Safety standards.

Contracting and Management of Consultants and Other Providers to the Project

117 For the Barton Tiffany Project, various procurement and contract management mechanisms were employed to retain the services and supplies needed.

118 When Council, on September 18, 2024, gave its approval to single source contracts to supply and prepare the site, the justification was based on an assessment by the initial project team and on the assumption that existing procurement processes could not meet timing expectations to deliver the project.

119 So, with Council authorization “to negotiate, enter into, execute and administer any and all contracts, agreements and other documents necessary to implement

recommendations (a) through (c) on terms and conditions satisfactory to the General Manager of the Healthy and Safe Communities Department or their designate, and in a form satisfactory to the City Solicitor", vendors were single sourced and/or existing roster contracts were utilized.

- 120 In our review of the contracting of various vendors, while we acknowledge that the City was in a non-traditional position with respect to urgency to complete the project, the contract mechanisms were not always executed in a manner that was advantageous to the City, and could have benefited from, and leveraged, the insights and advice of City Procurement and Legal experts, had they been consulted earlier.
- 121 We found situations where the type of contract was not the most suitable for the type of work or supply, and the forms and terms of contract diminished the City's control over cost, schedule and quality of supply. This is particularly the case for Microshelters, where there was not a formal contract. Rather, the contract relationship relied on the terms and conditions that accompany the City's purchase orders, which generally provide a minimal level of protection that was far from optimal for the circumstances.

Adherence to Policy 11 Requirements

- 122 With Council authorization to single source contractors needed to implement the Tiffany-Barton Temporary Shelter project at the September 25, 2024 Council Meeting, all vendors / contractors related to the project were single sourced, with the exception of three Roster C-12-13-21 vendors: Dillon, EnGlobe and Toms + McNally.
- 123 Staff considered Procurement By-law Policy #11 Non-Competitive Procurement to have been adhered to in the procurement of the shelters and auxiliary buildings with Microshelters Inc. and Comac Corporation Inc. as per staff report HSC24027(e) dated April 30, 2025.
- 124 We however found this statement to be contradictory with what actually happened.
- 125 Our evidence revealed that Microshelters Inc. staff and representatives reached out to senior staff and the Mayor's Office multiple times starting May 2024 to market their shelter units. They were successful and received an unofficial commitment from City staff on September 11, 2024, one week prior to staff obtaining Council approval to single source a vendor. In the meantime, three other sets of information (both solicited and unsolicited) were received by the City in August 2024.
- 126 When utilizing Policy 10/11 Emergency & Non-Competitive Procurements, one of the requirements is for staff to not have any discussions with prospective

vendors, no quotes received, and no commitments made with prospective vendor prior to applying Policy #11.

Section 4.11 (1)

"Subject to Policy # 2 - Approval Authority, the General Manager of the Client Department will approve the Non-competitive Procurement Form, justifying the need to use this Policy # 11 prior to City staff entering into any discussions with any vendor regarding the purchase of the Goods and/or Services."

Section 4.11 (2)

"Council must approve any requests for negotiations for: (a) a single source as set out in subsection (1)(b) of this Policy #11, where the cumulative value of the Policy 11 exceeds a multi-year value of the proposed procurement is \$250,000 or greater."

Contract Management Issues

- 127 As part of the audit the OAG engaged Cassels law firm to assist in providing a legal opinion for contract management and procurement matters relating to the Barton-Tiffany Temporary Shelter project, and the contractual arrangements made with key providers. Their detailed opinion letter can be found in Confidential Appendix "B" to this Report.
- 128 What follows are the OAG's related findings with respect to the key suppliers and contractors used.

Dillon Consulting Limited

- 129 Based on review of the purchase orders ("POs") issued to Dillon, we noted their services to the Project included the following:
- project management;
 - engineering consultant services;
 - electrical engineering services; and
 - site plan preparation.
- 130 We understand that Dillon also functioned as the "prime consultant" for the Project, although that terminology is not explicitly used in any of the POs. Dillon fulfilled the roles of a "prime consultant" by overseeing the Project, communicating with the City and its other contractors, and certifying payment to

Rankin. As such, this role should have been clearly listed in one of Dillon's POs to delineate exactly what was expected.

- 131 Roster C12-13-21 vendor Dillon Consulting Limited (Dillon) was initially used for services related to site plan development, and for advice on site design requirements and connection of electric service to the project site. It was administered through Purchase Orders (POs) CR01974, CR02305, and CR02148 for a total of \$60,000.
- 132 On December 12, 2024, Dillon Consulting was retained under Policy #11 (Single Source via Council approval in September 2024) to provide engineering services through the issuance of a Purchase Order (PO# CR02205), for \$407,500.
- 133 However, for these Dillon services there was no separate consultant agreement entered into with the City, and as such, the Terms of the Roster Contract prevailed, although it appears there may have been confusion on that point.
- 134 In early January 2025, there was discussion about signing a contract for Dillon to function as the "Prime Consultant". Procurement staff prepared a draft agreement A-05-24 and requested Dillon to review the draft before execution. Dillon and the City however could not come to a consensus on some of the terms and conditions of the agreement, including insurance requirements of the City. Following discussions between the parties, the City issued Dillon a letter to replace the execution of a separate formal agreement. The letter confirmed the discussion and stated:
- "Procurement reference number A-05-24 as issued under the City of Hamilton Purchase Orders CR01974, CR02148, CR02205 and CR02305, are pursuant to the terms and conditions as set out in Contract No. C12-13-21 – Professional and Consultant Services Roster."
- 135 However, the date of the letter, March 28, 2025, was after the date of substantial performance (February 28, 2025) which raises questions about the effectiveness of issuing a letter setting out contract terms after the fact.
- 136 As one of the City's roster vendors, Dillon was subject to the terms and conditions of the City's Professional and Consultant Services Roster 2022-2024, Contract C-12-13-21 (the "Roster Contract"). The Roster Contract stipulates that it governs the City's agreement with any consultant unless a separate consultant agreement is entered into. Therefore, in any case of ambiguity or conflict between what the PO terms are and the Roster Contract, the Roster prevails and takes priority. We noted that it would perhaps have been more prudent to stipulate that on the face of the PO(s) by having a clear precedence provision.
- 137 From a best practices standpoint, the City should also consider utilizing agreements for consultants on construction projects that are more specialized

and tailored toward the projects for which they are being used. However, we recognize and acknowledge that the City was faced with urgent circumstances for this Project, and the terms of the Roster Contract were themselves adequate.

138 Notwithstanding the potential for improvements we have noted above, overall, the City was well protected as the Roster Contract appears to have contained the terms one would expect to see in an owner's agreement with a consultant.

Toms+McNally

139 In late November, Toms+McNally were engaged to provide architectural/design services to the project. In general, their services were related to preparing the City to have a suitable pathway to compliance with structural, electrical, mechanical and Building Code standards for installation of the Tiny Homes structures.

140 They, like Dillon, were on the City's Professional and Consultant Services Roster, and this formed the basis of contract with the City. However, a PO was not issued until January 28, 2025, in the amount of \$90,755.

141 Similar to Dillon's contractual arrangement, there are not any provisions therein (the Roster) that are concerning. We reiterate that from a best practices standpoint it would have been more prudent to have a clear precedence provision stipulating precedence of the Roster over the PO terms, and utilizing agreements for consultants that are more specialized and tailored toward the projects for which they are being used. However, overall, the City was well protected as the Roster Contract appears to have contained the terms we would expect to see in an owner's agreement with a consultant.

Microshelters Inc.

142 The basis of contract with Microshelters, the supplier of the shelter and common area structures, was a Purchase Order, PO CRO01551, issued on October 17, 2024. There was no formal contract signed with Microshelters Inc. for the supply of units, which meant the only form of contract that could be looked to were the City's standard terms and conditions, and the quote received from Microshelters. In our view, this was not robust enough to deal with the highly specialized type of product being purchased, the level of financial commitment, and the degree of risk exposure involved. The City's standard terms and conditions were wholly insufficient to deal with the circumstances of unmet expectations, and were missing key items such as:

- requirements for correction and/or replacement of defective good
- price escalation due to imposition of tariffs or duties
- dispute resolution

- impact of delays
- quality control and testing
- delivery requirements specific to the project
- ownership of goods and passing of title
- indemnification provision

143 Further, there were no detailed technical specifications of what was to be delivered.

144 These deficiencies, had they been addressed in a formal contract, would have benefitted the City in holding Microshelters to account, when, for example, electrical compliance issues surfaced causing cost overruns and schedule delays.

145 In particular, it should have been made explicit, in a formal agreement, that the delivered product was required to be in conformity with relevant Canadian Codes and Standards, given that the project experienced numerous such issues.

146 A more robust contract could have required the Microshelters to indemnify and fully reimburse the City for damages and costs resulting from the replacement or repair of defective work or goods, and specifically, in this case, for the electrical issues described below, if the shelters were not compliant with the Ontario Building Code ("OBC") or the Ontario Electrical Safety Code ("OESC"). The issues include:

- the electrical wiring installed in the as-delivered shelters were a type not approved for use as building wiring in Ontario;
- the individual electrical components were not marked with approval for use in Canada or compliant with Canadian standards; and
- the shelters were not supplied with the information naming the manufacturer, model, serial number, voltage, and other identifying features that are mandatory for electrified factory-build structures in Canada.

147 In our view, the reason for these deficiencies in contract lies in the lack of involvement of City staff, including Procurement, and outside expertise. We note that outside consultants for the project were brought on board only after the ordering of Microshelter supply, and Council's direction that a contract be drawn in a form satisfactory to the City Solicitor was not followed. These were opportunities that may have addressed some of these shortcomings.

148 Although Legal Services was consulted eventually, after staff realized in January 2025 a contract was needed, it was only after the Purchase Order had been issued to Microshelters Inc., and after payment was made in full. Thus, no formal

contract outside of the PO was ever considered feasible, nor was one ever signed and Purchase Order CR01551 prevailed in forming the basis of contract between the City and Microshelters.

Rankin Construction Inc.

- 149 Rankin Construction was retained as the General Contractor under Policy 11 – Single Source (as approved by Council in September 2024) to carry out the compliance and site construction work. The procurement of Rankin was established by a formal contract that was developed in consultation with the City’s Legal Services.
- 150 The most important aspect of Contract #A-04-24 with Rankin Construction Inc., dated December 24, 2024, was that it was on a Time and Materials (T&M) basis, with the Substantial Performance date being February 28, 2025. Time and Materials contracts make sense when the design or exact deliverables are not fully established or not complete. They bear certain risks to the owner in terms of challenges in managing and controlling costs. In a T&M contract, there is no fixed price and compensation is entirely hinged to what amount of time (labour) is spent by the contractor, what materials they consume (and charge), and what expenses they incur in carrying out the project. Without careful scrutiny these contracts can experience spiraling costs. We asked Procurement staff whether the City had any experience with such contracts, and we were advised not in recent memory, and there was no model for use of such contracts that could be looked to for guidance.
- 151 Under the Construction Act R.S.O. 1990, when a Time and Material Basis contract is used, the project owner must pay the contractor based on actual time spent and materials used, as documented in proper invoices. The legislation has specific requirements regarding how invoices should be completed by the contractor and payments to the contractor should be made by the project owner. It is our understanding markup is typically negotiated and included in the contract terms.
- 152 Some of the terms and conditions of the Contract #A-04-24 were as follows:
- The parties agree:
- (4): “The Contractor shall commence the Work when required and ordered by the City, and except where otherwise directed will proceed with that work continuously, at a rate satisfactory to the [City’s] Consultant and shall complete the Project within the number of Working Days specified for completion in, and adjusted in accordance with, the General Conditions.”

(6) the City shall pay to the Contractor, on a Unit Price basis, for the performance of the Work and the completion of the Project:

(e) all amounts payable under the Contract Documents in respect of authorized changes and extra work;

(f) Harmonized Sales Tax where applicable; and

(g) such further amount, if any, as may be expressly agreed by the City in writing.

Key Observations of Time and Material Basis Contract

- 153 The biggest risk of a time and material contract is cost overruns. Thus, the risk that comes with a time and material basis contract should be fully understood and measures should be implemented to keep the costs under control. These measures should include close oversight, monitoring and documentation of the work completed, and a thorough review of invoices, comparing them to the documentation of completed work. As previously noted, including audit rights in the contract would enable the optimal level of oversight.
- 154 In a time and materials contract the owner (the City) also needs to have expertise at its disposal to be in a position to negotiate fair terms that allow it to effectively manage costs. The key terms at issue in such a contract include the labour rates, which should be agreed to in advance for each type of labourer, and the basis upon which the contractor will be charging additional amounts for "overhead" or payroll burden. Payroll burden refers to the total cost a company incurs for employing staff, beyond just their base wages or salaries. It is expressed as a percentage of wage cost and includes all the additional expenses associated with payroll such as mandatory employer contributions to CPP, EI, WSIB, Provincial Health taxes, company specific benefits and other payroll related administration costs. The payroll burden is typically negotiated as is the labour rate ascribed to each labourer working on a project.
- 155 In our audit we found that Rankin was being paid monthly in accordance with invoices that were being submitted to the City's consultant acting as contract administrator. Our work focused on labour cost and markups, which we considered to be the two most risky variables. We reviewed the invoices provided to us against labour rates outlined in Contract #A-04-2024. Some key trends we found were as follows:

Labour cost discrepancies:

- 156 During our audit work we noted the following:
- All labourers were billed at \$79.00 per hour without differentiating between a labourer vs. skilled labourer. The Contract stipulates a rate of \$77.00 for labourer and \$79.00 for skilled labourer.
 - Each day, four hours were divided among two project managers and were billed as foreman for administration work.
 - Approximately 50% of hours worked were for supervisory positions.
 - While a superintendent rate was not specified in the Contract, the City was billed for \$135 per hour for a superintendent. The rate for a foreman is \$115 per hour, per the Contract.
 - Starting February 1, 2025, there were 2 hours billed each day for 40 days, for an on-call superintendent. A total of 80 on-call hours were charged.
- 157 Dillon's responsibilities included conducting site visits and inspections, reviewing timesheets and rates application to ensure contract compliance. Dillon represented the Owner (the City of Hamilton) and kept the Owner informed of the issues and status of the project.

Overtime / Weekend Hours

- Saturday work was billed at 1.50 times the regular rate; Sunday work was billed at 2.00 times the regular rate.
 - Total hours billed for the various workers were 7,195.5 hours worked, of which approximately 19 percent of labour costs were attributed to overtime.
- 158 Based on the advice of our legal experts, OAG concluded that the type of contract, that being a time and materials contract, was appropriate for the circumstances. However, it was missing some important provisions and details that would have allowed more expeditious management of the work with minimal risk and greater value for money.
- 159 For example, the compensation structure did not contain a complete set of labour rates that covered all of the services provided. While the compensation structure cited Foreman at \$115 per hour, skilled labourer at \$79 and labourer at \$77, there were other types of services that were missing from the schedule - the rates for electricians for example.

- 160 The compensation structure lacked clarity on how markups were being applied. For example, a 20% markup for payroll burden was being applied to the agreed rates (and unagreed rates that weren't in the contract schedule). It is not clear to us from the contract if that was what the City intended, or if it was intended, why the City would have agreed to such an unfavourable compensation structure. In our view, markups for payroll burden should apply to the actual payroll cost, not the agreed hourly rates which we assume carry a built-in profit markup.
- 161 Further, the markup percentages that were actually applied to the labour rates were based on rates established in the Ontario Provincial Standards for Roads and Public Works General Conditions of Contract ("OPSS MUNI 100"). However, nowhere in the contract does it state that OPSS MUNI 100 rates apply. Rather, the markup percentages using MUNI 100 rates were established by way of an email that was not part of the contract. Accordingly, the markups were as follows:
- 20% on cost of labour
 - 15% on cost of materials
 - 10% on equipment rentals
 - "up to" 5% markup to the prime contractor (i.e. an additional 2nd markup) for work done by subcontractors (which had its own full markup)
- 162 For the above reasons, the whole compensation structure appears to us to have been flawed. The City agreed to pay an overhead percentage, ostensibly for payroll burden/administrative overhead, on labour rates that likely already had overhead subsumed within it. At the very least, it was not transparent.
- 163 Also, in the documents we reviewed, including the OPSS MUNI 100, we could not find any contractual basis for Rankin's entitlement to charge additional overtime markups. We presume that the 1.5x overtime for weekday work was based on section 22(1) of the Employment Standards Act, 2000, which stipulates "an employer shall pay an employee overtime pay of at least one and one-half times his or her regular rate for each hour of work in excess of 44 hours in each work week".
- 164 Further, it is not clear why there was a rate of 2x for overtime pay for work performed on weekends. If the City intended to compensate Rankin for overtime, a provision to this effect should have been included in the Rankin Contract to make clear exactly how much extra compensation Rankin was entitled to for overtime work, as well as how many employees Rankin was expected to supply on a weekly basis.
- 165 We concluded that the terms for compensation were favourable to the contractor. For example, based on general observations of our legal advisors we believe that the markup rates that were used were higher than rates one might see in other construction contracts for public works projects. In our view, this reflects the fact that these services were acquired under a Time and Materials contract, with no

competitive process, where the City had little leverage to negotiate because of the urgency demanded, and a lack of sophistication and experience on the part of the City with these types of contracts.

166 Another issue with this contract was that there was no stated budget, maximum price (guaranteed or otherwise), target price, upset cost, or any indication of estimated construction costs. This leaves the owner exposed to the contractor's potential inefficient use of resources which can ultimately lead to cost overruns. Indeed, there is and was no incentive for efficient use of resources under this type of arrangement.

167 Other observations we have about the contract based on legal advice:

- The contract was silent on what was to happen in the event of delay. We would have expected there to be provisions for force majeure, contractor-caused delay, delay by a governmental authority and owner-caused delay.
- The contract was silent on audit rights. In a time and materials contract it is important that the owner have the right to inspect records of the contractor for the purpose of validating the hours, rates, materials cost and markups that were being billed.
- The contract was missing provisions setting out how disputes between parties are to be resolved.
- There was nothing in the contract that expressly designated Rankin as the Project "constructor" under the Occupational Health and Safety Act.

The Good Shepherd Centre Hamilton

168 The Good Shepherd Center Hamilton (Good Shepherd) was single sourced as the Operator of Barton-Tiffany Temporary Shelter facility under the City Procurement Policy, Schedule B – Exemptions:

(3) Special Services

(a) Providers of community support services including: (ii) Residential care facilities for vulnerable persons and emergency shelters.

169 An Operating Agreement with Good Shepherd, dated December 1, 2024, was a 4-month contract that expired on March 31, 2025, with no renewal term and no option for the contract to continue on a month-to-month basis. In October 2025, we found that a new agreement was signed, late, on July 31, 2025, with the contract being effective April 1, 2025. This means that the shelter site had been operating without a contract for several months.

- 170 According to the Operating Agreement with Good Shepherd, Schedule A – Temporary Outdoor Shelter Service Plan December 2024 – March 2025:
- The program will operate 24 hours per day, 7 days per week and 365 days per year including evenings, weekends, and holidays. On-site staff will manage access to the site 24/7, leading on the-ground operations, with a focus on daily shelter management, Client support, and safety protocols.
 - The Operator will provide a dignified, respectful environment to maintain health and hygiene, with access to clean washrooms and showers, toiletries and hygiene products, potable water, meals, and snacks that meet the dietary customs/restrictions/needs of Clients.
 - The City will provide infrastructure and maintenance support for broader, site-related needs that require technical services or vendor partnerships, including site infrastructure and maintenance, utility services, waste management, and oversee the provision of spaces for eating, Client programming and confidential meetings with staff, as well as a private, secure area for staff offices.
- 171 Adequate staffing to provide 24/7 onsite support and case management services to residents is required in the Operating Agreement. The Good Shephard staffing schedules provided during the audit are as follows:
- a. A dedicated Director leading the daily operations.
 - b. Four program teams led by the Senior Program Manager with three Shelter Workers and one Harm Reduction Worker on each team, with work rotating Continental schedule 12-hour shifts.
- 172 The Operating Agreement requires Good Shepherd to have policies and procedures dedicated to the Barton-Tiffany Temporary Shelter site. Good Shepherd has developed most of the required policies such as fire safety and crisis management etc. They also confirmed some were still being worked on at the time of our site tour.

Other Contracts

- 173 There were no contracts with other important vendors including Comac who supplied the washroom/laundry trailers, and 1498597 Ontario Inc., operating as Davis Fencing, who installed the fence at the beginning of the project.
- 174 Rankin Construction Inc. further retained Davis Fencing and Fairway Electrical as subcontractors. However, there was no documented evidence provided to OAG that the City approved the use of these subcontractors.

Delivery Later Than Expected

Shelter Units

- 175 Based on interviews with staff on the initial project team, and the document provided to OAG dated January 6, 2025 titled "Temporary Outdoor Shelter Site Procurement Process for Structures Briefing Note", Microshelters Inc. was selected as the supplier of the shelter structures because "*they met both the structural requirements and the site's implementation timeline.*" The Briefing Note however did not specify what timeline (or date) it was referring to. The delivery timeline was not specified in the Purchase Order CR01551 issued to Microshelters Inc. One interviewed staff said the timeline was "before snow flies", it was however not documented in any formal documentation.
- 176 Regardless, we do not see any advantage that Microshelters Inc. had over the other unsolicited quotes received by the City in terms of delivery time because all three unsolicited, complete quotes stated the same lead time, as according to the January 6, 2025 Briefing Note. In one of the emails Microshelters staff to City staff, Microshelters staff stated that they would uphold the 6-8 weeks lead time, however the delivery time was dependent on when the City issued the Purchase Order.
- 177 When examined under oath by the OAG, Microshelters Inc. staff testified that the reason the delivery delay was Christmas shipping rush and labour disruption at the Port of Vancouver. We verified there was a strike by International Longshore and Warehouse Union (ILWU) Local 514 at Vancouver Port on November 6, 2024, however the strike had ended on November 12, 2024.
- 178 Follow-up communications from City staff in late December 2024 and early January 2025 indicated the shipments arrived at Vancouver, Canada on December 30/31, 2024. By the time the first shipment arrived at Hamilton site January 13, 2025, it was the 13th week since the Purchase Order was issued.

Washroom/Laundry Trailers

- 179 Microshelters Inc. referred a company (Comac) to supply the trailers for washroom/laundry. We did not locate any evidence that the two companies are related. Per Microshelters Inc. staff during their examination under oath, it was because of the reputation of Comac in the industry that they referred them to the City.
- 180 Ultimately the City's PO was issued to 8540527 Canada Inc., doing business as "Sech Mains Comac". Other names they carry on business as are Comac Corporation and Toilettes NIU. According to its website, the product lines include mobile toilets and permanent toilets.

- 181 We initially found during our audit fieldwork that 8540527 Canada Inc. was dissolved as of May 31, 2025, but then we later found it to be reinstated as an active corporation, as of December 15, 2025.
- 182 The PO for 8540527 Canada Inc. was issued on October 21, 2024 and based on the information available to the OAG, it appears that the Procurement Division was performing due diligence in March 2025, where the pending dissolution was noted.
- 183 During our site visit on June 2, 2025, we noted one of the two washroom/laundry trailers has not been supplied. The City paid a deposit for the trailers in October 2024. City staff appeared confident that the second trailer would be delivered in a couple of weeks. A rental was supplied by Rankin Construction for the current operations, which the City was paying a rental fee of \$1,500 per month.
- 184 It was not until the end of July 2025, that the second trailer was confirmed to have been delivered, This is nine months after the Purchase Order was issued. The cost of the rental was charged back to the City, which from our perspective, recovery of rental costs incurred should be considered.

Product Deficiencies and Lack of Warranties

- 185 It is a common practice in Canada that many goods purchased would have warranties to protect against defects. The shelter units and common building units purchased from Microshelters Inc. came with no warranties (manufacturer's warranties or extended warranties).
- 186 Later in the project, when the structures were delivered in January 2025, Legal Services worked with Barton-Tiffany Temporary Shelter construction project team and compiled a list of deficiencies and associated costs:
- The container-like 8' x 20' shelter units were purchased as dwelling units to accommodate two people. The units, however, were not adequately insulated to suit local weather conditions. For example, floor insulation was not installed.
 - It was determined after delivery that the A/C/Heater units did not produce sufficient heating, so additional heating capacity was required. Supplemental heating had to be installed. Also, the A/C/heater (air conditioning) units were misaligned with the frames.
 - In addition, the electrical wiring supplied with the shelter units was type AWM (Appliance Wiring Material), a category of wiring recognized by UL (Underwriters Laboratories) for internal wiring of electrical appliances. Such wiring is not approved for use in building wiring systems, including standalone dwelling unit under the Ontario Electrical Safety Code and the

Canadian Electrical Code. The electrical system in the shelter units required rewiring and modification.

- The doors and locks of the shelter units were found to not be durable for repeated pulling or punching (as some shelter residents may do), which has resulted in a high volume of calls for repairs, as confirmed by City maintenance staff. Further the pungent smell in the shelter units we experienced at our site visit raised concerns whether the air quality inside the shelter units is safe. No air quality testing was conducted in the units.
- Other deficiencies identified included missing hardware and fasteners, fire wall and fire caulking not installed.

187 In addition, the common area structure supplied by Microshelters Inc. (via a subcontractor, SGB) required changes and modifications to meet the requirement of being fully accessible. The office/common buildings came with broken floor joists, one of the two water tanks not delivered as invoiced, and concrete block brackets were not supplied to secure the buildings.

188 As the result of the many deficiencies, based on the information available to us, the estimated cost of resolving the deficiencies amounted to approximately \$500,000 as at June 2025.

189 We also found that some of the charges on the three invoices submitted by Microshelters Inc. for the modifications made to the common area/office structure were confusing and debatable. An example of this are expenses charged to the City for SGB, the supplier of the office/kitchen structure to review their own drawings. From our perspective, the supplier should provide the product meeting the requirements of the City without such extra charges.

190 It is our opinion that Legal Services should continue to be engaged to review the above items for potential legal recourse. The cost of correcting deficiencies, rewiring the electrical system, and costs related to rework to bring the shelter structures in compliance with Ontario and Canadian standards should be attempted to be recovered from Microshelters Inc.

191 The Senior Leadership Team (SLT) meeting minutes we reviewed provided no evidence that the building or electrical compliance issues were discussed at the regular SLT meetings that are held, nor was there evidence that Legal Services or Procurement was consulted regarding the compliance issues. Instead, the evidence indicated it was decided at the project management team level that the electrical system would be rewired, and parts and accessories that were missing would be procured. We did not see any evidence or attempts to utilize the PO terms and conditions to enforce the City's rights and we did not see attempts to obtain Procurement or Legal advice for this situation.

192 We concluded that the lack of research and detailed specifications regarding suitability of the shelter units prior to purchase resulted in high costs to modify and maintain the units. Additionally, the common area/office/kitchen structure being modified to be in compliance with AODA requirements should have been foreseeable and costly modifications could also have been avoided with adequate research and development of specifications.

Stop Work Order and Contaminant Mitigation - Barton-Tiffany Site

193 While the shelter structures were in transit, staff on the initial project team from the Housing Services Division were preparing the site. On November 19, 2024, the Government of Ontario's Ministry of Labour Inspector visited the construction site and issued the City a Stop Work Order to stop the work immediately due to three violations:

- Failure to complete a Notice of Project prior to the start of work.
- Failure to appoint a supervisor where there are 5 or more construction workers at the project.
- Failure to examine any designated substances and prepare a list of designated substances examined prior to the start of work.

194 All work had to cease until a Notice of Project Registration was completed, a Constructor identified, an on-sight supervisor appointed, and list of designated substances was being maintained on site.

195 The Ontario *Occupational Health and Safety Act (OHSA)* legislates the requirement of a general contractor to be responsible for the overall health and safety of a construction project including ensuring compliance with the *Act* and its regulations, coordinating the work of various subcontractors, and managing safety protocols on the site. The *Environmental Protection Act* and *Ontario Regulation 153/04* outlines the requirements for conducting Phase One and Phase Two Environmental Site Assessments (ESAs), for the purpose of identifying potential or actual contamination based on historical and current site uses if contamination is suspected.

196 The Barton-Tiffany Temporary Shelter site was identified as potentially contaminated because of past uses of the land in a background study conducted in 2018 by AMEC Foster Wheeler. The site was identified as an area requiring measure to be taken to manage and mitigate the spread of contaminants. Per a December 5, 2024 Communication Update to City Council from the General Manager of Healthy and Safe Communities, Amec Foster Wheeler discussed the potential of designated substances and hazardous materials in its report, however did not perform sampling and testing to confirm it.

197 The Englobe Corporation was retained to review the study conducted in 2018 and made recommendations to the City in its October 29, 2024 report to install:

“a capping system of waterproof membrane, gravel and asphalt over the portion that will be used for temporary housing, fencing around the perimeter of the site, surface water drainage considerations, inspections and development of safety plans.”

198 The recommended measures were adopted into the design for the temporary outdoor shelter site and provided to the general contractor (Rankin) and Dillon to implement through construction. This added further costs to the project budget.

Rising Cost of the Barton-Tiffany Temporary Shelter Project

199 The original budget for the Barton Tiffany project had 2 major components. There was an operating budget that forecast a requirement of \$4.2M to operate the shelters until the end of December 2025, and \$3.958M annually thereafter, plus an annual inflation increase of 2.5%; and there was a capital budget of \$2.8M for the one-time costs of developing and constructing the site and its amenities including buildings and ancillary facilities and utilities.

200 In reviewing reports to Council and spending patterns for operating through to the end of July 2025, we were reasonably assured that operating spending was, and would continue to be reasonably in line with forecasted needs and budget.

201 The operating costs incurred for the Barton-Tiffany Temporary Shelter project as of July 27, 2025 were as follows:

Table 4: Operating Costs

Contractor	POs Issued	Costs Incurred as at July 27, 2025
The Good Shepherd Center Hamilton	\$1,485,752	\$2,186,647.34
Pitton Plumbing and Heating (haulage) and Chantler’s Environmental (waste removal)	\$150,400	\$89,318.85
Total Sanitation Services	No PO	\$19,029.12
United Rentals, and others	No PO	\$7,729.67
	TOTAL	\$2,302,724.98

Source: Temporary Barton-Tiffany Outdoor Shelter (TBTS) Projected Costs vs. GL Amount -2025-07-27 provided by Finance and Administration team. Cost incurred includes 1.76% tax burden.

- 202 Analysis shows that at this point in time, approximately 60% of the 13 months of the operational period from December 1, 2024 to December 31, 2025 had been consumed, with an actual spend occurring of 55% of the budget for that same 13 month time frame.
- 203 For the capital budget, however, there was a significant cost overrun on the originally approved \$2.8M budget. The spending to that date (July 27, 2025) of \$6.8M and remaining estimate of further costs of \$1.1M meant that the capital budget would experience an excess of \$5.1M, bringing the cost to \$7.9M, almost 3 times the original budget.
- 204 For information, we compiled the total capital costs of the Barton-Tiffany Temporary Shelter incurred as of July 27, 2025 and compared it to the Purchase Order (PO) amounts issued/approved by management:

Table 5: Capital Costs

Contractor/Vendor	POs Issued	Costs Incurred as at July 27, 2025
Microshelters Inc.	\$2,039,027	\$2,061,927.78
8540527 Canada Inc /Comac	\$266,400	\$175,144.32
Rankin Construction Inc	\$2,109,109.06	\$3,895,251.18
Dillon Consulting Ltd	\$467,500	\$411,439.36
Englobe Corp.	\$40,500	\$41,212.80
Toms + McNally	\$90,755	\$69,851.12
Davis Fencing	\$141,880	\$144,377.06
Utilities	No PO	\$37,091.40
Power Property Contracting	No PO	\$7,570.54
TOTAL COSTS	\$5,155,171.06	\$6,843,865.56
Further costs incurred, yet to be paid (estimate)		\$1,077,676
Estimated Total Capital Costs		\$7,921,541.56

Source: Temporary Barton-Tiffany Outdoor Shelter (TBTS) Projected Costs vs. GL Amount -2025-07-27 provided by Finance and Administration team. Cost Incurred includes 1.76% effective tax burden.

- 205 In addition to payments that have been made, there are further costs that have been incurred, but have not yet been paid in the amount of \$1,077,676, bringing the estimated total capital costs to \$7,921,541 for Barton-Tiffany Temporary Shelter project.
- 206 It is worth noting that Council approved a \$7 million budget for the Barton-Tiffany Temporary Shelter project on September 25, 2024. But this included both capital and operating costs from December 1, 2024 to December 31, 2025, as outlined in Report HSC24027(b) /FCS24028 /PED24162).
- 207 Given its significance, we set out to analyze and determine the major contributing factors to the cost overrun on capital expenditures.

Original Budget Poorly Estimated

- 208 As we stated earlier in this report, when benchmarks of the spending that occurred on other similar projects in other jurisdictions are compiled and compared, we believe that the original budget significantly underestimated the cost. Having said that, it is important to state that we were not able to obtain a reliable understanding of how the project team arrived at \$2.8M. There was no traditional "work-up" of individual components of the budget at any detailed level that we have seen, despite asking. It appears that the budget calculations were perfunctory and, in our view, likely incomplete.
- 209 A jurisdictional scan of previously constructed shelter projects cites the costs of 25 structures as averaging \$1.5M and the costs of 50 structures \$3M. Using the benchmarks as a given, the number of structures being built could be considered to be 40 or 80, depending on how you choose to analyze the situation. If one assumes 40 structures you would arrive at an estimate of \$2.4M plus the cost of 2 common area buildings which is reasonably close to what was presented. However, the structures being acquired were double occupancy, essentially double the square feet of space than the more typical 80 sq ft structures. In our view, a more sensible estimate of overall cost, assuming the benchmark was accurate, would have been to assume that if 50 units cost \$3M, then 80 structures, pro-rata, would be about \$4.8M, plus the costs of the 2 common area buildings. Thus, the costs experienced by other projects suggest that the \$2.8M estimate was well below, more than \$2M below what it should have been.
- 210 This is further demonstrated when one examines some of the individual components of the original budget. The original budget allocated approx. 72% of the total capital cost (\$2M of \$2.8M) for simply acquiring the shelter and common/washroom structures. (Our audit work found that prior to the September 18, 2024 budget approval, staff were aware the cost of the shelter units, beds/tables and office/common area structure was \$2,039,027). For planning and design, permitting, preparation/construction of site, connections to utilities, installation of structures, fencing, redress of environmental issues (capping) etc there was a remaining budget allocation of only \$800,000. This turned out to be rather inadequate, which we believe could have been foreseen had construction engineering experts been consulted at the early stages of the project.

The Significant Added Cost to Modify the Shelter Structures

- 211 In a previous section of this report, we explained how the modifications necessary to address deficiencies in the delivered product and properly equip the units to meet building code requirements and Canadian safety standards resulted in an equivalent total cost of approximately \$348 per sq ft of structure space. That translates to a total cost, just for the structures, of \$2.73M. That is \$773,000 over the budgeted amount of \$2M and accounts for almost the entire capital budget of \$2.8M.

Site Construction Costs and Use of Time and Materials Contract

- 212 Site construction costs, based on the original budget, accounted for \$600,000 or approx. 18% of the total capital cost. We believe that to an experienced construction engineer that would have been a red flag and prompted further enquiry as to the components and assumptions behind the costing.
- 213 The realized cost for construction, including costs for consulting and related contract administration, as projected in May 2025, was \$4,654,986 per Appendix A Report HSC24027(f). This is far in excess of the original budget of \$600,000.
- 214 In a previous section of this report, we cited the challenges of a Time and Materials contract, unless the terms are carefully negotiated, the work duties are meticulously overseen and adherence to terms is strictly controlled. The open-endedness of such contracts is inherently risky in terms of an owner's risk of cost overruns. In our opinion, these risks were experienced with this contract. According to Procurement staff, the City had little experience with Time and Materials contracts and the negotiated terms were more favourable to the contractor than they otherwise would be under a competitive procurement. Further, the urgency of implementing the project objectives meant that the City had little leverage to negotiate.
- 215 For illustration purposes, we put some numbers together for the hourly wage rates as stipulated under the contract for the construction component of Barton Tiffany, showing what the effective wage rates were when markups and overtime were included. In our opinion, the rates, along with the open-endedness of the scope of work involved made for a very expensive installation.

Table 6: Wage Rates for Select Roles in Construction

Role	Sub-Contractor Wage Charged	Sub-Contractor Marked Up Rate ¹	Rankin Wage Charged	Statistics Canada Wage Benchmark January 2025 ²	Rankin Marked Up Rate ³ 20% markup 5% markup on subcontractor	Rankin Marked Up Wage 1.5x Marked Up ⁴ (Saturdays)	Rankin Marked Up Wage 2x Marked Up ⁵ (Sundays)
Truck Driver			\$90.00	\$66.24	\$108.00	\$162.00	\$216.00
Labourer/ Skilled Labourer			\$79.00	\$54.06	\$94.80	\$142.20	\$189.60
Electrician	\$90.00	\$108.00		\$76.78	\$113.40	\$170.10	\$226.80

Note 1: Markup was 35% on first \$3,000, then 20% for amounts in excess of \$3,000, a rate of 20% was used in this chart for ease of understanding.

Note 2: Source: Statistics Canada, Table 18-10-0139-01, Construction union wage rates, monthly.

Note 3: Subcontractor only: 20% markup on the first \$3,000, 15% on \$3,001-\$10,000, 5% mark up in excess of \$10,000 on subcontractor invoices (Fairway) for Electrician by Rankin. A rate of 5% was used in this chart for ease of understanding.

Note 4: Marked Up Wage x 1.5.

Note 5: Marked Up Wage x 2.

Markup

216 As part of our audit, and to satisfy ourselves that the rates and invoices were reliable and accurate, we reviewed a sample of items to calculate the markup percentage charged by Rankin and compared it to the allowable percentage under the OPSS MUNI 100, which the City agreed to follow in Tiffany-Barton Temporary Shelter construction.

217 We found the markup percentage charged by Rankin was generally consistent with OPSS MUNI 100 General Conditions Of Contract (Ontario Provincial Standards for Roads and Public Works) GC 8.02.05 Payment on Time and Material Basis. It is important to point out that the markup charged by Rankin was on top of the prescribed rates prescribed in Contract No. A-04-24. Unfortunately,

the City agreed to this without knowing the extent to which the agreed rates already subsumed allocated amounts for overhead/payroll burden.

Subcontractor Markup

218 A subcontractor was retained by Rankin to connect the electrical system for the shelter site. Rewiring of the shelter units' electrical system was not anticipated and was considered a change to the scope of work that required approval by the City. Contract# A-04-24 Section (25) Valuation of Changes under General Contract Terms and Conditions applies when work is considered a change.

"The cost to the Owner shall be the actual cost of the extra work plus a percentage covering overhead and profit, after all credits included in the change resulting from the extra work have been deducted. An allowance covering overhead and profit shall be calculated as follows:

(1) 10% on Work performed by the Contractor's own forces,

(2) 5% on Work performed by subcontractors, and

(3) 5% on products supplied by suppliers"

219 We sampled invoices submitted by the sub-contractor to Rankin for payment, we noted:

- Billings were not always accompanied with backup/supporting documents.
- Some labourer hours were incorrectly calculated and billed, and required revisions as requested by Dillon.
- Dillon initially noted that the sub-contractor had not applied markups to labour and materials. Subsequently, the sub-contractor adjusted its billing to apply the same markup rates as Rankin's contract with the City without differentiating whether the work was in the original work scope or was a change.

220 Based on the advice our legal advisors, it is not clear to the OAG why Dillon, as a party who had a contractual relationship with the City, was putting the City in a position to incur further costs on the Project. The OPSS MUNI 100 allows for Rankin to charge an extra 5% on work done by subcontractors (as noted above), but the subcontractor's entitlement to markup would have been subject to the agreement between Rankin and its subcontractors. Further, in this situation, the City is removed from knowing whether the rates being charged by the sub-

contractor to the contractor had already subsumed the allocation of payroll burden/markup within the rate it was charging to the contractor.

221 Our overall assessment is that the City had an unsophisticated approach and little experience with the type of contract used for construction on site, and it was challenged to obtain value for money given that it was procured without a competitive process in circumstances where the urgency of implementing the project became an overriding priority. It should have established a more reliable understanding of the estimated capital costs, perhaps using professional assistance if it was not available internally. An important lesson evident from this experience is that whenever there is a single sourcing procurement, it is prudent to ensure due diligence in the selection of contract, pricing and terms of any ensuing agreement.

Failure to Keep Council Informed of the Budget Overrun

222 The Council direction on September 25, 2024 has been the justification for every step taken for the Barton-Tiffany Temporary Shelter project.

223 "That the General Manager, Healthy and Safe Communities be authorized to single source contracts with the temporary outdoor shelter operator, the provider of the structures, support services and any site work to prepare the site for the use."

224 It is our opinion that, Council authorization to single source does not absolve staff from keeping Council updated in a timely manner of the project and its budget.

225 As mentioned earlier, 72% percent (\$2M) of the initial one-time capital budget of \$2.8 million (approved on September 25, 2024) was budgeted for the procurement of the shelter units, common areas structures and washroom/laundry. In our view this was a red flag that site costs were understated. Once external experts began to be engaged along with internal staff with construction experience that were becoming involved in the project, the estimated capital costs rose with each new purchase order that was issued. The costs of the additional design and construction, commissioning and administration services of contractor/consultants engaged after November 2024 was estimated to be an additional \$2 million.

226 The purchase order of \$2,109,109 issued to Rankin on December 12, 2024 and purchase order issued to Dillon for of \$407,500 almost doubled the costs when compared to the original, approved budget of \$2.8 million set in September 2024, bringing the total capital construction cost estimate to \$5.3 million at December 2024.

227 This total estimated project capital cost of \$5.3 million in December 2024 was already a 90 percent overrun of the approved capital budget. According to the

supporting documents for the PO, the \$2 million estimate by the Public Works Department was based on high level information received as of November 2024. The OAG found no evidence of communication of the anticipated cost overrun to Council in 2024 by City staff.

228 The actual cost of construction kept increasing with the arrival of the shelter units and the common area structure, and the requisite modifications necessary to bring them to minimum standards and have them installed and connected. This is when the spending rose dramatically on the Rankin contract – electrical in particular. The cumulative invoice amounts submitted by Rankin for work completed each month are compiled by OAG below:

Table 7: Cumulated Invoice Amounts Submitted by Rankin

Month	Cumulative Construction Costs by Month
December 2024	\$1,226,887.45
January 2025	\$2,671,065.37
February 2025	\$3,398,714.82
March 2025	\$3,730,947.34
April 2025	Information not provided
May 2025	\$3,827,880.49

Source: Progressive billing and invoices provided by Public Works as of June 26, 2025. HST not included.

229 Rankin Construction was selected under Policy #11 (Single Source) of the City of Hamilton Procurement By-Law No. 20-205 as directed by Council on September 25, 2024 via Report HSC24027(b)/FSC24028/PED24162.

230 While we understand that there was Council approval for contracts to be entered in to for the implementation of the project, it is our opinion that keeping Council informed in a timely manner of project budget overruns due to increased costs is what Council expects of City staff.

231 In our view, this was a major project, with significance to the community, proceeding from direction by the Mayor, in terms of its complexity, its urgency, and by virtue of having a budget in the millions of dollars. While the City has no specific policy on when to communicate back to Council when variances should be brought forward, we believe it is time for the City to consider such a policy.

Indeed, a framework for planning, tracking, governance and reporting so-called major projects is something that could bring more rigour to important projects and initiatives.

Building Code Compliance and Inspections

- 232 The temporary shelter units procured from Microshelters were not in compliance with the Ontario Building Code when they were received by the City of Hamilton. To bring the temporary shelter units into compliance with the Ontario Building Code and other regulations and standards, the Housing Services Division engaged Roster vendor Toms + McNally in December 2024 to find a solution to achieve compliance and obtain the required permitting. Based on the evidence we have gathered this circumstance ought to have been foreseeable even before the units were purchased. Realizing this at an early stage might have forestalled the decision to purchase the units from Microshelters, and prompted a search for a vendor that would be demonstrably code-compliant.
- 233 Our evidence indicates that as early as August 2024, Housing Division staff were made aware by Building Division staff that if the structures were greater than 10 square metres they would be subject to permitting requirements under the Ontario Building Code. This was prior to any procurement of the shelters and coincided with the timing of Housing’s research of vendors that could supply the units. There was never any discussion on what was needed to apply for a permit, and Building Division staff assumed the units were below the threshold since they did not hear from Housing Division.
- 234 Then, in early November 2024 Building Division received an email from Housing Division that included drawings for the units and asking if they could get a preliminary review prior to application for a building permit. This was the first time that Building Division was made aware that the structures were over the 10 sq metre threshold. Unfortunately, this request came after the City was already committed to Microshelters – after the order had been placed by the City and a 50% upfront deposit had been paid out. The drawings themselves had been requested from Microshelters on October 29 and received on October 30, 2024.
- 235 According to the Building Division the drawings were simply unacceptable. They were not prepared by a qualified designer and did not, on face value, comply with any Canadian approved standards for a pre-manufactured building (CSA A277). The units were built in China using non-standard construction materials and methods and it was immediately obvious that they could only be approved for use in the project through what is called an “alternative solution”. We were advised that even before reviewing the drawings for technical compliance with the Ontario Building Code, Building Division staff knew that an “alternative solution” would be required because the units could not meet the definition of a “dwelling unit” because they did not contain cooking, eating, and sanitary facilities.

- 236 Under an "alternative solution" it is our understanding that detailed specifications, drawings, documentation, and possibly testing and modifications, would be required to demonstrate compliance with Canadian/Ontario standards for permitting of the installation of the shelter structures. The intended use of the structures for accommodation and their dimensions required they be demonstrably fit for purpose which included meeting fire, insulation, electrical, loading, environmental, structural and other standards including those articulated in the building code.
- 237 After reviewing the drawings and determining an alternative solution would be needed from the permitting, Building Division officials advised the project they should engage an Architect or Engineering firm to undertake this process. Housing Division subsequently hired Toms+McNally in December 2024.
- 238 So, after receiving the drawings from Microshelters, it is our understanding that it quickly became apparent to Building Division officials that permitting would require extensive efforts to document, test and possibly modify the units to meet Ontario standards. New drawings would have to be created and stamped by a professional engineer that could attest to meeting compliance requirements in Ontario. The obvious question is why couldn't this be dealt with earlier when there was an opportunity to either select a different vendor and/or to have the vendor legally responsible for compliance of their structures.
- 239 The City of Hamilton's Building Division-Building Inspection team was the inspector of these temporary shelter structures. According to Building Inspection team, the Barton-Tiffany Temporary Shelter units are considered temporary. The temporary shelter units were classified as modular homes similar to inspections of parked mobile homes, and the inspection emphasized the connection to the foundational supports, which is the requirement of *Ontario Building Code* (Volume 1, Division B, Section 9.39 Reinforced Concrete Slabs).
- 240 The temporary shelter units and office/kitchen structure were inspected and approved for occupancy on 12-month temporary building permits. At the end of 12 months, they would either need to be disassembled or be re-approved for an extension by the City of Hamilton's Chief Building Official.
- 241 It is planned for Toms + McNally to continue performing monthly inspections to ensure compliance during the remainder of 2025.

Current State of the Barton-Tiffany Shelter

- 242 The first unit was ready for occupancy on February 4, 2025, while construction was still ongoing. Housing Division staff confirmed to the OAG that shelter cabins have had a high occupancy rate at most times. At any given moment, occupancy rate is about 91 percent. As of July 31, 2025, 15 clients had been discharged while four (4) of them were discharged to housing.

243 Accompanied by staff from Good Shepherd, the Housing Services Division, the OAG completed a site visit of the Barton-Tiffany Temporary Shelter located at 250 Hess Street North on June 2, 2025. We had the opportunity to tour both single and double occupancy units, walk around the site, observe the operations, and ask Good Shepherd and Housing Services Division staff questions. We found the shelter site to be secured from the general public with tall fences around and heavy-duty automatic gates /door and security personnel requiring signing in/out. The Good Shepherd operations appeared well organized and professional at the time of our visit. While the office/kitchen was busy at lunch time, the rest of the site was quiet.

244 Some of the issues we observed included:

- At least three shelter unit entrance doors were damaged, waiting for repair. Housing Services staff informed us they were in the process of renegotiating maintenance agreement with the Good Shepherd to more clearly define responsibilities.
- As previously noted, one of the washroom/laundry trailers supplied by Comac (NIU) had not arrived, a rental was on site. The City paid a deposit for two trailers, and only one was on site. Staff appeared confident that it would arrive soon.
- There was a pungent smell in the two vacant shelter units toured by the OAG. Good Shepherd was unconcerned. The OAG subsequently confirmed that building inspections for the shelter units did not include air quality testing.

245 Admission to the Barton-Tiffany Temporary Shelter is by referral only. According to the TBTS (Temporary Barton-Tiffany Shelter) Referral and Admission Process dated February 4, 2025, the Housing Focused Street Outreach (HFSO) Team identifies and makes referral of individuals who expressed interest to them (the HFSO team). A Workgroup would then review and make the decision collectively whether to admit or deny an individual to the Barton-Tiffany temporary shelter following a set of criteria. The Workgroup consists of ten (10) staff from the Homelessness & Housing Support Team, Housing Focused Street Outreach Team and Good Shepherd (site operator).

246 The criteria can be summarized into two categories:

Eligibility criteria:

- 18 years of age and older;
- Living unsheltered/in an encampment; and
- Able to perform basic activities of daily living (e.g., toileting, eating/drinking).

Prioritization criteria:

- People in couples and other kinship and domestic relationships;
- People with pets; and
- People with medium to high acuity needs.

247 For those who are identified and referred, however not approved by the Workgroup for admission into the Barton-Tiffany Temporary Shelter, they would be informed of the decision, potential next steps, and supports available through HFSO and Good Shepherd.

Overall Conclusions of Our Audit Investigation

248 Based on the findings and observations articulated in this report, we offer here a summary analysis of conclusions and insights into how the project failed to meet some of its expectations.

Insufficient research

249 The research undertaken with respect to the Mayor's Directive was not adequate to deliver a range of feasible alternatives, including delivery options and associated costs. Similarly, the research of potential vendors to supply/install the shelter units was not done in any organized way. Further, the lack of research of the implications for permitting requirements, knowing that it was an imperative to have double occupancy units which would likely make the units subject to Building Code requirements, was a significant oversight.

Lack of standard processes

250 In the course of our audit, we discovered that the City had no prescribed procedures or processes for due diligence that should be performed on vendors. Neither were there accepted norms, stipulated requirements or criteria for making an assessment or for justifying to Council the appropriateness of single sourcing shelter supply for such a financially significant undertaking. There were no minimum requirements for identifying and vetting vendors for major projects or initiatives, as this one was, or for justifying exclusion from competitive procurement under Policy 11, or for consulting with procurement staff.

Inadequate project planning

- 251 Staff significantly underestimated the complexity of what was essentially a major construction project involving structures meant for living accommodation on a contaminated site, and did not employ or incorporate generally accepted tools and structured methods of project management. There was no project management structure utilizing a steering committee to guide and oversee the initiative, nor an assigned, dedicated project manager (until much later) nor methods to track and manage deliverables and milestones as one would expect, or tools to do so.
- 252 Had this been treated as a project using formal management disciplines and principles we believe some of the oversights such as not involving or getting experts to participate soon enough could have been avoided. At its core this was a construction project, for which there was much expertise in the City. However, a project manager from Public Works did not actually come on board until late November, after many key decisions had been made or committed to.
- 253 There was no deliverables/project schedule to manage and oversee the work of contractors and suppliers and help keep costs to a minimum.

Lack of understanding the risks associated with the project and failure to have a strategy to mitigate or manage the risks.

- 254 The project did not carry out any assessment of the risks at the beginning of the project. We believe had they done so, with the participation of a cross section of experts from procurement, legal, planning, permitting, facilities management, construction, design, architectural and finance/costing and other experts, perhaps at a workshop or multiple workshops, issues could have been foreseen and planned for and a better understanding of the tasks at hand and plan developed.
- 255 In this particular project, relevant risks that would probably have emerged and, with mitigation addressed include:
- **Tight timelines:** The expectation of delivering the shelter project by the end of December 2024 or “before snow flies” was the understanding of staff, however not specified in Mayoral Directive August 6, 2024. While we can appreciate how desirable such an outcome might be, this objective was set without any realistic appraisal of the implications and requirements to achieve it.
 - **Delivery options:** What options were best to deliver on the need and their impacts on costs and timeline. Again, there should have been due consideration of risks, and a formal analysis communicated to Council of what realistic options there for delivering on the objectives.

- **Vendor research and best form of call for proposals:** The risks of identifying a vendor that could not deliver, or was unqualified, or lacking experience could have been anticipated with thoughtful mitigation put in place toward finding the most suitable vendor.
- **Adequacy of specification of shelter units to meet needs and building code requirements:** The risk of buying an unsuitable product could have been mitigated by better understanding of risks related to having units meet Canadian and local standards
- **Contaminated site implications:** The site selected was known for contamination since 2018 and the complexity and concomitant costs of dealing with a contaminated site and preparing for construction was significantly underestimated and not given adequate consideration by the project team.
- **Construction experience risk:** The risk of not having the right expertise at the right time could have been anticipated and managed with a good assessment and thoughtful plan of mitigation.
- **New type of service delivery:** There was limited experience in Ontario (and no experience at the City of Hamilton) with tiny shelters, and few best practices to reference or learn from. Tiny homes or temporary outdoor shelters is a recent issue and only a few municipalities across North American have implemented this type of housing.
- **Cost estimates to deliver the project:** Subject matter experts in construction and environmental hazard mitigation should have been consulted when developing cost estimates.
- **Identification of the risks associated with form of contract including use of a time and materials approach :** Cost overruns is typically the biggest risk in a time and material basis contract. Adequate oversight of invoices and payments requires project management expertise.
- **Identification of the risks associated with permitting and safety standards requirements:** Upfront analysis and mitigation could have prevented the risk of acquiring structures that were not suitable to purpose.

Failure to effectively communicate to Council

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We believe the project had a duty to keep Council informed of key aspects of risk, deliverables and cost variances in a timely manner. However, that was not effectively achieved. For example, the revised budget could have been presented at the earliest opportunity.

Lack of accountability, governance and controllership mechanisms

- 257 The project experienced a lack of accountability, governance and controllership mechanisms in project execution including ineffective, late, or inconsistent engagement of or by appropriate subject-matter expertise, non-optimal contract management mechanisms and lack of oversight of project costs. The Barton-Tiffany Temporary Shelter project commenced with an unclear picture as to who was responsible for what and (as previously noted) what the project completion deadline was. There was ambiguity of roles and responsibilities when the project transitioned to Public Works, Hamilton Water Division, in late November 2024, after the project was significantly underway.
- 258 At the City, for such a significant project, one that was cross departmental, we would have expected a steering committee to be established to oversee project management. The Tiffany-Barton Temporary Shelter project did not have a governance body (such as a steering committee) to lead and provide directions for the project. The Housing Services Division initially led the project, securing the initial budget approval and procuring the shelter units. Hamilton Water was responsible for the site construction and set up of the shelter units. The Housing Services Division retained Good Shepherd to operate the site. During our interviews for this audit, we found that there were inter-departmental tensions that would have been prevented (or at least lessened) and conflicts resolved by having a Steering Committee and a Project Charter to define roles, responsibilities, and timelines for the project.
- 259 Some of the results stemming from the lack of a project governance we have observed include:
- Significant underestimation of the complexity of the project.
 - Specifications not developed prior to (or after) procurement of shelter units.
 - Lack of experience and timely advice for the implementation of the Time and Material Basis contract, leading to cost overruns.
 - Failure to keep Council updated with the status of the project and significant cost increase in a timely manner.
- 260 It is our opinion a governance body such as a steering committee should have been established for Tiffany-Barton Temporary Shelter project at the beginning of the project. Such a committee should provide strategic direction to the project team, be regularly updated with the status of the project, regularly monitor the project budget, establish controls to mitigate the risk of cost overrun such as setting rules for applying overtime, and report to Council.

- 261 In our view such a steering committee would have been most effectively led were it co-chaired by the General Manager, Public Works and General Manager, Healthy and Safe Communities, and if there was a dedicated project manager at the outset, and membership that included staff with the broad range of disciplines matching the technical requirements of the project.
- 262 The Barton-Tiffany Temporary Shelter project was eventually ready for residents in a timeline reasonably close to what was asked for in the Council direction provided to City staff. That was due in large measure to staff from different areas of the City, and disciplines, stepping up to the task. However, this was not without significant additional costs being incurred.

Final Comments

- 263 Even though homelessness was not a new issue, the need to shelter a growing population of those who live unsheltered, and to consider using more innovative approaches became more of an urgent issue in 2024. Expedient delivery of the temporary shelter facility along with the expansion of shelter spaces, generally, became an overriding priority that guided major steps of the project.
- 264 But fundamentally, this project was a construction initiative, and its complexity was significantly underestimated. It had numerous technical elements and risk exposures related to project management in a construction context. However, from the evidence we observed and interviews we held it became apparent that Public Works did not become meaningfully engaged, though urged to do so, until later phases.
- 265 Many observers will ask, as do we, how was this allowed to happen? What were the underlying reasons or contributing factors that led to the issues experienced by the project? What lessons can be learned?
- 266 In our view there were situational factors and systemic factors.
- 267 Some of the situational factors we have already stated.
- Lack of construction and related project management knowledge on the part of the core team responsible for putting the initiative together and carrying it out. These staff are expert at administering social housing programs, but had no experience in construction.
 - Public Works staff and knowledgeable third-party experts, and legal and procurement were not brought on board or made available early enough to help identify and plan for project technical needs and risks.
 - Urgency and expediency was allowed to dominate decision making and trump adherence to sound planning and control.

- The team carrying out the project was, at the very same time, having to put together an unprecedented level of expansion of shelter spaces.
- The urgency meant that formal procurements and robust legal arrangements would likely need protracted negotiation.

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There were also some systemic issues creating challenges for the project.

- Lack of familiarity with time and materials contracting.
- No systematic approach at the City for the governance and management of major projects or frameworks to identify them. It is suggested that such a framework could be used by Senior Leadership Team to designate major projects which would invoke requirements for formal project structures, tracking, reporting, risk assessment, contracting and the involvement of procurement and legal staff.
- The City does not have an endorsed approach or policy with respect to the use of risk assessments or any type of deployment of Enterprise Risk Management.
- There are no standard procedures for vendor research and associated due diligence.
- There should be requirements for analyzing and justifying single source approvals that are more rigorous with the scale and value of the procurement.
- There should be prescribed requirements that strictly control the payment of advances
- There should be minimum requirements for formal contracting when single sourcing or when dollar values exceed defined thresholds – contracting that includes key legal protections (use of warranty, audit rights etc.).
- Project management, contract management, budgetary control and risk assessment skills should be core skills of all managerial staff.

Critical Lessons Learned

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Lessons to be learned from this project, and similar to many we have audited, is the importance of adequate planning and due diligence, rigorous project management and a having a project team with experience that aligns with the nature of the work. The initial project team lacked construction experience, which contributed to underestimating the costs and complexity of building on a contaminated site. The selection of a vendor who had no prior sales or track record in the supply of temporary shelter structures, was something the City did

not know because basic due diligence was not performed. The City then had to accept delivery of goods that did not meet Canadian and Ontario safety and building standards, which introduced unnecessary uncertainty and risk regarding product quality, reliability, delivery timelines, and post-sale support.

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Another lesson to be learned is using contractual tools consistently by City staff to protect the interests of the City of Hamilton.

- The purchase of the temporary shelter units for this project was governed solely by the City’s purchase order (POs) conditions, rather than a formal contract. In addition, of the few limited terms prescribed in the purchase order conditions, these conditions were ultimately not utilized to hold vendors accountable for delays and deficiencies.
- The general contractor (GC) was engaged under a time and materials (T&M) contract, but the contract lacked adequate provisions to control or monitor T&M costing. Compounding this issue, there was significant room for improvement in the contract with the firm functioning as the Prime Consultant (yet not specified as such in the contract), which is in our opinion, a critical oversight given their role in managing construction documentation, coordinating stakeholders, and ensuring compliance.
- The decision to proceed with a time and materials contract—especially under a tight timeline—exposed the project to uncontrolled cost escalation. Without contractual or clearly defined cost ceilings, the cost of the construction became unpredictable.

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It is acknowledged there were time pressures associated with critical needs in the community, and the fact that the Barton-Tiffany Temporary Shelter project was first- of-its-kind (in Hamilton). However, the project needn’t have overlooked or bypassed the due diligence required. These circumstances, exacerbated by the absence of formal project control mechanisms, reduced the ability to effectively manage the project, leading to the significant budget overrun, where some vendors were able to capitalize and take advantage of the urgency of the project, and the lack of sophistication in the City’s approach to its management. Weak or missing contractual terms and conditions, and the City’s lack of effective oversight and experience in this type of project planning and contracting created a permissive environment where vendors had the opportunity to “make a meal” of the project while the City and its taxpayers absorbed the financial and operational fallout.

272

On the positive side, one strength of the City that we found is the many experts, including third parties, that were eventually made available or came on board when needed, and delivered what needed to be done in a professional manner. This underscores what could have been achieved if all applicable cross-departmental staff in this project were effectively engaged/took responsibility earlier and empowered with clear accountability in this project. Legal,

procurement, construction, planning and permitting officials and project management were all well engaged. Too often, however, it was after critical decisions had already been made for this project. In some cases, departments were engaged early, but their involvement did not result in timely or meaningful action by the appropriate internal expertise.

- 273 Overall, we found that the imperative of urgency overrode the importance of due diligence and good governance. The Housing Services project team lacked experience in construction projects, which is fundamentally what this was. Although construction project expertise existed within the organization, it was not consistently engaged by the applicable department head in the early stages of the project. Thus, the project proceeded without timely construction oversight and coordination until after major commitments had been made. Later intervention by senior leadership, including Senior Leadership Team, improved the alignment and engagement of appropriate expertise.

Recommendations

- 274 Please refer to Appendix "C" to Report AUD26002 for a list of Recommendations

Conclusion

- 275 The OAG would like to thank the staff across the organization whom we interviewed and provided information for this audit.



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