



University of Toronto

OFFICE OF THE VICE PRESIDENT BUSINESS AFFAIRS

TO: Business Board

SPONSOR: Catherine J Riggall, Vice President Business Affairs
CONTACT INFO: 416.978.7473 e-mail catherine.riggall@utoronto.ca

DATE: March 17, 2005 for April 4, 2005

AGENDA ITEM: 6

ITEM IDENTIFICATION:

Ancillary Operations: Real Estate – 2004-05 Operating Results and 2005-06 Budget

JURISDICTIONAL INFORMATION:

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

PREVIOUS ACTION TAKEN:

Annual budget for 2004-05 was approved by Business Board on April 14, 2004.

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 related to lease negotiations, possible sale of property, and negotiations with the City of Toronto on real estate related matters. No major acquisitions occurred in 2004-05, but significant time was spent on management of the existing real estate portfolio.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The majority of the commercial leases in the Medical Arts are expected to terminate by June 30, 2006. The building will be used for institutional purposes going forward. Due to the termination of leases, the building will not be cash flow positive during fiscal 2006 after debt service costs. The Real Estate Ancillary will require a transfer from general university funds to meet the expected shortfall of \$84,000. General university funds will take over the debt service payments in full effective May 1, 2006.

The remainder of the operating loss anticipated for 2006 is due to operating results of the tenanted residential housing and the faculty housing program. This is as a result of capital renewal major maintenance required that cannot be deferred. Capital renewal major maintenance is being expensed in full in the year incurred as this is the common accounting practice for other ancillary operations of the University. However, the Board should note that the capital work planned has a useful life of 15 – 20 years.

The Ancillary will be conducting a strategic review of the residential properties to determine if their use is meeting the needs of the University. We will also be examining an acquisition strategy to support the academic plan.

RECOMMENDATION:

It is recommended that the Business Board approve the operating budget for the Real Estate Ancillary for 2005-06, as contained in the fourth column of the five-year operating plan.