

Real Estate Strategy for University of Toronto St George, Mississauga & Scarborough Campuses



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NOT FOR SALE: 700 acres of prime Toronto real estate

Three separate properties. Downtown property located in prime condo area.
Beautiful park setting. Serviced by three subway lines, close to Queen's Park.
Scarborough property is on a ravine, close to 401 and with direct access to transit.
Mississauga property is located in a very desirable residential neighbourhood, also
on a ravine. Over 196 buildings included, with an interesting and attractive mix of
award winning architecture and heritage buildings.

Total price \$4 billion

Executive Summary

A significant aspect of the student experience, sometimes overlooked, is the importance of the physical environment, including buildings, classrooms, athletic and recreational facilities, food service areas and grounds. Long after graduation, when the course content has been forgotten, memories of specific locations and events will linger on, creating a positive memory of the university experience.

The University of Toronto's real estate assets are a critical component to achieving the University's academic mission. However, the importance and potential of these assets has long been under valued. One aspect of this was documented in the "Crumbling Foundations" Report in 2002 which reported on the state of the deferred maintenance at the University due to the lack of funding. The second element of this neglect has been the lack of a comprehensive and strategic approach to real estate at the University.

Historically the real estate strategy of the University of Toronto can be at best described as "ad hoc". In 1995, the focus of the approved strategy was solely on the St. George Campus' North West Quadrant (Huron Sussex area) which permitted the purchase of residential buildings within the authority of the President. Other acquisition decisions have been made on an opportunistic basis without the benefit of an overall context. Some opportunities, such as the site at the Centre for Addiction and Mental Health (CAMH), have been missed. Some acquisitions have resulted in buildings standing empty for months pending planning and renovations prior to occupancy.

This document seeks to develop the University of Toronto's real estate strategy from three perspectives. The strategic questions that have been posed are:

- Have we the land and facilities to meet the University of Toronto planned growth?
- Are we leveraging the value of the University of Toronto real estate assets and maximizing the return on these assets?
- Are we managing our real estate assets in the most effective and professional manner?

This strategy is not a campus master plan, capital plan nor funding plan. It is intended to set out some strategic options and future directions for the management of the University's extensive real estate assets. It is also intended to provide the basis for further in-depth discussions about enrolment growth and uses of space and facilities.

Key Findings

There is a significant shortage of space and facilities for all three campuses. To meet the projected 2011 enrolment levels and Council of Ontario University ('COU') standards, the additional facilities required are:

- UT St. George – 177,800 NASMS or 3.5 million gross sq. ft or the equivalent of four Robarts Libraries.
- UT Mississauga -27,715 NASMS or 547,000 gross sq. ft. or the equivalent of five new Hazel McCallion Centres.
- UT Scarborough -22,050 NASMS or 435,000 gross sq. ft. or the equivalent of six Arts & Administration buildings.

It is clear that the St. George campus has a critical shortage of land and development sites. However, located in the downtown core, there are opportunities to purchase existing commercial buildings, albeit at a significant cost. 500 University was one such example. Without such acquisitions, it will become necessary to limit growth on the St. George campus. The other campuses still have some land for expansion.

Another factor impacting the question of sufficient facilities is the shift in enrolment to graduate levels. Graduate students require up to three times more facilities per person than undergraduates. There is an associated increase in the demand for research facilities which is particularly pertinent for the St. George campus where the bulk of the graduate enrolment increase will occur. At the same time, the research environment is changing and becoming more complex and multi-disciplinary. The conversion or re-purposing of existing buildings to fit the evolving research requirements is difficult and costly.

The use/need for space and facilities is driven primarily by student enrolments. While the current planning horizon is based on a rolling six years, this lead time is too short. In order to acquire land, obtain planning approvals, design and build, a 10 –15 year time frame would be more appropriate, especially considering the urban density surrounding the three campuses. In reality, UT Mississauga and UT Scarborough are land locked due to the surrounding residential properties. Their only option is to expand by increasing the existing density and heights. While UT St. George can migrate beyond its current boundaries, the costs will be huge as there is well developed competition for the commercial space.

The University owns nearly 700 acres of land in the Greater Toronto Region, of which 25 per cent is in Toronto's downtown core. The value of this land and buildings represents a huge portfolio – larger than many REITs. These assets are significantly more valuable than the University's endowment fund and should be managed with the same due diligence, professionalism and rigor as the University's financial assets. It cannot be said that this is currently the practice.

The objective of the Real Estate Ancillary, established in 1999, was to be self sufficient and self-funding as are other University Ancillary groups. It was believed that this organizational structure would encourage a more systematic and businesslike approach to real estate management. This has not occurred. Instead the focus has shifted to an operating role – managing long term tenants' issues, directing property managers and commercial lease management. Some

of these functions are suited to the Ancillary but others are not. The departure of the Director and business officer has provided an opportunity to review and re-position the Ancillary's role.

Conclusions

The University's facilities requirements, to meet the 2011 enrolment projections, are huge, if one uses the COU generated standards as the target. The existing construction activity, which the campuses have undertaken in the past several years, needs to continue. Just to maintain the existing COU standards will require a significant level of building.

To maximize the use of existing lands, creative solutions will have to be found to repurpose existing buildings, or demolish and rebuild with more efficient use of sites. A process needs to be implemented to evaluate whether to continue renovating or to demolish and replace those buildings which have deteriorated to a substandard quality. Formal criteria evaluating the decisions need to be an integral part of the process. In order to fund these activities, an examination of ways to maximize the value of the University's existing land holdings must occur. There are opportunities, but additional real estate expertise is required to maximize the returns.

The lack of a very long term strategic plan for the University impedes longer term space and real estate planning. The proposed vision 2030 document will help address this gap and permit further dialogue about the space needs of the campuses. In the interim, the continuation of the existing ad hoc decision process is hindering the acquisition and divestiture decisions and constrains the University's ability to act nimbly in the event opportunities do arise. There is a need for real estate expertise to provide the strategic direction and for industry knowledge to assist the University to leverage the value of the University's real estate assets and maximize the return from these assets.

Strategic Options

In terms of considering the strategic real estate options available to the University, there are at least two options: continue with the status quo, or enhance UofT's expertise to unlock real estate values. These options are outlined below.

Status Quo

The 'status quo' option means continuing to respond to acquisition and divestiture opportunities on an ad hoc basis with limited criteria in place upon which to evaluate our decisions. This approach is not recommended for the following reasons:

- i. There is a continuing need for operating and capital funds to maintain the properties/real estate holdings in question. Spending money on facilities that are not required for academic purposes in the immediate or

- longer term reduces the University's ability to accomplish its core academic mission;
- ii. Pressure for additional space especially on the St. George campus requires innovative solutions now;
 - iii. There are numerous potential real estate transactions in the various formative states. They require real estate expertise to negotiate and successfully conclude;
 - iv. Revised Master plans require the strategic context upon which to build the detailed plans;
 - v. Discussions with the City planners about the revised Master Plans are about to commence. There is a need to have a comprehensive understanding of the campuses' future space requirements.

Enhance UofT's expertise to Leverage the Real Estate Values

The other option is to build on our strength. The University of Toronto has an excellent opportunity to realize some of its capital which has historically been tied up in real estate assets. By monetizing this passive capital, funds could be re-allocated into other areas such as reduction of deferred maintenance, construction of new buildings or land acquisition. In order to accomplish this goal and maximize the values, it would be in the best interests of the University to partner with recognized real estate expertise. This must be done in a way that minimizes the risks associated with this approach. These risks include a potential lack of understanding of the differences between a real estate development culture and the University of Toronto culture, community, concerns about the commercialization of the campus and concerns about selling legacy assets.

Recommendations

In order to implement a strategy of unlocking real estate values, there are some actions which should be taken to ensure its success.

- Establishment of a Real Estate Advisory Board consisting of 3-4 recognized real estate executives. The role of this group would be to act as a sounding board providing real estate industry perspectives and expertise.
- Recruit a senior level executive with extensive real estate development expertise to focus on the strategic use and development of the University's real estate assets. This is a refocusing of the role of the Chief Capital Projects Officer's position.
- Streamline the real estate approval process by authorizing the administration to purchase properties that meet specific criteria.
- Change the mandate of the Real Estate Ancillary by:
 - Having it focus only on the residential housing

- Transferring revenues and expenses of leased premises to relevant faculty;
 - Providing lease/licence administration and accounting services as a central function.
- Expand the University's planning horizon to at least twenty five years, projecting growth and space needs so that the need for land acquisition can be assessed and longer term strategies developed.
 - Implement the proposed Real Estate Guidelines (details attached) covering:
 1. Rental of Space from Third Parties
 2. Rental of Space to Third Parties (licence to use)
 3. Land Acquisition & Divestiture

The University's land, buildings and related facilities form an essential part of the student experience. These assets are critical to achieving the University's vision to be a leader among the world's best public teaching and research universities in the discovery, preservation and sharing of knowledge. Without sufficient space and the right facilities, used effectively, the *creation of a world class infrastructure, supporting a world class university*, cannot be achieved.

Background

The real estate strategy for the University of Toronto has not been reviewed or updated since 1995. The 1995 Real Estate strategy did not address the needs of all three campuses but focused very narrowly on the North West St. George campus. Subsequent acquisitions, such as the Medical Arts Building, 89 Chestnut, or 500 University, were completed on an opportunistic and ad hoc basis. A long term or strategic view was not in place to provide the context for these various purchases. Instead the short term need was identified and solved. Other opportunities were also passed up in the absence of a strategy.

The three campus Master Plans, which were completed in the early 2000's, are already out of date, as the enrolment projections have dramatically exceeded the most optimistic assumptions. Current enrolment projections are based on a six year rotation and look out only to 2011.

Concurrent with these developments, the City of Toronto has recently approved a new Official Plan. The objectives of this plan have significant implications for new development especially in the downtown core. The preservation of neighbourhoods and intensification along arterial routes are but two overriding themes of the City's new plan. The University of Toronto Secondary Plan which remained unchanged from the previous Official Plan requires new consideration in terms of future development needs.

The planning for the intake of the double cohort, in the 2003/4 academic year, resulted in significant new construction at all the campuses. Now the priority is to provide the right mix of space to handle the increase in the Graduate programs as the double cohort moves through its education life cycle. In light of this continuing expansion, an in-depth review encompassing a more holistic approach to real property assets is required to update the strategy.

Scope of This Report

The report is not a replacement for new Master Plans. New master plans for St. George, Mississauga and Scarborough campuses are required in order to reflect the sustained increase in both undergraduate and graduate enrolments. The strategy articulated in this document is to be viewed in conjunction with the new Master Plans and will provide some additional context upon which the Master Plans can evolve.

Physical space, in the form of land, is at a premium at all campuses. Mississauga and Scarborough campuses have more flexibility given their pools of undeveloped sites. St. George campus has currently only 9 undeveloped sites located within the campus boundaries. These sites are challenging to build on and, given their less than ideal shapes, will cost more to develop than less constrained spaces.

This strategy will outline the various strategic options available to the campuses and provide some recommended policies for consideration. This strategy is not a capital plan or funding strategy. It assumes that the options articulated will only be implemented when the funding is available or can be generated.

This strategic review will address three fundamental questions:

- Have we the land and facilities to meet the University of Toronto planned growth?
- Are we leveraging the value of the University of Toronto real estate assets and maximizing the return on these assets?
- Are we managing our real estate assets in the most effective and professional manner?

Current Situation

Current strategy – acquisition and divestiture procedures

Over the years, the University has endorsed several policies to guide the sale or development of University property and the acquisition of additional properties. The genesis of the current Real Estate Strategy was adopted by Governing Council in 1995 and centered on the subject of property acquisitions *surrounding* the St. George campus.

The 1995 Real Estate strategy authorized the further acquisition of single-family housing properties in the northwest quadrant of the campus – known as the Huron-Sussex Area - within the President's authority. While plans initially called for a more broad-based policy encompassing opportunities outside the defined boundaries of the St. George campus – roughly Bloor, Spadina, College, and Bay Streets – the decision made at the time focused the strategy solely on this northwest quadrant, with a proviso that such purchases be funded from the proceeds of sale of mostly outlying properties, not currently in University use, which were deemed surplus to University needs.

Real Property Acquisitions since 1995

In short order it became evident that this sole focus on the Huron-Sussex area was too narrow and the conditions of funding too onerous to expand the horizon further. Despite that focus, opportunities on a larger scale did arise and the University did proceed to exploit those when possible. Among the numerous recent purchases or sales approved by Governing Council that went beyond the criteria of the original policy were:

- a student/family housing complex at 30/35 Charles Street West purchased for \$20.4 million;
- negotiation of a ground lease of land at UTSC for a Centennial College campus, capitalized and pre-paid at \$9.3 million;
- an office building at 500 University Avenue purchased for \$15.6 million;

- the Medical Arts Building at 170 St. George Street purchased for \$14.05 million;
- a complex of properties at College and McCaul Streets formerly comprising the headquarters of the Toronto District School Board purchased for \$17.0 million; and
- the former Colony Hotel for conversion to a student residence purchased for approximately \$72 million.

Current Real Estate Holdings

Land Area and Buildings:

The University of Toronto is one of the largest landowners in the Greater Toronto Area. Figure 1 below indicates that as of 2005 the University of Toronto owned 196 buildings totaling 659,547 net assignable square metres (NASMs) or 1,244,630 gross square metres (GSM's). The Federated Colleges and Massey would increase the area by approximately 15%.

Figure 1 – Number of Buildings and Square Metres

Campus	No. of Bldgs.	Net Assignable Sq. Metres (NASM)	Gross Square Metres (GSM's)
St. George	112	525,877	994,089
Leased St. George	7	4,746	7,182
Scarborough	33	57,399	102,738
Mississauga	44	71,525	140,621
TOTAL UNIVERSITY	196	659,547	1,244,630
Federated Colleges and Massey	53	100,388	189,205
GRAND TOTAL =	249	759,935	1,433,835

UofT *Facts & Figures* Booklet - 2005

NOTE: Excludes Huron/Sussex properties.

All of the above buildings are located on a significant amount of acreage which breaks down as follows:

St. George Campus	=	51.3 hectares (126.76 acres)
Federated Colleges	=	17.3 hectares (42.75 acres)
Scarborough	=	121.5 hectares (300.24 acres)
Mississauga	=	<u>90.2 hectares</u> (222.89 acres)
Total	=	280.3 hectares or 692.63 acres

Both Scarborough and Mississauga have a significant land mass however, due to ravine flood plains and local conservation authorities, a large part of the acreage is deemed non-developable. The breakdown is shown in Figure 2 below:

Figure 2 – Land Area for Scarborough and Mississauga

	Gross Acreage (Hectares)	Non- Developable Acreage (Hectares)	NET DEVELOPABLE LAND (Hectares)	Utilization Rate
Scarborough	121.5	98	23.5	(19%)
Mississauga	90.2	6	84.2	(93%)

All three campuses are adjacent to residential neighborhoods and our experience over the last several years of expansion illustrates that a great deal of sensitivity and community consultation is required when undertaking new developments of any significance on any of the three campuses. All areas have strong residential associations and active local councilors which have created challenges for the University.

Can We Meet the Demand?

UT St. George Campus

The University of Toronto St. George Campus is bounded, for the most part, by Bloor, College and Bay Streets and Spadina Avenue. Some university property falls outside these boundaries including the recently acquired Toronto Board of Education properties south of College St., 89 Chestnut, 500 University and OISE-UT and Social Work on the north side of Bloor, to name a few. This precinct also includes a number of properties owned by and used for other institutionally purposes, such as Queen's Park, ROM, RCM, CAMH, and the Federated Universities, as well as private residential dwellings in the Huron-Sussex area.

The Council of Ontario Universities (COU) has set targets for the amount of space required for various academic and administrative purposes. The standards are used by all Ontario Colleges and Universities for planning and reporting purposes and provide a sector wide benchmark for comparing space across the system. This document will use these standards as the reference for assessing how much space is needed in the future and how we compare today.

Existing Overall Space

The St. George campus, including the Federated and affiliated colleges, consists of an inventory of 1,040,222 NASM's as at 2006. This inventory is segmented as 51% institutional and 49% non-institutional. Most of the non institutional space is classified as Other Non-Assignable Area which includes circulation areas, parking areas, public washrooms and central utility plant, mechanical, electrical and janitorial areas.

The breakdown of institutional/ non-institutional has remained unchanged from 2004. The functional breakdown of institutional space is shown on Figure 3. Based on the current enrollment of 45,621 students (using July 2006 total Fall Full Time headcount), the St George campus has 78.8% of the space it needs, a slight improvement from 78.2% in 2004. This includes inactive-assignable space which is defined as space deemed to be available for immediate occupancy but not yet assigned to a specific group.

Figure 4 compares the St. George campus to other Ontario peers. UofT's percentage of 78.2 is in line with McMaster, Western but slightly behind Queens and Waterloo. The Mississauga and Scarborough campuses are well below their peers and the system average. Overall the COU system average in 2004 was 73%.

In terms of NASM's per student, the St. George campus's ratio of 11.51 students per NASM's, exceeds the

Figure 3

Actual 2006 Inventory (NASM)
by Functional Area
(UT St. George Campus)

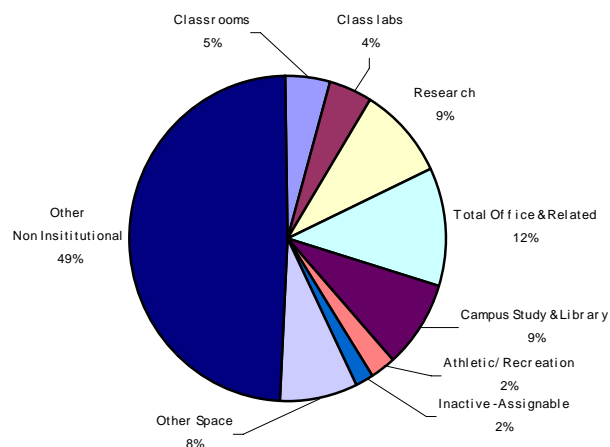


Figure 4

Comparison to Ontario Peers
2004

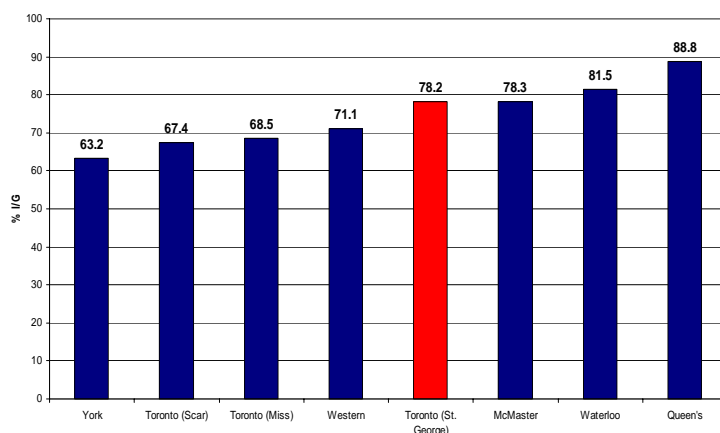
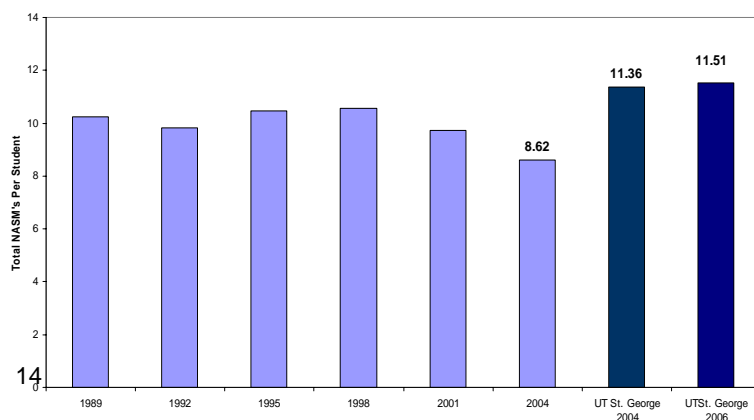


Figure 5

UofT St. George vs.
System Trend



system average of 8.6 (the latter based on 2004 data). Figure 5 indicates the system trend since 1989.

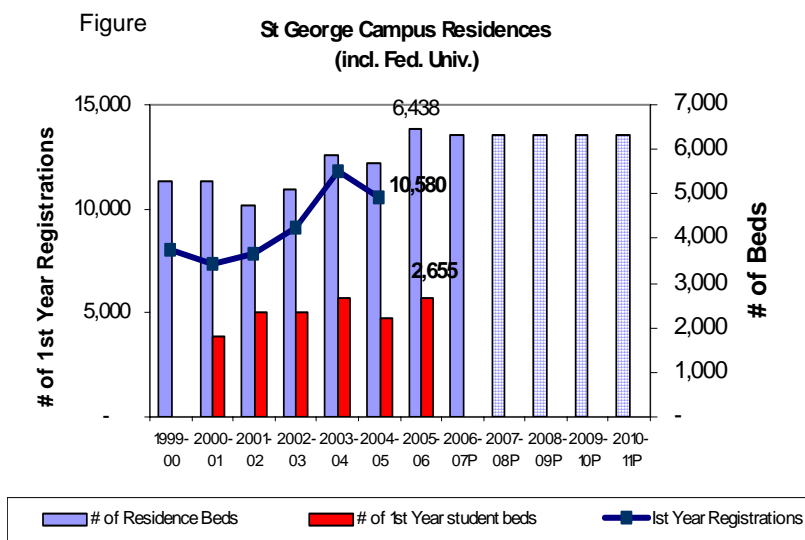
Based on the current 2006 enrolment level, the St. George campus would require an additional 141,367 NASMs, which translates to 2,738,973 gross sq. feet of additional space in order to achieve the COU standards (100%).

Residence Space & Capacity

For many students, a residence experience is a defining part of the student experience. The University of Toronto has recognized the importance of that experience and implemented a guarantee that any first year student who applies will get a residence space. The St. George campus has a large supply of residence beds, as indicated in Figure 6.

The current level of 6,438 beds provides accommodations for approximately 14% of the total St. George enrolment. The

number of first year beds at 2,655 provides accommodations for approximately 22% of the first year registrations. The percentage of first year students in residences has decreased from a high of 29.8% in 2001 to a low of 21% in 2004. It appears that the first year residence guarantee has been met by a combination of new residence construction and by reducing the number of beds available for the upper level students. Increasing the enrolment of international students will also increase the demand for residence beds. However, there are no further plans to increase the number of beds at this time on the St. George campus. For upper level students, there is a significant supply of student housing within the downtown city core which helps meet the demand.



Other Institutional Land Holdings (in proximity to St. George Campus)

Within the City of Toronto, the University has purchased various properties over the years which are in close proximity to the University but beyond the area covered by the master plan. The University currently owns an additional 6.5 acres of institutional space within the downtown core representing an estimated value of \$170 million (based on the 2005 CVA's). A detailed property listing can be found in Appendix 4. A majority of the "downtown core" properties (11 out of 16) are currently being utilized as Faculty offices, student residences or administration space.

Given the severely constrained development sites “on campus”, any expansion of the University will have to occur beyond the Bloor, College and Bay Streets and Spadina Avenue boundaries. In fact the purchases of 500 University, 30/35 Charles Street and 89 Chestnut reflect this requirement to expand beyond the University’s traditional boundary lines.

The North West Quadrant (Huron Sussex) is a unique area with its specific issues. The University owns a significant number of the residential properties in the area.

Certain other lands are owned within the City of Toronto. These include the Sunnybrook lands, the President’s residence at 93 Highland Avenue and industrial/institutional space at 4925/5001 Dufferin St. With the exception of the Dufferin Street properties and a portion of Sunnybrook, these sites do not represent any institutional development opportunity.

Other Land Holdings – Leased from 3rd Parties

In addition to its land holdings, the University of Toronto leases thirteen different locations from third party lessors, totaling approximately 5,217 NASMs of space. Total lease payments to third party lessors are \$1,375,000 per annum. Some rents are paid directly by the lessees, such as UTAM, UT Press etc. Three locations, totaling \$180,528 per annum are paid to affiliated colleges such as Knox and Massey. A significant number of the tenants are administrative units which could be consolidated if space were available. Appendix 7 provides a detailed listing of all the leased properties.

Available Future Development Space

Under the previous Secondary Plan, there were approximately 31 development sites that had been approved by the City on the St. George campus. Numerous sites have been utilized to accommodate the increased facilities built for the double cohort and increased research needs. Nine approved development sites remain available on the St. George Campus and others, including the Board of Education warehouse and OISE-UT properties have great potential for institutional expansion and must, therefore, be assessed for development potential and included in the University of Toronto Area Plan.

The remaining undeveloped sites are re-developable on the St George campus:

- 1) Site 1 (371 Bloor Street West - UTS)
- 2) Site 6 (100 St. George Street - Sidney Smith Hall south tower)
- 3) Site 7 (1 Spadina)
- 4) Site 9a (50 St. George Street — former Nursing building)
- 5) Site 10 (47-55 St. George Street — south of Knox College, parking lot)

- 6) Site 11(91-97 St. George Street - south of Rotman School, parking lot)
- 7) Site 12 (100 Devonshire Place — vacant site)
- 8) Site 14 (88-112 College Street — Banting and Best Institutes)

Based on existing planning guidelines, the development of these sites will add approximately 85,078 NASM's to the University's existing inventory. Depending on several variables such as building design, location, enrolment mix, etc., this space could provide capacity for approximately 7,210 additional students, using the 2004/5 ratio of 11.5 NASM/student FTE and assuming the retention of the UofT's current space rating of 78.1%.

The upcoming review of the campus master plan will take into account the possibility and desirability of rebuilding on a number of existing sites. Other sites may also be identified for future redevelopment, but major expansion within the St George campus precinct is limited.

Growth Scenarios – St. George Campus

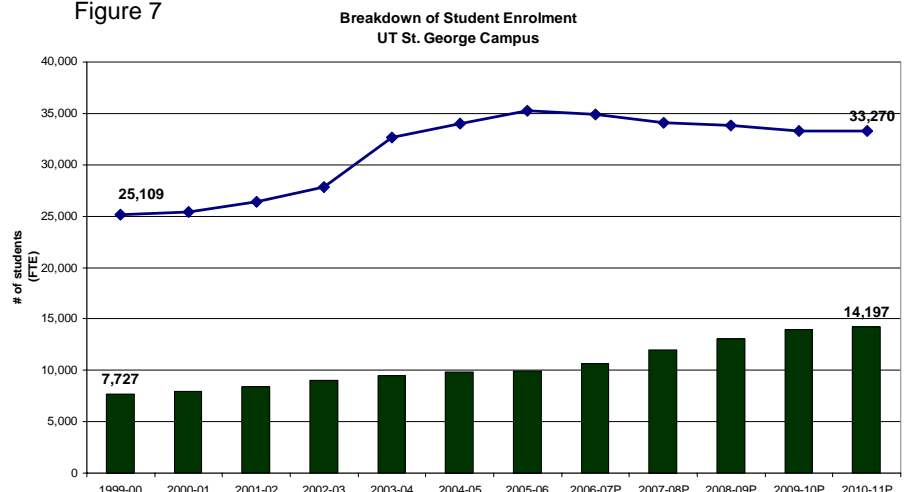
Based on the July 5 2006 headcount analysis, the St. George campus is

projected to grow to an enrolment of 47,467 FTEs by 2011. Figure 7 demonstrates the breakdown of 33,270 undergraduates and 14,197 graduate students. The growth rate for undergraduate enrolment is projected to decrease by 1.1% compounded annually. Graduate enrolment is projected to increase by 7.5% compounded annually. The latter

enrolment reflects the Government's priority to increase the number of graduate spaces, as well as a goal by the University to change its student mix by increasing its percentage of graduates to 20%-25%. This percentage would reflect a move towards meeting its research goals and bringing UofT into line with its AAU peers.

Using enrolment as the prime driver of space requirements, Figure 8 indicates the COU requirements based the enrolment levels. For the projected 2011 enrolment of 47,467 FTEs, COU standards calculate a requirement of 703,106 NASMs or 14.81 NASMs per student. Assuming St. George's current inventory level of 525,302 NASMs, the gap would be 177,804 NASMs or approx. 3,510,000

Figure 7



Source: Planning & Budget Office – June 5 spreadsheet

gross sq. feet. The resulting percentage would be 74.7%, a decrease of 3.5% from 2004 levels.

Utilizing the remaining 9 St. George development sites for institutional purposes, an additional 85,000 NASMs would increase the existing inventory to 610,302 NASMs. If all sites were fully developed, the percentage would rise to 86.8%, exceeding the 2004 system average.

Figure 8

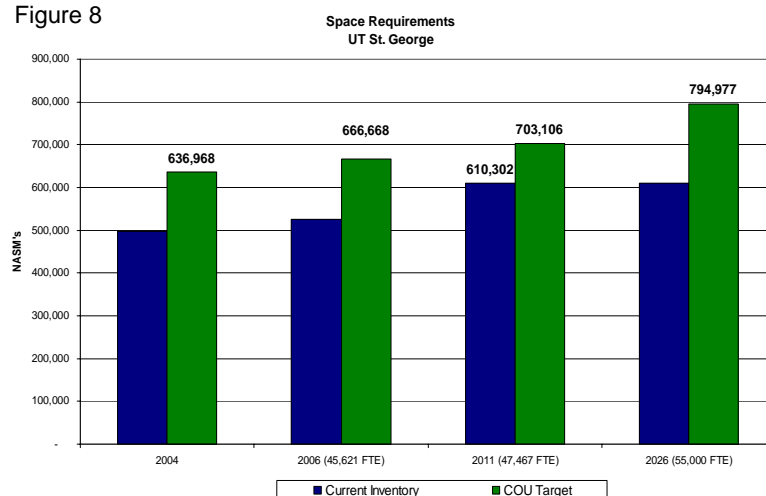
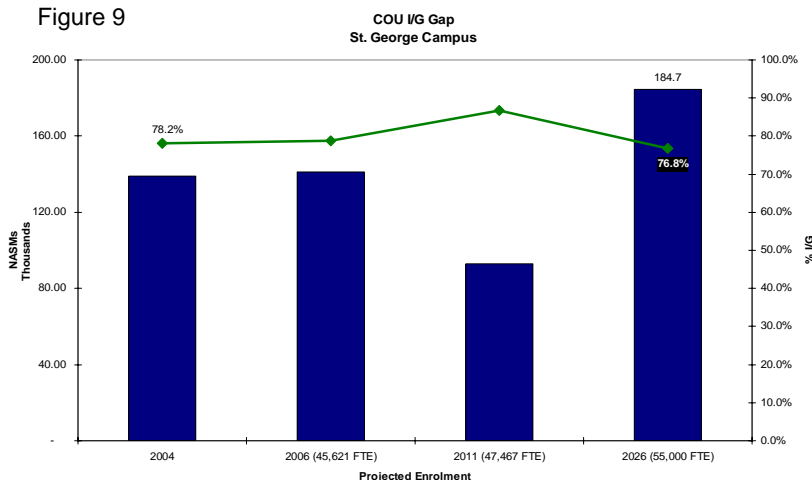


Figure 9 shows the COU gap projections based on an enrolment of 45,621, 47,467(2011 projections) and 55,000 FTE's. The COU gap increases to 185,000 NASMs with a corresponding decrease in the COU ratio to 76.8%. An additional 3.6 million gross sq. feet would be required to meet the COU standards. This is the equivalent of one point six - 72 storey First Canadian Places or four Robarts Libraries.

The cost of purchasing and building 3.5 million gross sq ft., let alone 5.3 million gross sq. ft., in a close proximity to the campus would be staggering, if not impossible. The University has three options:

- 1) continue to expand by acquiring land and constructing additional buildings
- 2) reduce the enrolment level to one that can be comfortably accommodated within the available space;
- 3) find other ways to maximize the use of space and buildings, while maintaining enrolment levels

Figure 9

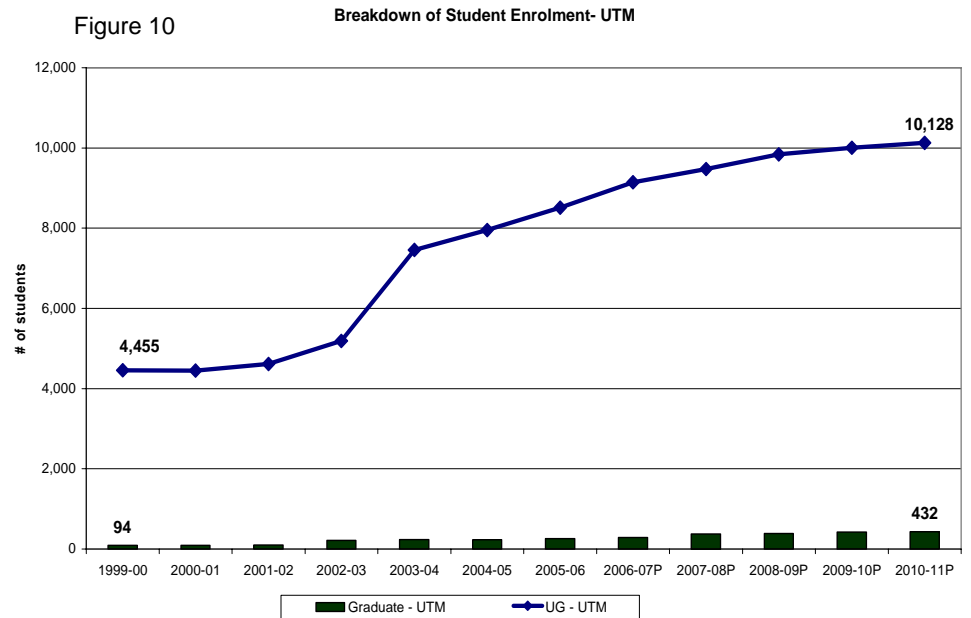


None of these options is easy. All have significant budget implications – the first requires more capital and debt; the second has revenue implications and the financial impact of the third is difficult to quantify, but would inevitably require some kind of investment that would impact the operating budget and probably require capital investments for technology.

UT Mississauga Campus

The University of Toronto at Mississauga consists of 90.2 hectares of land bounded by Mississauga Road and the west bank of the Credit River on east and south sides. The campus is home to approx. 9,500 students, a majority of whom travel to the

university daily. The 2000 Master Plan was based on the existing enrollment of 4,570 students. It modeled 50%, 75%, & 100% growth rates. The 2006 enrolment is projected to reach 9,430, surpassing all the growth models. Currently, the enrolment is projected to reach 10,128 (FTE) students by 2011 as illustrated in Figure 10.

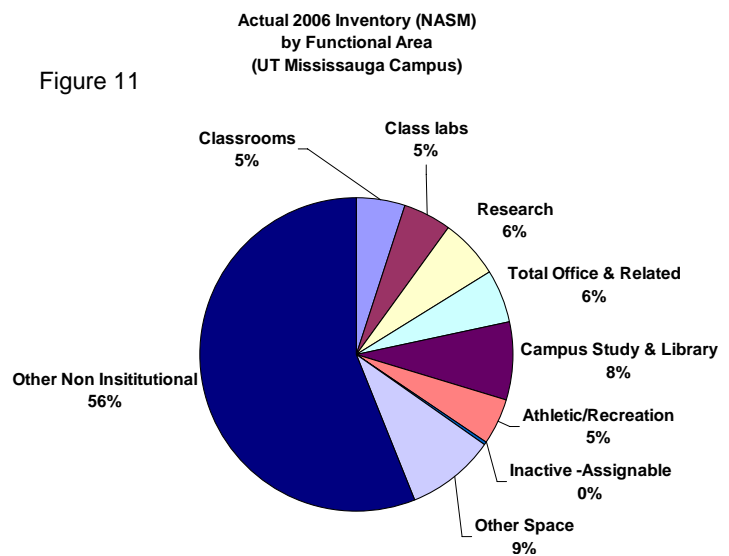


Source: Planning & Budget Office – June 5 spreadsheet

The campus has recently completed an aggressive building program which has increased the inventory NASMs by 24% since 2004.

Existing Space

The UT Mississauga campus consists of an inventory of 131,350 NASM's as at 2006. This includes the newly completed Wellness Recreation and Athletics Centre and Hazel McCallion Academic Learning Centre, which added 9,319 NASM's to the inventory. Functionally this 2006 inventory is 44% institutional and 56% non institutional. Of the non institutional space, other non assignable and parking structures represent 64% or 40% of the total facilities. Based on the current



enrolment of 9,430, the percentage of space target is 70.1%, a significant increase over 2004's percentage of 56.7%. As noted previously in Figure 4 above, the Mississauga campus is still below the system average of 73%.

In terms of NASM's per student, UT Mississauga campus ratio of 5.85 remains substantially below the system average of 8.6 (the latter based on 2004 data) but much improved over 2004.

Residence Space & Capacity

During the 1970's and the 1980's UTM built five phases of town house-style residences with

approximately 800 beds.

Phases 6 & 7 have

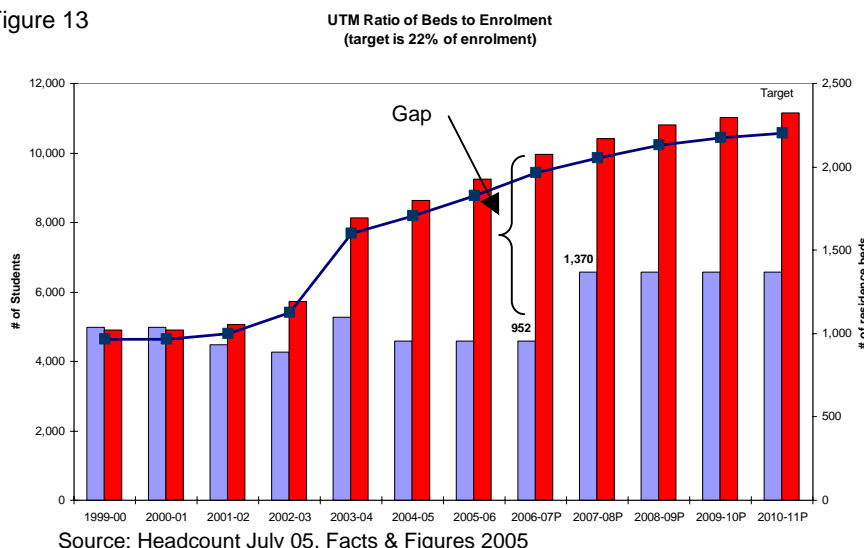
increased the supply of beds to the current level

of 952 or 10.4% of the current FTE enrolment.

The 2000 Master Plan indicated that a target for the number of residence beds is 22% of the FTE student enrolment. This was in line with the University's overall objective. Despite the completion of Phase VII, a suite style residence in

2003/4, the shortage of residence beds to the target is approximately 1,000 beds. As Figure 13 indicates, this gap will continue to grow, even taking into consideration the addition of 418 beds in Phase VIII opening in 2007.

Figure 13

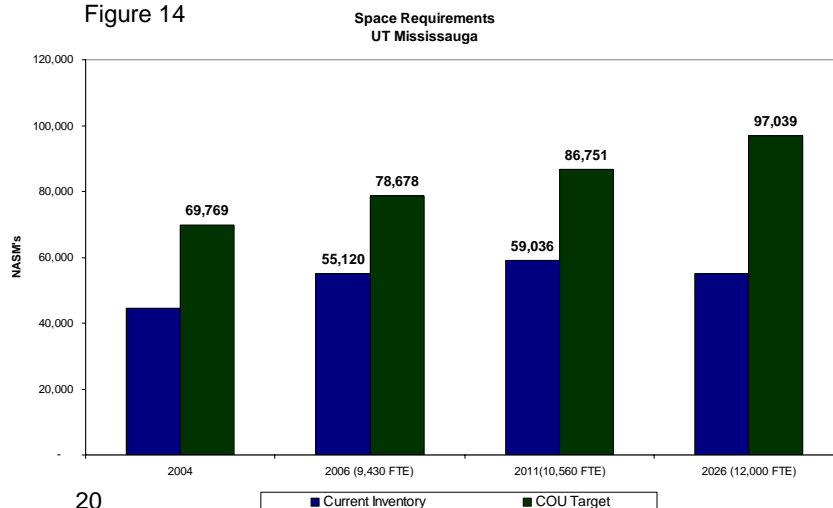


Accordingly an evaluation of the target is required or plans are needed to determine what the options are to increase the number of beds to 2,340 from the existing number of 1,370.

Growth Scenarios – UT Mississauga Campus

UT Mississauga is projected to grow to an enrolment of 10,560 FTE's by 2011. This projection is comprised of 10,128 undergraduate and 432 graduate students. Overall this represents a 3.5% compound

Figure 14

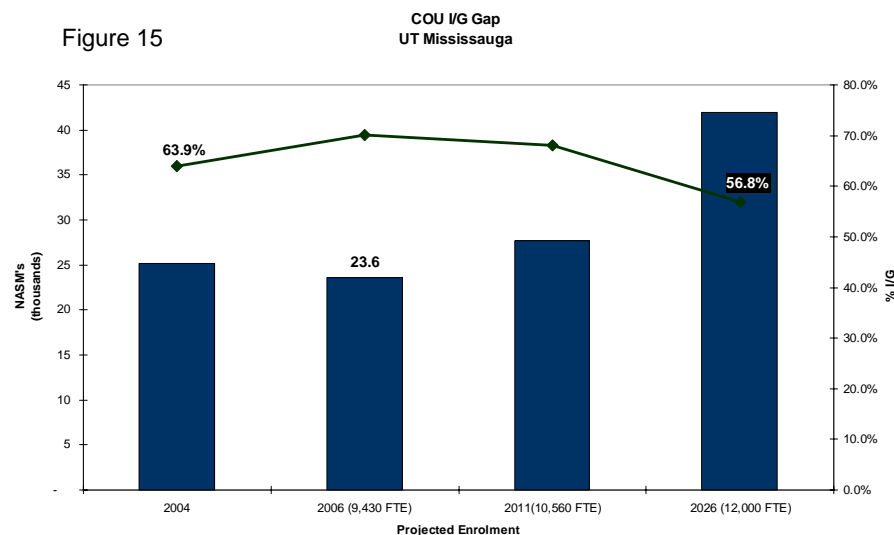


annual growth rate since 2005 for the undergraduate programs and 11.1% for graduates. The latter reflects the increased emphases by both the University and the Ontario Government. Using enrolment as the prime driver of space requirements, Figure 14 indicates the COU generated inventory requirements for the respective enrolments.

The 2011 inventory has increased reflecting projects which are in the planning pipeline. These include the addition to the South Building, Medical Academy research wing, Forensic Institute, Science labs expansion, and Field House. The increase is approximately 3,916.5 NASMs. Figure 14 indicates the differential between the COU standard and the projected inventory.

Assuming a modest enrolment growth factor of 1.3% compounded annually, enrolment would reach 12,000 by 2025. Based on this enrolment, the amount of institutional space would have to increase by 41,920 NASMs or 827,750 sq feet to meet the COU 100% standard. This would be the equivalent of seven point five new Hazel McCallion Centres.

The upcoming review of the campus master plan and a detailed review of enrolment projections will need to take into account the potential impact on institutional space requirements. Until the master plan analysis has been completed, it is not clear whether UT Mississauga has sufficient land to accommodate such an increase in institutional space.



Issues Specific to UTM

UT Mississauga faces some unique issues that are not faced by the other campuses. These are:

- As with UT Scarborough, the lack of easily accessible public transportation results in many students driving to the campus. 77.2% of the students reside in the GTA versus St. George 70% and Scarborough 85.5%. This requires space dedicated to parking facilities. As the available physical space is built out, capital costs will increase as more parking facilities are needed. These will either be underground or multi tier.
- Operating budgets have absorbed expenses related to the increased frequency of transportation to and from UT Mississauga campus.

- UT Mississauga is required to absorb infrastructure costs such as roadways, storm water treatment and upgrades to utilities infrastructure.

UT Scarborough Campus

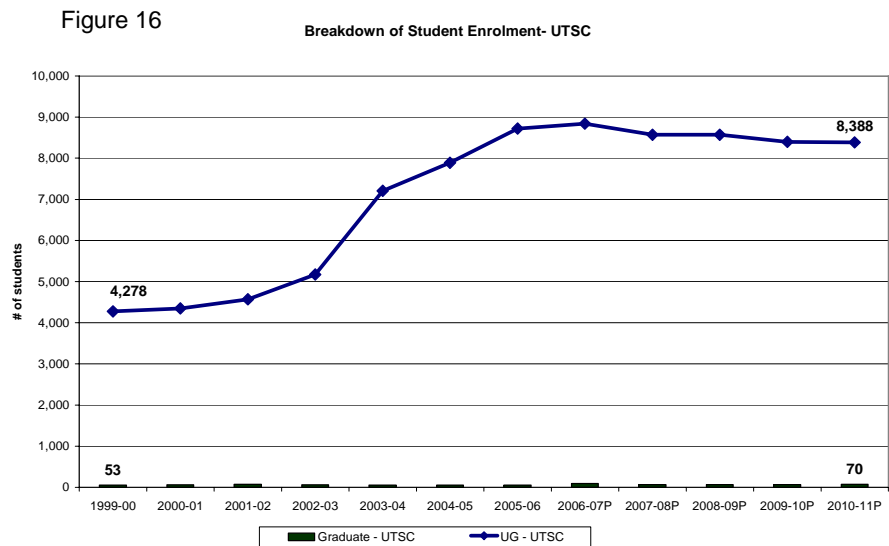
The University of Toronto at Scarborough campus consists of 121.5 hectares of land bounded by Morningside Drive, Ellesmere Ave. and partially intersected by Military Trail and Highland Creek. The 2001 Master Plan describes the campus as follows:

“The lands are made up of three zones with distinct characters, and boundary conditions- valley land where athletic activities are currently located, the inner campus where academic faculties are concentrated on tableland overlooking the Highland Creek Valley, and the outer campus where the land is largely vacant or used for parking.”

The 2001 Master Plan assumed a 60% increase in student population. Based on the current 2006 enrolment, the student population has increased by 104%.

The University is home to approximately 8,900 full time students, a majority

of whom travel daily to the University. Figure 16 illustrates that enrolment is projected to decrease slightly and stabilize at 8,388 students in 2011.

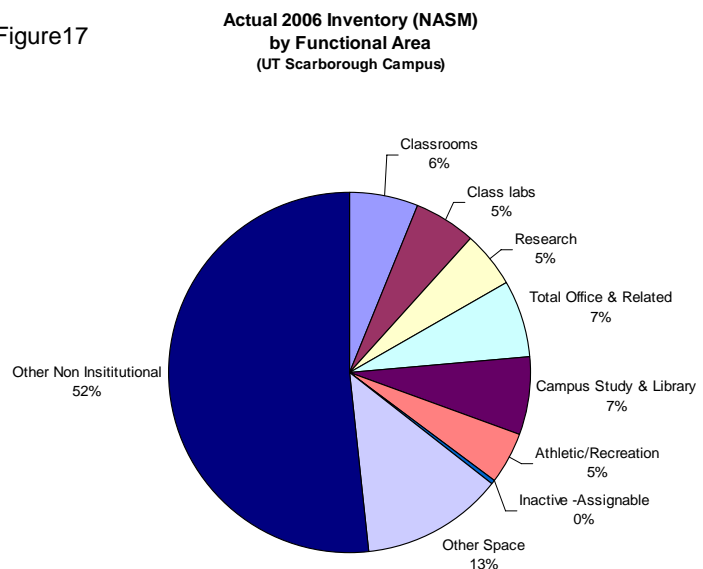


Source: Planning & Budget Office – June 5 spreadsheet

Existing Space

The UT Scarborough campus consists of an inventory of 87,102 NASM's as at 2006. Functionally this 2006 inventory is 48% institutional (42,024 NASMs) and 52% (45,078 NASMs) non institutional. These figures include the newly completed Arts & Administration building but not the new Science Building Phase 1. The breakdown of the institutional inventory is indicated in Figure 17.

Figure17

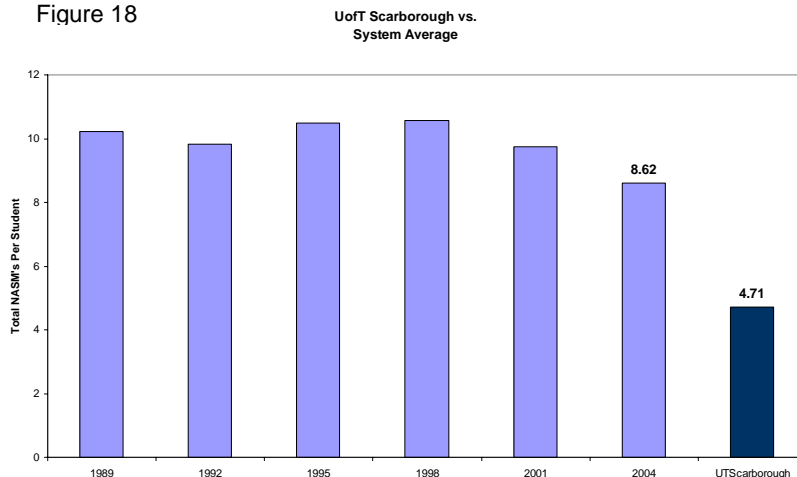


Based on the current enrolment of 8,929, the percentage of target space is 59.3% down from 62.5% in 2004. The decrease is the result of the higher percentage increase in enrolment.

As noted previously in Figure 4, the Scarborough campus remains well below the system average in 2004 of 73%. This is despite the extensive building pace during the last four years.

In terms of NASM's per student UT Scarborough campus's ratio of 4.71 NASM's per student remains substantially below the system average of 8.6 (the latter based on 2004 data).

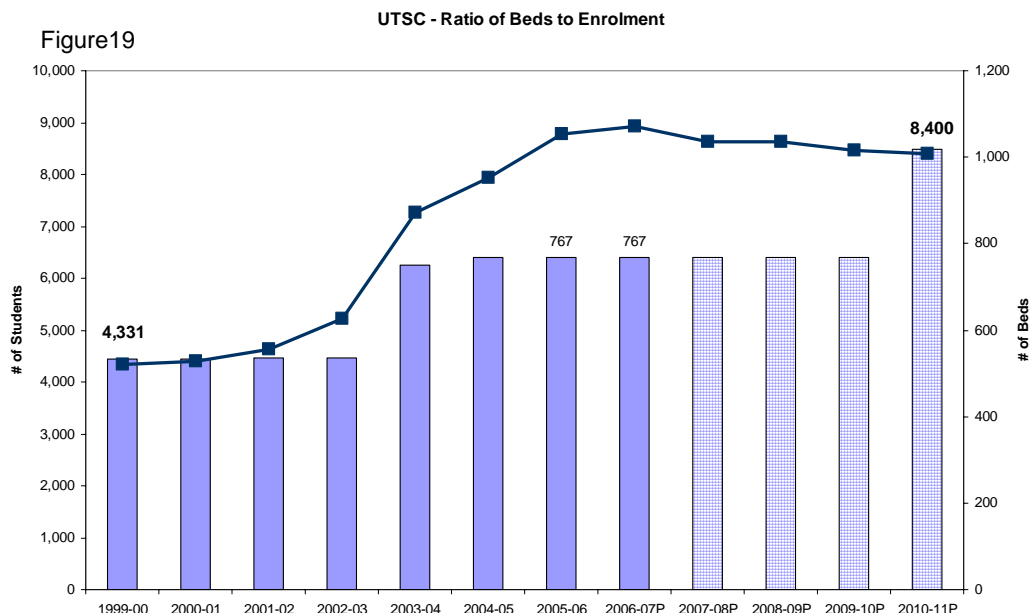
Figure 18



Based on the current enrolment level, the UT Scarborough campus would require an additional 28,847 NASMs which translates to 544,000 gross sq. ft. of institutional space to meet the COU standards (100%).

Residence Space & Capacity

Scarborough's initial student housing was built in 1973 as a complex of townhouses. In 1990 the West Village was built, followed in 2003 with an additional 231 beds (Phase IV). About 86% of its first year students come from the GTA. There are currently 767 residence spaces. Recent demand analyses suggest there may be a need for an additional 253 beds, as

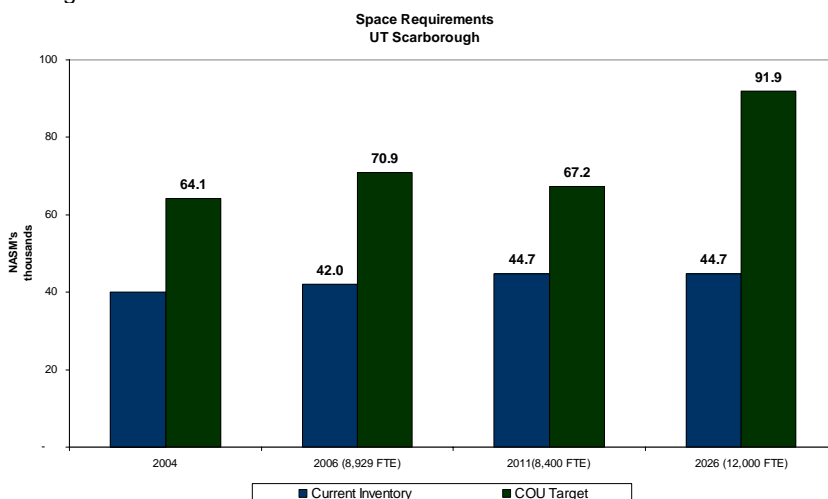


illustrated by Figure 19. A Phase V Residence Project Committee was struck to assess the need for another residence building

Growth Scenarios – UT Scarborough Campus

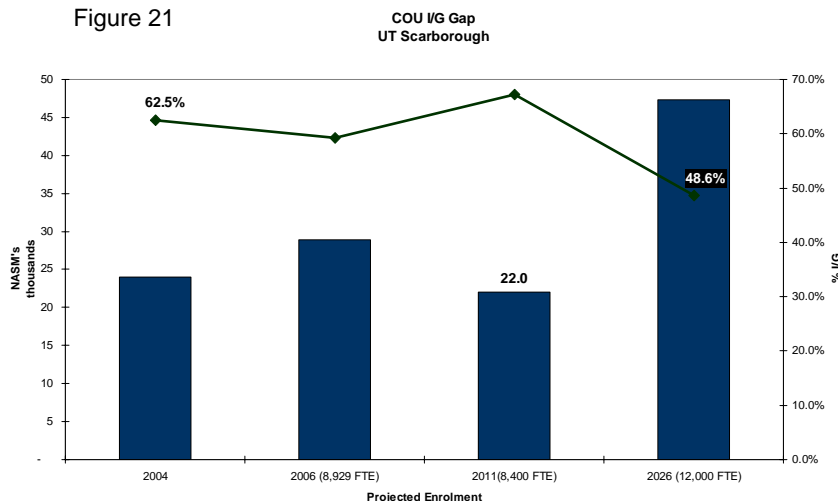
UT Scarborough is projected to grow to an enrolment of 8,388 FTE's by 2011. This is comprised of 8,320 undergraduates and 70 graduates. Overall the number of undergraduates is projected to decrease by 0.8% compounded annually. This compares with a 14.2% growth for the period 2001 – 2006. The number of graduates is projected to grow by 4.6% compounded annually but still represents a relatively small percentage of the total number of students.

Figure 20



Using enrolment as the prime driver of space requirements, Figure 20, indicates the COU generated inventory requirements for the respective enrolments. The 2011 inventory total assumes the completion of the new Science Centre Phase 1 which increases the total by 2,625 NASMs. Figure 21, reflects the percentage improvement in 2011 due to the decreased enrolment projection. Given the system trends, this reduction in students may not occur unless the University actively limits its offers to incoming students. To meet COU standards, institutional space in 2011 would have to increase by 445,000 gross sq. feet.

Figure 21



Assuming a modest enrolment growth factor of 1.7% compounded annually, enrolment would reach 12,000 by 2025. Based on this enrolment, the amount of

institutional space would have to increase by 47,260 NASMs or 935,000 sq feet. This is the equivalent of fifteen new Arts & Administration Buildings.

The upcoming review of the campus master plan and a detailed review of enrolment projections will need to take into account the potential impact on institutional space requirements. Until the master plan analysis has been completed, it is not clear whether UT Scarborough has sufficient land to accommodate this increase. Clearly the strategic choices are: maintain or reduce enrolments; accept a COU % average that is less than the system; or determine innovative solutions to meet the needs of the campus.

Issues Specific to UTSC

UT Scarborough faces some unique issues that are not faced by the other campuses. These are:

- Due to limited public transportation infrastructure and services in the area, (further complicated by the proximity of regional transportation boundary lines of Toronto, Markham, and Pickering) a higher proportion of the campus community requires access to parking facilities. This has resulted in large tracts of land being dedicated to surface parking facilities. As the available physical space is built out, capital costs will increase as parking facilities will have to be built, either underground or multi tier.
- If UT Scarborough has significant growth in resident graduate enrolment, it may need to consider adding graduate student housing.
- The additional NASMs UT Scarborough will require to meet the COU standard, and the lack of developable land shown in Figure 2, poses a real challenge for UT Scarborough.

Conclusions – Meeting the Demand

To meet the 2011 enrolment projections, the University's facilities requirements are huge, simply to meet the COU standards. The existing construction activity, which the campuses have undertaken in the past several years, needs to continue. Just to maintain the existing space standards will require a significant level of building.

The increasing complexity of research is creating the need to repurpose existing buildings as they are no longer flexible enough to adapt to the interdisciplinary nature of today's research requirements. As graduate enrolment increases, this will become more critical, especially given the University's research intensive centres of excellence in medicine and engineering, to name a few.

To maximize the use of existing lands, creative solutions will have to be found to repurpose existing buildings or demolish and rebuild with greater density. A process needs to be implemented to evaluate whether to continue renovating or to demolish and replace those buildings which have reached a substandard quality. Formal criteria evaluating the decisions would need to be an integral part of the process.

The University of Toronto is one of the largest landowners in the City. However, owning large quantities of land does not mean that there is a surfeit of institutional space for development. In fact the opposite is true: there is a critical shortage of space especially on the St. George Campus. This will require increased density to meet the projected facilities requirements.

A longer planning horizon is required to determine a long range real estate strategy. The acquisition and planning cycles are very long. The 2030 document will create a vision upon which the real estate strategy can be re-evaluated.

A comprehensive real estate strategy is a critical component to achieving the academic vision and mission of the University. Without sufficient space and the right facilities, the *creation of a world class infrastructure* cannot be achieved.

Leveraging the Value of Real Estate Assets

University Land Holdings (outside of campus)

In addition to the main campus and vicinity, the University has land holdings outside of the GTA. The current inventory is detailed in Appendix 6. The inventory consists of 1,724.26 acres valued at *\$20.3 million* using Current Value Assessments (CVA) 2005. Ninety per cent of the valuation is represented by two properties, 17000 Dufferin, King (Joker's Hill) and 123 Hillview Dr., Richmond Hill (David Dunlap Observatory). These properties are within the Oak Ridges Moraine where restrictions on development have been imposed by the Ontario Government. Both properties are currently in use by academic departments for research and teaching purposes.

To date, the University does not have a proactive real estate management process for identifying, evaluating and disposing of "surplus" lands. Currently the following properties have been declared surplus:

- 240 McCaul Street –parking lot (Appraised value \$1.2 - \$2.8 *million*);
- 67 Citation Drive – as when title is transferred to UofT. (CVA 2005 \$608,000)
- 190 St. George, Unit 704 - as when title is transferred to UofT. (CVA 2005 \$387,000)
- 8 acres on Mississauga Road lands north of UTM campus (*appraised 2003 at \$2.5 million*)
- 11 acres on Conlin Road on the Scarborough Lands (*appraisal required*)
- 155 acres, Town of Iroquois Falls (CVA 2005 \$7,000)
- 95 acres, Township of Woford, (CVA 2005 \$78,000)
- Lane at Duncan and Pearl Streets, Toronto

Potential surplus lands requiring evaluation:

- 9.00 acres, Township of Anson, Hinden & Minden;
- 151 acres, Gull Lake Survey Camp, Township of Lutterworth;
- 2.10 acres – Pine Springs Research Station, Township of Stanhope;

The 2005 CVA for the above properties is *approx. \$430,000*.

Recognizing that some of properties may be restricted by gift agreements, there are some lands which are candidates for divestiture and could therefore provide a source of capital to fund more critical acquisitions. A formal review of the land holdings should be undertaken and decisions made declaring which lands are surplus. Then a divestiture strategy should be developed and implemented.

Land Holdings – Licenced to Third Parties

Some of the University space is leased to third party lessees. There is a mix of retail and commercial leases depending on the locations. These are occupied by

tenants such as Tim Horton's, Toronto District School Board and SCI Canada Ltd, to name a few. Total lease revenue amounts to \$829,000 per annum. Management of the leases is currently the responsibility of the Real Estate Ancillary. Appendix 7 contains details of the leases.

Conclusions – Leveraging the Value

The university's land and buildings are worth more than the endowment, yet they have not been actively managed to maximize value. The underlying assumption has been that because buildings are used for academic purposes, and land is in short supply, nothing can be done. This assumption must be rethought, and discipline applied.

Areas that require more detailed consideration include the policies around acquisition and divestiture. The University continues to hold surplus lands as there is no formal process for divesting of the lands in question. Overall there is general reluctance to "sell land" even if it does not fit anyone's requirements. A practice of divesting of surplus lands, at the earliest opportunity, should be implemented. The Huron Sussex area, for example, represents a significant opportunity to convert an asset which no longer meets the objectives of the University and to realize the locked-in capital. There are several other opportunities that are currently being evaluated which could be accelerated with the proper expertise and guidance.

The receipt of gifts of land should also be evaluated on the basis of pre-determined criteria. Procedures for accepting the gift and for deciding whether it will be retained or sold should be developed, taking into account the cost of operating, long term potential or immediate use for University purposes and real estate market conditions.

There is a need for real estate development expertise to exist within our own staff, even if we plan to rely on the use of consultants and external experts. We must have someone who can manage those relationships. We also need to consider the possible use of partners for development on some sites where mixed academic and commercial use is possible. With the right partners, significant opportunities exist to unlock the dormant value of real estate holdings and provide the additional capital and cash flow for the University;

Managing the Portfolio - The Real Estate Ancillary

The Real Estate Ancillary is currently responsible for real property acquisitions and dispositions; negotiating easements, rights of ways, lane closures, encroachments, zoning variances; managing real property not in institutional use; leasing University property to external parties; leasing property from others for additional space required by University departments; managing property tax matters and assessments for all property owned or leased by the University. The Real Estate Ancillary has been in existence since 1999 and currently consists of 3.90 FTEs, including the Director of Real Estate. Two positions are vacant, including the Director's.

Prior to 1999, the Real Estate Group was part of the Centre and all expenses and revenues were budgeted through the Office of Planning and Budget. An initiative was put forward to make this group an unincorporated business ancillary similar to the pre-incorporation status of the UofT Press. As noted in the April 21, 1998 minutes of the Business Board: "It was felt at that time, the establishment of an ancillary would encourage a more systematic and businesslike approach to real estate management, which would in turn encourage the pursuit of the maximum possible net income from this source". Under this arrangement the Real Estate Group was to be self sufficient and self-funding as are several other University Ancillary groups such as Food Services, Parking and Residences. The Real Estate Group's surplus revenue or deficit was to be absorbed by the Centre.

The Real Estate Ancillary has not achieved the goals and objectives that were originally envisioned. A recent review has determined that the Ancillary's focus has shifted almost entirely to an operating basis - managing long term tenants' issues, directing property managers and commercial lease management. There has been a minimal involvement in acquisitions or the provision of strategic leadership and direction.

The recent departures of the Director and the Business Officer provided an opportunity to examine and to refocus the Ancillary's role. There is still the need to provide the residential lease and property management functions, the commercial lease negotiation and management and the strategic direction required to effectively manage the University's real estate assets and maximize the return on the portfolio.

The evolution of the University's new budget model to a more fulsome allocation of revenues and expenses to the Faculties will require increased services to ensure the University is maximizing its net income from these assets. There will be an increasing need to provide specific real estate expertise such as identifying, negotiating and managing commercial lease/license opportunities, and to focus more on the Faculties as the "customer". This is not an appropriate

set of functions for an entity that is supposed to be self-funding. Nor is the provision of strategic direction.

Conclusions – Managing the Portfolio

The real estate ancillary model as originally envisaged is not an appropriate business model for today's environment. There are three separate functions within the Ancillary that are complementary, but do not need to be managed as a unit. The management of residential properties, including both the long term tenants and the Faculty Housing Co-op in the Huron Sussex area is appropriate for an ancillary as they are intended to be self funding. These functions should remain within an Ancillary, which could be renamed the Housing Ancillary. Service functions related to managing commercial tenants, dealing with leasing and license renewals and other legal and administrative services are not self funding and need to be removed from the Ancillary. The provision of strategic real estate development services and seeking development partnerships in order to maximize the return on the real estate asset portfolio is not appropriate for the Ancillary, but should become a focus for the administrative team responsible for the real estate assets.

Risks Associated with the Current Approach to Real Estate

There are certain risks inherent in the current approach to real estate. These are:

- The lack of a formal real estate strategy has resulted in an ad hoc approach to acquisitions. The inability to generate an offer to purchase the CAMH site when it was for sale resulted in the loss of a strategic development site.
- Lack of long term (20+ year time frame) planning impedes space planning/utilization, land acquisition and divestiture decisions;
- Individual purchase decisions have been made and approved by the Governing Council but in the absence of an overall context or strategy;
- The processes associated with approval of acquisition and divestiture are time consuming, and may have a negative impact on value when we are not able to act quickly enough to take advantage of market opportunities.

Strategic Options

In terms of considering the strategic real estate options available to the University, there are at least two options: maintain the “status quo” or unlock the real estate values. These options are outlined below.

Status Quo

The ‘status quo’ option is to continue doing what we are doing today, responding to acquisition and divestiture opportunities on an ad hoc basis with limited criteria in place upon which to evaluate decisions. This approach is not recommended for the following reasons:

- i. There is a continuing need for operating and capital funds to maintain the properties/real estate holdings in question. If properties are not needed for academic or other University purposes in the immediate future, they should be managed to generate a return on the capital invested and should not be allowed to become liabilities with a negative impact on the operating budget.
- ii. Pressure for additional space especially on the St. George campus requires innovative solutions now;
- iii. There are numerous potential real estate transactions in the various formative states. They require real estate expertise to negotiate and successfully conclude;
- iv. Revised Master plans require the strategic context upon which to build the detailed plans;
- v. Discussions with the City planners about the impact of the new Official Plan are in process. There is a need to have a comprehensive understanding of the campuses' future space requirements.

Unlock the Real Estate Values

The University of Toronto has an excellent opportunity to realize some of the capital which has historically been tied up in real estate assets. By monetizing this asset, funds could be allocated into other areas such as reduction of deferred maintenance, or financing new buildings or land acquisition. In order to accomplish this goal and maximize the values, the University needs recognized real estate expertise. We do not need to have a large department on staff, but we do need at least one senior individual to take charge of the strategy and implementation. We will also have to develop partnerships with external groups that can bring additional expertise to bear. Such partnerships will have to be developed carefully to minimize the risks associated with this approach. These risks include a potential lack of understanding by the University of the real estate development culture and by the partners of the University culture, in particular University community concerns about the commercialization of the campus and concerns about selling legacy assets.

North West Quadrant – an early opportunity

The North West quadrant area, known as Huron Sussex, is an area which continues to require on-going funding. At current values, the capital tied up in these holdings represents a significant value, approximately \$40 million based on the current value assessments. Realizing this value would provide needed funds for the numerous other capital projects currently being evaluated. Given the regulatory and planning environments, and the economic realities of being a landlord, a clear option for the University would be to dispose of its Huron Sussex land holdings, with the exception of 371 Bloor St (Site 1) and any other parcels that are in institutional use. Within that context, the option which will most likely maximize the holdings' value is a sale to a third party or parties.

General Recommendations

In order to implement a strategy of unlocking real estate values, there are some conditions which should be implemented to ensure its success.

- Establish a Real Estate Advisory Board providing advice and guidance to the Vice President, Business Affairs. The advisory group would consist of 3-4 recognized real estate executives. The role of this group would be to act as a sounding board providing real estate industry perspectives and expertise and would assist the University in maximizing its return on its real estate investments.
- Recruit a senior level executive with extensive real estate development expertise to focus on the strategic development of the University's real estate assets. Primary responsibilities would be:
 - Land acquisition & divestiture;
 - Site planning and development;
 - Creating/managing real estate partners/co-venture relationships.
- Disband the Real Estate Ancillary in its current form by:
 - Creating a residential property service ancillary;
 - Transferring revenues and expenses of leased premises to the relevant faculty;
 - Providing a lease/licence administration and accounting service as a central function.
- Expand the University's planning horizon to at least twenty five years, projecting growth and space needs so that the need for land acquisition can be assessed and longer term strategies developed. Planning process also needs to ensure that the economic impact on space and facilities are an inherent consideration of new academic policies.
- Update the Campus Master Plans at the earliest opportunity and expand the scope of these plans to include the identification of under-utilized facilities/sites, potential re-development sites (e.g. where existing buildings are not economically viable given maintenance costs, suitability etc).
- Implement the following proposed Real Estate Guidelines:

1. Rental of Space from Third Parties

The space requirements of the University should be primarily met within the confines of the University itself. This makes sense economically and reduces the administrative and legal costs dealing with third party lessors. The Department of Campus & Facilities Planning should be consulted to

assist with the determination of all space needs and identification of potential location options. Entering into lease arrangements with third parties should be an exception to the rule and only done when some or all of the following conditions apply:

- a. Space requirements cannot be met in a reasonable timeframe from within the campus inventory;
- b. Space requirements are unique and not likely to met within the confines of normal university mixed use space;
- c. Leases would be short term in nature i.e. less than 3 years;
- d. The space represents “swing” space needed pending the construction of other space, and a short term lease can be negotiated;

2. Rental of Space to Third Parties (licence to use)

Where the university decides that it has space within a building that is surplus to immediate needs, it can maximize revenue opportunities by licensing the use to a third party. Certain criteria must be met:

- a. Licences should normally be for a maximum period of three years
- b. Market value rates should be charged
- c. Preference should be given to organizations related to the University of Toronto in some way (e.g. research partners, faculty owned companies)

3. Land Acquisition & Divestiture

There is a need to establish an acquisition and divestiture policy for the University. The absence of such a policy has resulted in an ad hoc approach to land acquisitions and dispositions. It also limits the ability of the University to act in an expeditious manner. Real estate transactions are typically opportunistic and require speed and confidentiality. There are usually multiple interested parties for sites, especially in the downtown core.

- A. In order to achieve the maximum amount of development flexibility, the focus of future land acquisitions in the City of Toronto, St. George campus vicinity should be as follows:
 - i. Sites or buildings located within the University precinct and on major “arterial avenues” as defined under the City of Toronto Official Plan. These corridors are Bloor Street, University Ave., Spadina, Bay, Wellesley, St George and College Streets;
 - ii. Purchase of commercial or institutional buildings or sites, on land zoned for institutional use where possible;
 - iii. Recognition that the traditional St. George boundary will be eroded and will encroach on the south and eastern extremities;
 - iv. With the exception of student residential buildings, the University should not become a residential landlord

- B. With respect to the donation of lands, the University must consider and evaluate the costs of accepting the lands and evaluate the risks associated with any divestiture. The University's primary business is education not holding, managing or developing lands. Donors wishing to donate lands should be advised that the University's policy is to dispose of lands immediately upon receipt (as is the practice with donations of securities). In the event the land is appropriately zoned and represents institutional development potential, a decision to retain may be made by the Vice President Business Affairs.
- C. Speed and confidentiality are critical in the purchase or disposal of lands. In order to maximize the value for money, the approval process needs to support principles of confidentiality and speed.
- D. Criteria for determining surplus land are:
 - i. Evaluation of current and potential use and determination of academic "value". Does the property support the education mission of the University and the division?
 - ii. Is the Faculty prepared to absorb the on-going operating costs? Can they afford to do so?
 - iii. Does a gift agreement exist and restrict/prohibit disposal?
 - iv. Are the lands marketable?
 - v. Requirement for use of capital, e.g. what are the opportunity costs of holding the land?
 - vi. Can the proceeds be invested elsewhere with a greater return on investment (ROI)?
- E. Lands that are declared surplus should be divested at the earliest opportunity. A divestment plan needs to be created that will maximize the University's value for money.

Appendix 1 - Legal and other restrictions related to real estate holdings

Environmental issues

The University, as a very public institution, is cognizant of the leadership role the public expects to be addressed as it manages its buildings, its use of space and its relationships with the surrounding communities. The development of university property is subject to the 1983 General Principles and the Campus Planning Guidelines created in 2001. These principles emphasize the need to protect green space, promote public transit use, and ensure buildings are designed to integrate with adjacent communities and use good environmental practices. As a result, the University's ability to maximize its development is constrained.

Heritage issues

The University of Toronto St. George campus contains a rich heritage of significant buildings. There are thirteen *designated* buildings on the campus including 1 Spadina Ave, University College, Trinity College, Hart House, Medical Arts Building to name a few. An additional thirty-seven buildings are *listed* as of significant interest to the Toronto Preservation Board. As a result 45% of the St. George campus buildings are considered historically significant. On the one hand, this element contributes to the culture, ambience and architectural integrity of the campus. On the other hand, it requires significant costs to preserve these buildings in their original state. It also limits the adaptation and re-development potential. In addition, the University of Toronto, as a publicly funded institution, is required by its various constituents to set a leadership example within the City.

Regulatory Environment

There are several regulatory issues which have a significant impact on the University. As one of the largest landowners in the GTA, the University is impacted by changes in the planning environment as established by the City of Toronto. In fact, the City has recently unveiled its new Official Plan.

Its goals are:

- Preservation of neighbourhoods and communities;
- Creation of areas of Special Identity – Huron-Sussex named as one;
- Maintenance of the existing stock of housing (Policies 4, 4.2, 5.3.1);
- New housing supply will be encouraged through intensification and infill that is consistent with this Plan;
- New development that would have the effect of removing a private building or related group of buildings containing six or more rental housing units, is not in the public interest and should not be approved unless:
 - the rental apartment vacancy rate for the City of Toronto, as reported by the Canada Mortgage and Housing Corporation, has

- been at or above 2.5 percent for the preceding two-year reporting period;
- and other conditions.

The City has retained the existing 1997 Secondary Plan for the St. George campus. The University has advised the City that a review and update of that Plan will be conducted.

In addition, changes in the landlord/tenant laws impact the use of land holdings, especially in the Huron Sussex quadrant, restricting development options and short term revenue potential. Specifically, the Ontario Government's Bill 109 was passed in June 2006, and becomes effective January 1 2007.

Its impacts are:

- Bill does not prohibit the demolition or conversion of rental units;
- Retains vacancy decontrol – permits landlord to increase to market rates on turnover of units;
- Restricts rent increases for capital expenditures to 3% for 3 years;
- Costs no longer borne - allows for roll back after the expenses have been recovered;
- Installation of Smart meters would require reduction of rents and would require 1 year notice prior to charging tenants costs.

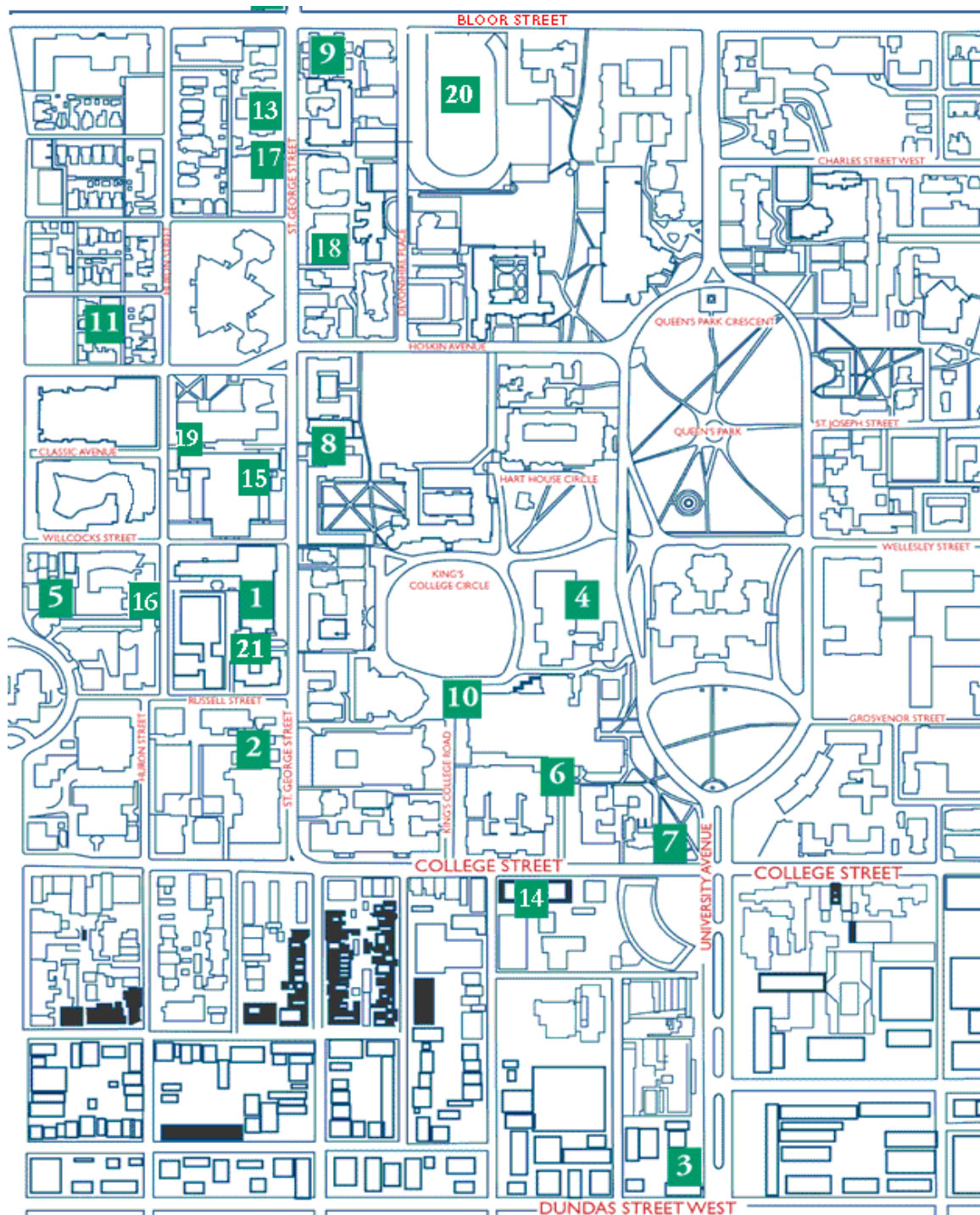
In an August 2006 draft report prepared by Garry Stamm of Stamm Research Associates, the analysis indicated that the housing policies contained in the new Official Plan are particularly detrimental to the University. The referenced policies “impose a virtual prohibition to reasonable transition and change of land uses on University lands in the Huron-Sussex Area, basically freezing the current rental use by housing type, price range and location.”

The policies combined with bylaw changes impose on the University an obligation to maintain and improve the housing in the Huron Sussex area without taking into consideration that funding does not exist for such capital improvements. The result would be funds being diverted from the University's basic purpose of education and research.

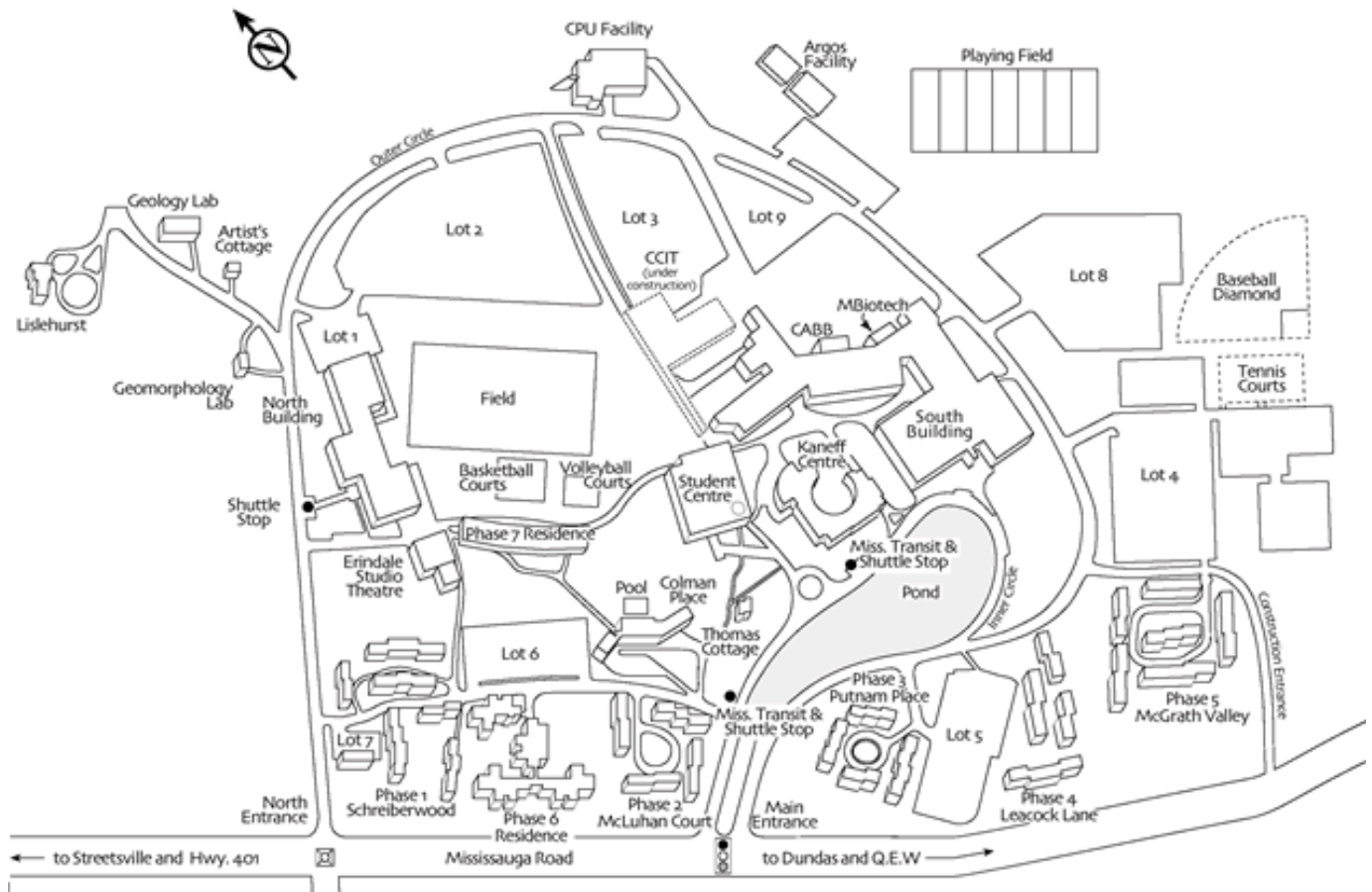
Recent actions by the University to seek exemption from these policies from the OMB were suspended in September 2006. However, other discussions with respect to the approved development sites in the Secondary Plan are proceeding.

Appendix 2 - Campus Maps

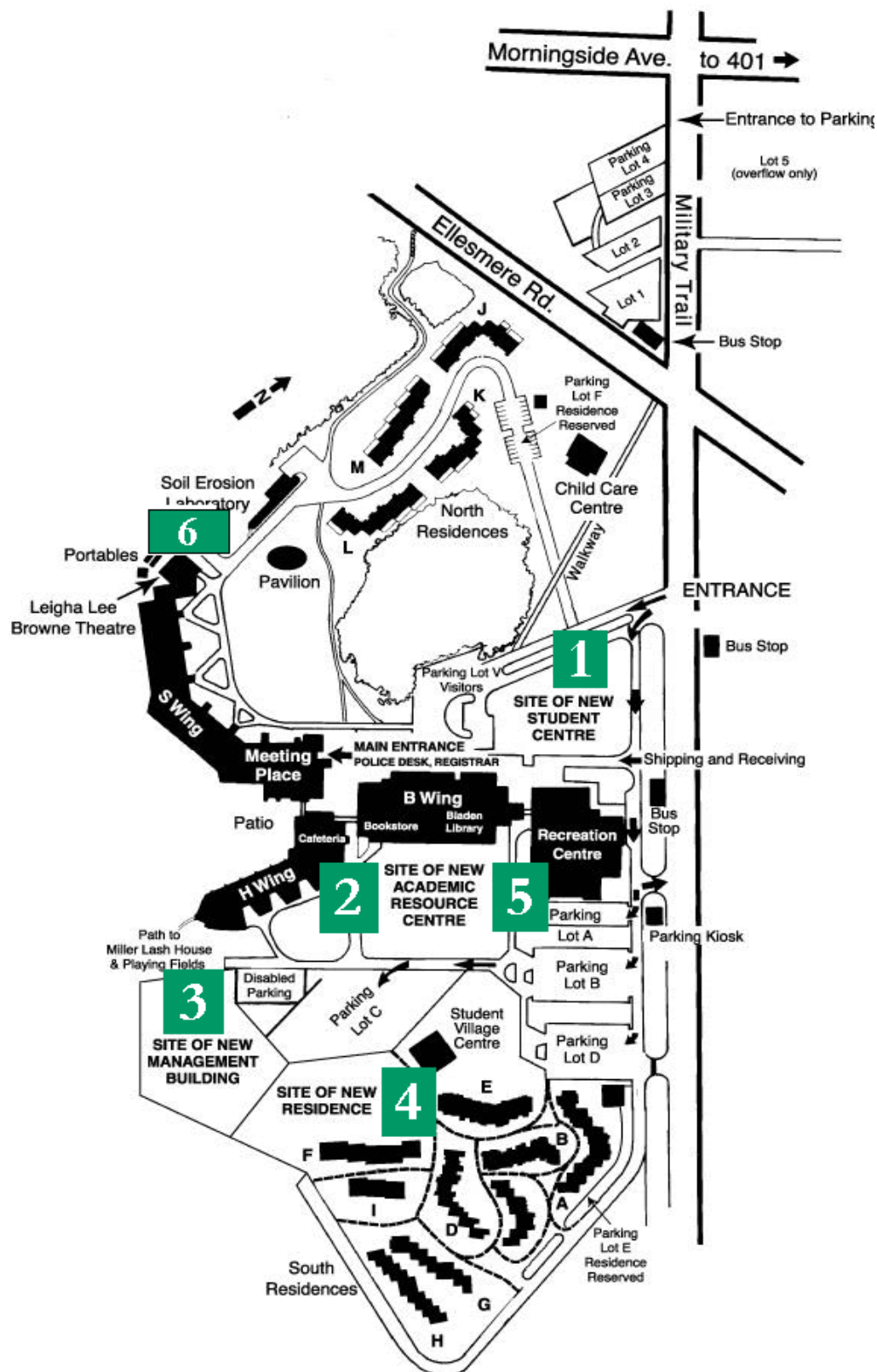
St George Campus



UT Mississauga



UT Scarborough



Appendix 3 - 1983 General Principles

General Principles to guide the development of university property approved in 1983 were as follows:

1. building design and property use on each campus should be such that inference with campus activities is minimized, that the physical integrity of the campus is maintained and that the sense of university precinct is retained;
2. University ownership of land should be retained within the main University precinct bounded by College, Spadina, Bloor Street, Queen's Park, and such land should not be pledged as security of any development ventures;
3. buildings or those parts of them which have special architectural or historic value should be protected;
4. the impact of property development on adjacent communities should be considered;
5. the expected benefits of commercial development for any given property should be judged against the benefits to be achieved by the best possible University use of the property, including possible cost recovery ancillary uses;
6. development arrangements should be structured in a manner such that the University's status as a tax-exempt and charitable institution is preserved;
7. the general objective in pursuing commercial development is to maximize financial gain adjusted for risk.

Appendix 4 - Campus Planning Guidelines - 2001

Campus Planning principles were adopted by the Governing Council in 2001. These are;

“To ensure excellence in campus planning and design, directives that guide the University towards a systematic and comprehensive approach for evaluating design alternatives for buildings and grounds are necessary. The general planning principles relating to campus planning, building design, site planning and landscaped open space to assist the University in various development proposals are loosely categorized below. This listing incorporates the principles established in 1990 which were based on the principles approved in 1975 and 1983 and do address accessibility, safety and environmental issues. In addition it is important to refer to all Master Plans for each campus to specifically delineate those issues that are campus specific, notably parking etc.

A. Campus Planning

A1. It should be recognized that the University is set within an established urban environment and that campus development must fall within the parameters of the existing context and the planning of the Cities of Toronto and Mississauga and the broader GTA.

A2. The development capacity of University of Toronto property should be fully realized, while respecting the integrity of the campus to support the University's academic endeavours.

A3. The use of transit should be encouraged while co-operating with the Cities of Toronto and Mississauga in new endeavours to examine and rationalize parking.

A4. The architectural and visual coherence of the campus should be sustained and enhanced by campus development.

A5. Structures and outdoor spaces of historical, architectural, or environmental significance should be preserved.

A6. The University's heritage and tradition should be enhanced and emphasized.

A7. Unified academic communities should be planned with a fundamental framework of social and environmental amenities (e.g. child care, food services, recycling facilities etc.).

A8. The expansion of campus-wide service networks, such as utilities and communications, should be integral to campus planning.

A9. The University campus and global environment as set out in the Environmental Protection Policy should be maintained and enhanced.

B. Site Planning

B1. Structures, open space, and areas of historic significance should be preserved and enhanced and an appropriate integration of new development, renovations, or additions must be ensured.

B2. A system of continuous pedestrian routes throughout the campus should be established which provide safe and convenient access to all University facilities, including convenient access for the physically disabled.

- B3. The grouping of buildings with related use and technical support facilities should be encouraged.
- B4. Aesthetic aspects of public areas should be enhanced.
- B5. Personal safety considerations must be paramount in building and landscape design.

C. Landscaped Outdoor Open Space

- C1. Designated funding for landscape improvements are required to be included within the total building project budgets in accordance with the University's budget guidelines.
- C2. Priority should be given to landscape improvements on the St. George Campus identified in the open space master plan "Investing in the Landscape" and on the Mississauga and Scarborough Campuses identified in their respective master plans.
- C3. Existing University open space, gardens and treed areas of significance should be respected and enhanced when planning new development, renovations and additions to adjacent buildings.
- C4. Optimal microclimatic conditions should be promoted through site and building design. Specifically, design must take into account that peak use of the campus occurs in fall and winter.
- C5. Streetscapes should be identifiable through distinctive paving, lighting, signage, and outdoor furnishings.

D. Property and Land Use

- D1. The use of physical resources of all kinds should aim to promote the University's academic goals. All University lands should be regarded as resources to serve the University's overall mission.
- D2. No buildings or campus areas should be irrevocably assigned to or controlled by a particular division or department.
- D3. Capital improvements and the use of existing space should be coordinated to ensure the most effective use of all resources. The secondary ramifications of every major capital project should be identified as part of the planning for the project.
- D4. Building renovation and adaptation should be given equal consideration with building replacement in order to maximize use of the existing space inventory and to preserve sites for development.
- D5. Where possible and desirable, the University should plan multiple use facilities.
- D6. The periphery of the campus should be planned in a consultative fashion so as to reflect the plans of both adjacent communities and the University.
- D7. Faculties and departments that have close functional or disciplinary relationships should be grouped whenever possible.
- D8. The University should vacate leased space funded by the operating budget whenever cost effective alternatives are presented to do so.
- D9. Surface parking should be replaced wherever possible by parking structures
- D10. The university should retain oversight of design when leasing land to a third party.

E. Considerations for Building Design

- E1. All buildings should be identifiable as University facilities and contribute to the quality and coherence of the campus.
- E2. On the perimeter of the campus, the buildings should convey the identity of the University as well as ensuring appropriate integration with the adjacent communities.
- E3. Each building project should be developed as part of an integrated whole, consisting of built space, open space, and functional inter-relationships.
- E4. The gross area of each building should be minimized to reduce capital and operating costs while fulfilling program requirements according to a system of objective space standards.
- E5. Building design should make efficient use of each building site taking into account the limited availability of undeveloped campus lands.
- E6. Building design should take into account impact on micro-climatic conditions.
- E7. Facilities that do not require surface locations should be built below grade when possible.
- E8. Infill should be considered to capitalize on unused space or where it can preserve and reinforce the historical, aesthetic, or functional attributes of existing buildings.
- E9. Accessibility for the disabled must be taken into account in building design.
- E10. Building design should provide flexibility to facilitate changes in use and improvements in technical support facilities.
- E11. All building projects should take into account the principles described above in order to improve adjacent existing facilities whenever possible.
- E12. When making decisions about designs, processes and products that influence resource use and other environmental impact, alternative methods that result in good environmental practices should be considered.
- E13. All buildings are to be designed according to principles of green building in order to minimize energy and materials demand, and to minimize interior pollution.”

Source: Policy on Capital Planning & Capital Projects.

Appendix 5 – Huron Sussex Area of Special Identity

City of Toronto Official Plan Description

4.2 Huron-Sussex Area of Special Identity

The Huron-Sussex Area of Special Identity shown on Map 20-5 is a low-density residential enclave which houses students, faculty and staff of the University and other homeowners and tenants. The area includes an incidental mix of small-scale commercial and institutional uses which serve the neighbourhood or are related to the University of Toronto. Secondary Plan objectives for the Huron-Sussex Area of Special Identity are to: retain the character of residential uses and house-form buildings along tree-lined streets; encourage improvement of existing housing stock and the development of infill housing on vacant lands; and encourage both a year-round use of residential units and a mix of long term and temporary residents.

5.3.1 In Neighbourhoods designated on Map 20-5 as the Huron-Sussex Area of Special Identity, the residential house-form character and low scale of the interior of the Huron-Sussex Area of Special Identity will be protected. In addition, limited intensification to accommodate the needs of the University of Toronto for institution-related residential development may be permitted where appropriate to provide a transition between the residential neighbourhood and the adjacent areas of higher density and activity.

5.3.2 In the Huron-Sussex Area of Special Identity, in addition to low scale residential uses, the following uses may be permitted:

- (a) existing general institutional uses; and
- (b) the reconstruction, under any circumstances, of general institutional uses existing in the area on December 31, 1996, provided that the institutional gross floor area of the reconstructed use does not exceed that existing on December 31, 1996.

Source: City of Toronto Official Plan, University of Toronto Secondary Plan – June 2006

Appendix 6 – Off Campus and Non-institutional Land Holdings

		BUILDING NAME & description	User(s)	ACRE-AGE	SURPLUS TO U of T
OFF CAMPUS - CITY OF TORONTO					
IN INSTITUTIONAL USE:					
93	Highland Avenue	President's Residence	Ancillary	3.31	No
45	Walmer Road	Institute of Child Study	OISE at UofT	0.67	No
56	Spadina Road	Institute of Child Study	OISE at UofT	0.19	No
4925	Dufferin Street	Aerospace,	Faculty of Applied Science and Engineering	29.49	No
5001	Dufferin	warehouse/office space, 59,481 sq. ft.	University of Toronto Press		
170	St. George Street	Medical Arts Building 10 storey office building, 126,218 sq. ft.	Faculty of Arts & Science	0.41	No
500	University Avenue	office building 10 floors, 115,217 sq. ft.	Faculty of Medicine	0.31	No
35	Charles St. W	Married Students Residence	Ancillary	1.45	No
35	Charles Street West	Retail Plaza (Rabba, Okanomi, etc.)	Ancillary	0.23	
89	Chestnut Street	Residences (formerly Colony Hotel)	Ancillary	0.87	No
730	Yonge St.	Married Student Residence (also known as 30 Charles St W)	Ancillary	1.03	No
155	College St.	Board of Education - Administration Building	Faculty of Nursing	1.11	No
124	Edward St.	Dentistry Building, 6 floors, 257,238 sq. ft	Faculty of Dentistry	1.40	No
63-65	Henry St.	Parking Lot	Ancillary	0.14	No
240	McCaul St.	Parking Lot	Ancillary	0.96	Yes

252	McCaul St.	254-256 McCaul Street, 5 floors, 47,340 sq. ft	Administrative	0.35	No
255	McCaul St.	Warehouse Building, 94,937 sq feet	Administrative	0.68	No
				6.49	
NOT IN INSTITUTIONAL USE					
67	Citation Dr.	Donor		0.22	Yes
190	St. George Street, Suite 704	Donor			Yes
	Lane Duncan St. & Pearl St.	Private lane; remnant from King's College land holding.		0.04	Yes
	Scarborough Lands	UTSC has recently expressed interest in selling an 11 acre parcel on Conlins Rd.	UTSC	11.00	Yes
	Mississauga Lands	Just north of the UTM campus on Mississauga Road, 8 acres previously intended for sale, 5 of which are developable table land.	UTM	5.00	Yes
	2075 Bayview Avenue	Sunnybrook Lands		100.19	No
Totals				159.05	

Prepared by Real Estate Group -Sep 2006

Appendix 7 - Leased and Licenced Holdings

External Leased Property

Location	Department/ Faculty	Term	Area (RSF)	Annual Rent	Use
80 Bloor St W.	IMG –Ontario	10 years ending July 31/16	29,733		Admin. Offices
180 Bloor St. W.	CUPE #3902	3 yrs. Ending Nov 30/08	1,298		Admin. Offices
252 Bloor St. W.	OISE (ground leases)	50 yrs. Ending Sept 30/18	Land		
101 College	Innovations at UofT	10 yrs. Ending Oct 13/15	7,631		Admin. Offices
101 College	UTAM	10 yrs. Ending Nov 30/15	5,678		Admin. Offices
245 College	UofT Press	5yrs. Ending Jan 31/07	7,626		Printing Business
271-275 College	University Advancement	3 yrs. Ending May 31/09	5,080		Admin. Offices
4 Devonshire Place	Massey College	Perpetual			Faculty/ graduate students
75 Horner Ave.	Music, Grad. Drama	5 yrs. Ending Aug 31/95	11,817		Warehouse Storage
9 Prince Arthur	Rotman School	5yrs. Ending June 30/11	3,989		Integrative Design Initiative
59 St. George	Visitor's Centre	10 Yrs. Ending Aug 31/07	4,537		Admin. Offices
63 St. George	Grad. Studies	5 yrs. Ending Dec 31/09	7,441		Academic & Admin. Offices
455 Spadina	CUCS	5 yrs. Ending Jun 30/06	9,597		Academic & Admin. Offices
720 Spadina	UTFA	5 yrs. Ending June 30/11	3,012		Admin. Offices
720 Spadina	Mathematical Finance Program	5 yrs. Ending Aug 31/07	3,727		Admin. Offices & Class Labs/ Research
	USWA				In lieu of office space
Totals			9,390 sqm. or 5,217 NASMs	\$1,374,060	

Prepared by Real Estate Group -Sep 2006

Licence Revenues

Location	Department/ Faculty	Term	Area (RSF)	Annual Rent	Use
246 Bloor St W.	The TDL Group Ltd.	10 years ending Oct 14/11	3,730		Tim Horton's
336-344 Huron	United Jewish Welfare Fund	20 yrs. ending Dec 31/20	11,040		The Wolfond Centre
50 Harbord, 368 & 400 Huron & 28-34 Sussex	Campus Co-operative Residence Inc.	5 yrs. ending Dec 31/06	7 houses		
651 Spadina	1563538 Ontario Inc.	10 yrs. ending Dec 31/10	800		Convenience store
665-669 Spadina	SCI (Canada) Ltd.	2 yrs. ending Mar. 31/08	4,000		Funeral Home
263 McCaul	Toronto District School Board	5yrs. ending Sept 09/08	4,676		Museum & archives
321-325 Bloor St. W.	1518329 Ont. Ltd.	10 yrs. ending Feb 28/15	2,937		restaurant
54 Sussex	Spadina Bloor Developments Ltd.	15 months ending Nov 30/06	6,900		Land lease for trailer
Gatekeepers House D. Dunlap Observatory		1 yr. ending June 30/07	house		
350 16 th Ave. Richmond Hill	The Corporation of the Town of Richmond Hill	19 yrs. ending Dec 31/15	16.7 acres		Land lease for arena and a park
Totals				\$829,140	

Prepared by Real Estate Group -Sep 2006

Appendix 8 – Listing of Information Sources

Documents reviewed:

- Stepping Up – a framework for academic planning at the University of Toronto 2004-2010
- Stepping Up Synthesis
- Report of the Committee to Review Student Activity Space on the St. George Campus
- Master Plans – UT Mississauga, UT Scarborough
- St. George Campus Plan – Sept 5, 2006
- Policy of Capital Planning & Capital Projects
- Council of Ontario Universities report - “Inventory of Physical facilities of Ontario Universities” – 2004-05
- University of Toronto Development Sites – May 1999
- City of Toronto Official Plan – June 2006
- City of Toronto Official Plan, University of Toronto Secondary Plan – June 2006
- Various files containing information on Huron Sussex and OMB proceedings
- UofT Facts & Figures 2005 – 2000
- Planning and Budget Office – head count data & projections
- Real Estate Group – various data inputs
- University of Toronto web site – www.utoronto.ca

Individuals consulted during this review

- David Berman
- John Bisanti
- Shelia Brown
- Geoff Matus
- Kim McLean
- Catherine Riggall
- Elizabeth Sisam
- John Smegal
- Ray de Souza
- Safwat Zaki