

TO: Business Board

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DATE: April 8, 2010 for April 26, 2010

AGENDA ITEM: 8

ITEM IDENTIFICATION:

Ancillary Operations: Residential Housing – 2009-10 Operating Results and 2010-11 Budget

JURISDICTIONAL INFORMATION:

Business Board reviews and approves the annual budget of Unincorporated Business Ancillaries.

PREVIOUS ACTION TAKEN:

Business Board approved the change of mandate for the Real Estate Ancillary to focus on rental housing at the January 2007 meeting. The 2009-10 Budget was approved at the Business Board meeting on April 27, 2009.

HIGHLIGHTS:

The Residential Housing Ancillary manages 83 residential addresses with a total of 147 units. Just over half of these units are used for faculty housing, for both newly appointed and visiting faculty. There are also a few units of student family housing and 6 houses are leased to Campus Co-op. The remaining units are rented to third party tenants, who were in the houses at the time the University acquired them.

The forecast for 2009-10 shows a negative variance for rental and other income, due to continuing departures of third party tenants, and a few faculty members who took advantage of low interest rates to purchase homes sooner than anticipated. An operating deficit of \$309,297 and a reserve balance of \$923,190 are expected for 2009-10. Capital maintenance and renovation costs were extensive again this year. We have increased capacity by one faculty unit and two student family housing units this year, with 6 additional units planned for 2009-10.

The long range plan assumes gradual transitioning of vacated third-party rental housing to faculty and student family housing, and cyclical capital maintenance. Revenues from faculty and student housing are therefore budgeted to increase, and third-party rental revenues are budgeted to decrease. Our reserves remain small and we are therefore budgeting to spend a maximum of \$300,000 per year (\$3,750 per house) on capital maintenance and renovations, unless financing is available or work can be capitalized.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

It is the goal of the Residential Housing Ancillary to operate the properties on at least a breakeven basis, to avoid the need for permanent subsidy from the operating budget. This will take some time to achieve, but the new management focus and the gradual transition of third-party tenanted housing to faculty and student housing will assist in increasing revenues to the level needed to cover costs.

RECOMMENDATION:

It is recommended that the Business Board approve the operating budget for the Residential Housing Ancillary for 2010-11, as contained in the five-year operating plan.