

**Subject: Acquisition of 377 O'Connor Street: Transitional Housing for Families**

**File Number: ACS2026-SI-HSI-0002**

**Report to Finance and Corporate Services Committee on 3 March 2026**

**and Council on 11 March 2026**

**Submitted on February 20, 2026 by Lily Xu, Director, Housing Solutions, Real Estate and Investments Services, Strategic Initiatives Department**

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**Ward: Somerset (14)**

**Objet : Acquisition du 377, rue O'Connor: logement de transition pour familles**

**Dossier : ACS2026-SI-HSI-0002**

**Rapport au Comité des finances et des services organisationnels le 3 mars 2026**

**et au Conseil le 11 mars 2026**

**Soumis le 20 février 2026 par Lily Xu, Director, Housing Solutions, Real Estate and Investments Services, Strategic Initiatives Department**

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**Quartier : Somerset (14)**

## **REPORT RECOMMENDATIONS**

**That the Finance and Corporate Services Committee recommend City Council:**

- 1. Approve the acquisition as described in the report for the purchase of the fee simple interest in lands and premises known municipally as 377 O'Connor Street, shown as Parcel 1 on Document 1 attached, from the Albert/O'Connor Properties GP Inc. for \$45,000,000 plus applicable taxes and closing costs estimated at \$2,000,000.**
- 2. Delegate authority to the General Manager, Strategic Initiatives to enter into, conclude, execute, amend, and implement on behalf of the City, the Purchase Agreement for the acquisition of 377 O'Connor Street as described in this report.**

## **RECOMMANDATION(S) DU RAPPORT**

**Que le Comité des finances et des services organisationnels recommande ce qui suit au Conseil municipal :**

- 1. Approuver, conformément à ce qui est prévu dans le rapport, l'acquisition en fief simple du terrain ayant pour désignation municipale le 377, rue O'Connor, illustré comme parcelle 1 dans le document 1 ci-joint, de Albert/O'Connor Properties GP Inc., pour un montant de 45 000 000 \$, taxes applicables et frais de clôture en sus (estimés à 2 000 000 \$).**
- 2. Déléguer à la directrice générale des Initiatives stratégiques le pouvoir de conclure, de signer, de modifier et de mettre en œuvre, au nom de la Ville, l'accord pour l'acquisition du terrain situé au 377, rue O'Connor, comme le décrit le présent rapport.**

## **BACKGROUND**

The City of Ottawa, in collaboration with community agencies and partners, supports households across the city by providing various forms of non-market housing; these include Shelters, Supportive Housing, Community Housing and Transitional Housing. In recent years, the City's family shelter system has been under increasing strain, facing capacity challenges in addition to the broader pressures affecting the entire homelessness system.

The City of Ottawa's permanent family shelter system is currently comprised of two facilities. One facility is operated by a community agency with a capacity to support approximately 40 families. The third facility at 1 Corkstown Road is leased by the City and operates as transitional housing and has the capacity to support up to 128 families.

In addition to temporary accommodations, transitional housing provides residents with basic needs and support services. It is designed to support residents as they prepare to transition to long-term housing.

The demand for family shelter continues to rise. In August 2023, the system was serving just over 400 families; by August 2025, the number had increased by 50 per cent to more than 600. Given this demand, the City continues to place families in overflow hotels, motels, and post-secondary residences. As of December 2025, there were approximately 500 families in overflow placements and approximately 30 additional families on a waitlist for placement.

In response to the strain on the family shelter system, and as part of the longer-term sustainable strategies, Housing Solutions, Real Estate and Investments Services (HSREIS) on behalf of Housing and Homelessness Services (HHS) issued in September 2025 a Request for Offers (RFO No. 2025-97100-O01) for the purchase or lease of multi-unit accommodations for use as family transitional housing. The purpose of the RFO was to identify opportunities in the market with the intent of negotiating the lease or acquisition of a suitable building(s) to:

- Address the growing need for family transitional housing
- Reduce pressures on the overall family shelter system
- Provide better support for families experiencing homelessness
- Achieve cost savings by reducing dependence on hotel and motel contracts,
- Not remove housing units from the rental market and not displace any tenants in rental housing and
- Leverage Immigration, Refugees and Citizenship Canada (IRCC) funding

The RFO specifically sought buildings suitable for Transitional Housing for families.

## **RFO RESULTS**

Conducting an RFO ensured that the City received offers through a fair, open, and transparent process that was competitive and provided value for money. There were eight submissions, and these were evaluated against the RFO criteria and factors such as location, building capacity, property features, and probable timelines for occupancy. Based on the results, Community and Social Services Department (CSSD) selected 377 O'Connor Street as the priority property.

The property at 377 O'Connor Street is located on the southeast corner of O'Connor Street and Gladstone Avenue in the Centretown neighbourhood of Downtown Ottawa. The site is improved with an 8-storey apartment building constructed in 1991. The building is currently 100 per cent vacant and was formerly utilized as both a hotel and

long-stay apartment of 128 units ranging from studios to one, two, and three-bedroom suites. The location is well-served by public transit and local shopping and service amenities and is approximately one kilometre south of the Central Business District of Ottawa. Its acquisition has the following advantages:

- Turnkey, vacant building: The complex can be occupied almost immediately with options for modifications.
- At \$351,562 per furnished suite, 377 O'Connor represented one of the lowest acquisition costs per unit among RFO submissions that met program requirements without requiring unit consolidation. This reflects that O'Connor was among the most cost-competitive viable options, once unit size and suitability were factored in.
- Ideal number of units: The number of units is a manageable size for transitional housing and can accommodate different family sizes/compositions.
- Advantageous unit amenities: Each unit is equipped with a full kitchen (apartment size stove, refrigerator, dishwasher, microwave), three-piece bathroom and queen size bed.
- Varied unit size: The building contains 128 apartment suites which comprise 74 studios, 51 one-bedroom, 2 two-bedroom, and 1 three-bedroom suites. The option exists to combine studios and one-bedroom suites to larger family units.
- Advantageous building amenities: The building includes common areas, office administration space that can be used by CSSD staff in the delivery of services. For residents, the building features a recreation room, a banquet room, and several laundry rooms. In addition, there are two levels of underground parking with a total of 62 vehicle spaces.
- No loss of units from the private rental market: As a hotel, the conversion to a family transitional housing will not remove units from the private rental market.

The acquisition of 377 O'Connor Street will significantly reduce reliance on hotels, reducing the city's net cost per room by approximately 51 per cent for up to 128 families. This approach maximizes available federal funding, avoiding up to \$2.5 million annually in overflow-hotel costs when compared to renting an equivalent number of private hotel rooms. Based on a financial analysis and the result of site inspections, staff from the Real Estate Services Acquisition Unit were tasked to acquire the property.

## **DISCUSSION**

### **Purchase Terms and Conditions**

The property had not been actively listed for sale. The owner acquired the property in October 2020 as part of a vacant hotel portfolio in Ottawa. The portfolio was purchased for \$79,400,000, with \$20,900,000 allocated to 377 O'Connor and \$58,500,000 to 435 Albert Street (Albert at Bay Suites). It was reported by the owner that the consideration listed for each property was based on internal accounting requirements and not market conditions. After assuming ownership, the owner made significant capital investment in converting the building from the former hotel use to the current apartment use. In the RFO submission, the owner specified an asking price of \$50,000,000 based on a stabilized operation as a furnished fully tenanted apartment building. To support this price, the owner provided an appraisal from a third-party consultant with an estimated market value of \$50,100,000.

Realty Services Staff inspected the property together with staff from the Environmental Remediation Unit (ERU) as well as staff from Recreation, Cultural and Facility Services (RCFS), Community and Social Services (CSSD), Infrastructure and Water Services, as well as external appraisal and environmental consultants. Given the age and recent renovation, the property was considered to be in good condition. The City's Valuation Unit completed an internal appraisal, estimating a market value range of \$41,000,000 to \$43,000,000. This value range was based on the proposed use as a furnished apartment but considered an adjustment for a lease up period to reach a stabilized occupancy. The market value estimate was shared with the owner as part of the negotiation process.

To comply with the City Acquisition Policy, a second appraisal was commissioned from a third-party consultant. The external appraisal provided a market value estimate of \$41,300,000, based on the property functioning as a furnished apartment building under stabilized occupancy. Similar to the Valuation Unit appraisal, this value estimate considered an allowance (deduction) to obtain a stabilized occupancy. A copy of the report was shared with the Owner.

The three appraisals established a market value range of \$41,000,000 to \$50,100,000. Each appraisal was completed using similar methodologies but with different assumptions over the allowance (deduction) for a lease up period to reach a stabilized occupancy.

Negotiations continued with the City presenting its first written offer December 19, 2025. After several offers and counter offers, a negotiated price of \$45,000,000 was finalized

January 21<sup>st</sup>, 2026. This price is approximately 5 per cent to 9 per cent above the City's appraised values and 10 per cent less than the vendor's asking price. Staff support the final negotiated price given that the property carries benefits to the City being vacant and ready for occupancy with fixtures and chattels in place.

The purchase agreement is subject to conditions including an Environmental Site Assessment, a satisfactory review of Title and approval by Ottawa City Council. Asset Management Services (AMS) reviewed a Building Condition Audit (BCA) from 2020 provided by the owner, and the information was collaborated with site inspections. The report was deemed reliable by AMS, and a separate BCA was not deemed necessary as a purchase condition.

The purchase agreement requires the City to provide a deposit of \$450,000 within ten business days following signoff. If the agreement is not supported by Ottawa City Council, the deposit will be returned to the City.

Recommendation 1 of this report is to approve the acquisition of the property for \$45,000,000 plus applicable taxes and closing costs estimated at \$2,000,000.

The purchase agreement has been negotiated subject to approval by City Council or its Delegated Authority. Upon Council approval of the recommended acquisition, the APS will be finalized within two weeks. To complete the transaction in a timely and efficient manner, Recommendation 2 is for Council to delegate authority to the General Manager, Strategic Initiatives, to execute and conclude the Agreement on behalf of the City.

Following the property transaction, occupancy is anticipated to commence as early as Q3 2026 following proper preparation of the units and facility. CSSD plans to activate the site in a phased approach allowing for minor fit ups and renovations to be completed.

## **FINANCIAL IMPLICATIONS**

The property acquisition will be fully funded through the Federal Interim Housing Assistance Program (IHAP), leveraging the 95 per cent cost share agreement provided through the IHAP 2025-2027 program and previously allocated IHAP funds. This enables the City to secure a long-term asset at no direct cost to the municipal tax base while simultaneously reducing dependence on external and higher cost accommodation options, such as hotels.

The updated IHAP Program Directives introduced the following cost-sharing requirements:

Fiscal Year (April – March)	Municipal Contribution if “Sustainable and Cost-Effective”	Municipal Contribution if not “Sustainable and Cost-Effective”
2025-2026	5 per cent	25 per cent
2026-2027	25 per cent	50 per cent

The 2026–2027 cost-sharing changes take effect April 1, 2026. By completing the acquisition before April 1, the City can secure the 95 per cent federal cost-sharing rate before it drops to 75 per cent. This purchase represents a sustainable and cost-effective approach compared to ongoing hotel use or leasing, as it aligns with the updated IHAP Program Directives to qualify for maximum funding.

The purchase option provides net cost reduction of 51 per cent per room and avoids up to \$2.5 million annually in overflow hotel costs when compared to renting an equivalent number of private hotel rooms. This cost reduction factors in the annual operating costs of the new facility, including \$1.3 million in maintenance and \$1.5 million in staffing costs. This option minimizes both the City’s capital exposure and its long-term operating expenditures, providing a fiscally responsible solution aligned with current budget pressures.

### **LEGAL IMPLICATIONS**

There are no legal impediments to implementing the recommendations of this report.

### **WARD COUNCILLOR COMMENTS**

The subject property is in Ward 14 Somerset. The Ward Councillor, Ariel Troster, is aware of and supportive of the purchase.

### **CONSULTATION**

This property acquisition is in support of the Integrated Transition to Housing Strategy, approved by Council on November 12, 2025 (ACS2025-CSS-GEN-014) and is informed by ongoing consultations on both the 10-year Housing and Homelessness Plan Refresh and the Family Homelessness Strategy. It also supports transitional housing goals noted in the council approved, Housing Service Long-Range Financial Plan (ACS2024-FCS-FIN-0011).

Should the purchase be successful, Housing & Homelessness Services would work with community partners to identify potential supports to be made available onsite, and to

advise and collaborate with surrounding community services regarding potential increases in demand services (e.g. school enrolment, transit, employment service, etc).

### **ACCESSIBILITY IMPACTS**

Any renovations, retrofits or developments on the site, would be implemented according to the Integrated Accessibility Standards Regulation, 191/11 (IASR) of the Accessibility for Ontarians with Disabilities Act, 2005, (AODA) in addition to following the requirements of the City's Accessibility Design Standards (ADS), where applicable.

The programs and services contemplated for the site will also align to the commitment of the City of Ottawa's Accessibility Policy and ensure equal treatment to people with disabilities with respect to the use and benefit of City services, programs, goods, facilities and information.

### **ASSET MANAGEMENT IMPLICATIONS**

The recommendations documented in this report are consistent with the City's Comprehensive Asset Management (CAM) Program objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally, and economically conscious manner.

When the City commits to the acquisition of new assets, consideration must also be given to the City's commitment to fund future operations, maintenance, and renewal costs. It must also account for future depreciation when reviewing long-term financial sustainability. When reviewing the long-term impacts of asset acquisition, it is useful to consider the cumulative value and lifecycle costing of the acquired assets being taken on by the City. If approved for acquisition, the building at 377 O'Connor Street would be added to the inventory of assets and financial forecasts included under the Community & Social Services Asset Management Plan (AMP). As such, this acquisition carries long-term lifecycle funding obligations including operations, maintenance, capital renewal, and eventual recapitalization.

Asset Management Services (AMS) have toured the building and conducted a review of a Building Condition Audit (BCA) provided by the owner. AMS has confirmed that the building is well maintained and in good condition, with no major deficiencies observed.

Upon acquisition of the property, AMS has recommended that a comprehensive Type II BCA is commissioned by the City to understand all long-term repair requirements. Additionally, a focused structural review should also be completed to determine all short-term repair requirements. Preliminary estimates identify approximately \$500,000 in near-term parking structure repairs and approximately \$715,000 in additional capital requirements over the next ten years.

## **ENVIRONMENTAL IMPLICATIONS**

The City's Environmental Remediation Unit (ERU) has completed environmental screening in support of acquiring 377 O'Connor Street. Environmental screening included a review through the City's Historical Land Use Inventory (HLUI), review of proximity of the Subject Lands to known former landfills and/or risk management areas, review of ERU files and available aerial photography. Based on requirements of City's property acquisition policy, ERU also hired a qualified consultant to complete a Phase One Environmental Site Assessment (ESA) under agreement with the current owner (completed in December 2025). The Phase One ESA did not identify any significant areas of potential environmental concern (APECs), and a Phase Two ESA was not recommended prior to acquiring the lands.

Some additional ESA work may be required to obtain a Record of Site Condition (RSC) for transition of the existing facility (the former hotel) into temporary housing (residential land use). If required, subsequent work (i.e. Phase Two ESA) to obtain an RSC would be completed after City has acquired the property.

## **DELEGATION OF AUTHORITY IMPLICATIONS**

The purchase agreement has been negotiated subject to approval by City Council or its Delegated Authority. To complete the transaction in a timely and efficient manner, Recommendation 2 is for Council to delegate authority to the General Manager, Strategic Initiatives to execute and conclude the Agreement on behalf of the City.

## **INDIGENOUS, GENDER AND EQUITY IMPLICATIONS**

The Ottawa Transitional Housing Program Standards, updated and approved by Council in February 2021, govern the operation of Transitional Housing Facilities. Specifically, Section 10.5.5 speaks to Indigenous Policy Considerations, and Section 10.5.4 speaks to LGBTQ2S Residents service requirements.

## **RISK MANAGEMENT IMPLICATIONS**

There are risk implications in the acquisition of this property. These risks have been identified and explained in the report and are being managed by the appropriate staff.

## **RURAL IMPLICATIONS**

There are no rural implications in this report.

## **SUPPORTING DOCUMENTATION**

**Document 1 - Property Sketch of 377 O'Connor Street**

## **DISPOSITION**

Following approval by Council, Legal Services, and Housing Solutions and Investment Services staff will implement the recommendations in this report.

*Note: A correction was made to this report further to the City Clerk's Delegated Authority, as set out in Schedule C, Section 9 of Delegation of Authority By-Law 2025-69, page 6 of the report was corrected to revise the amount from \$1,100,000 to \$2,000,000 as stated in recommendation 1, the correct number has been underlined on page 6.*

Document 1 - Property Sketch of 377 O'Connor Street

