



# University of Toronto

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## OFFICE OF THE VICE PRESIDENT BUSINESS AFFAIRS

TO: Business Board

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DATE: March 9, 2006 for March 27, 2006

AGENDA ITEM: **5(b)**

### **ITEM IDENTIFICATION:**

**Ancillary Operations: Real Estate 2005-06 Operating Results and 2006-07 Budget**

### **JURISDICTIONAL INFORMATION:**

Business Board reviews and approves the annual budget of the Real Estate Unincorporated Business Ancillary.

### **PREVIOUS ACTION TAKEN:**

Annual budget for 2005-06 was approved by Business Board on April 4, 2005.

### **HIGHLIGHTS:**

The Real Estate Department is responsible for managing real estate, executing real estate transactions, developing policy for the strategic use of university property and acting as a resource for senior officers on real estate matters. The department has been involved in a variety of matters relating to lease negotiations, possible sale of property and negotiation with the City of Toronto on real estate related matters.

### **FINANCIAL AND/OR PLANNING IMPLICATIONS:**

The majority of the commercial leases in the Medical Arts Building terminate on June 30, 2006 with the exception of six ground floor retail leases which are expected to remain indefinitely, plus a number of commercial leases continuing under renewal options. The ground floor and any other commercial leases will continue to be managed by the Real Estate Ancillary. The remainder of the building will be used for institutional purposes; as a result, general university funds will take over the annual debt service payments of \$1.2 million effective May 1, 2006. During this year, a new agreement has been signed with the City of Toronto for grants in lieu of property taxes. An equivalent of property tax is payable on properties not used for institutional purposes and that generate revenue.

The new agreement confirms that taxes are not payable on faculty housing. Loans taken from the operating fund over the years for the creation of faculty housing apartments and for the capital renewal of the residential properties have been formalized this year and the interest rate has now been fixed whereas it was previously variable.

The Ancillary and the University is conducting a strategic review of the University's properties to determine if their use is meeting the needs of the University.

**RECOMMENDATION:**

It is recommended that the Business Board approve the operating budget for the Real Estate Ancillary for 2006-07, as contained in the fourth column of the five-year operating plan.