St. George Campus
Residential Housing Ancillary

Overview of Operations and Business Plan for 2012-2017

The Residential Housing Ancillary manages 83 residential addresses with a total of 149 units in the Huron-Sussex neighbourhood. 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 4 houses are leased to Campus Co-op. The remainder are rented to overholding tenants, who were in the houses at the time the University acquired them. Day to day property management is contracted to Samuels Property Management, with capital work supervised and tendered by a University property manager. Rental rates for Faculty Housing are at market, whereas the rents for third party tenanted housing have been significantly constrained by rent control legislation.

The goals of the Residential Housing Ancillary are to manage the Faculty Housing and long-term tenanted housing in the Huron-Sussex area in a fiscally responsible manner, perform necessary repairs and capital refurbishment, maintain good relationships with tenants and explore the conversion of vacant long-term tenanted housing to faculty or student housing. The type of student housing best suited to the neighbourhood is student family housing.

The Residential Housing Ancillary is part of the Ancillary Services division, reporting to the Director of Ancillary Services. There is one full-time employee, with support provided by the Ancillary Services accounting team. Student Family Housing admissions are supported by the Admissions staff in our Charles Street Student Family Housing office. In 2011, the department added a Director (at 50% FTE) to improve supervision/coordination of staff and contractors and enhance neighbourhood relations.

Overview of operations, 2011-12

The forecast for 2011-12 is showing a positive variance as a result of better rental income and a few expense reductions. Our market rent adjustments implemented 3 years ago in Faculty Housing are almost complete and occupancy rates are good. Over the last five years, total revenue has increased by 20% and operating costs (excluding capital work) have increased only by about 3%, which reflects the department’s goal of achieving a more sustainable operating model.

This was a very busy year for capital work, which included renovation of 3 houses, to create an additional 2 units of student family housing, and four units of faculty housing. Other general repair expenses have included window replacements, masonry repair, landscaping and roof work.

The ancillary has received approval to capitalize large renovations, and has done so beginning in fiscal 2011. This has permitted several houses which had been sitting vacant for the last several years to be renovated and occupied. Although a positive impact on gross and net income, as well as neighbourhood relations, the resulting liability has necessitated an interest payment beginning this year, as the department's cash reserves are now below the total investment in capital assets.

At the end of this fiscal year, we anticipate a net deficit of $174,547.

<u>Operating Plan, 2012-13</u>

We are reclaiming 2 houses from Campus Co-op this year and have therefore budgeted for two house renovations to create 4 more units of housing. We are also budgeting $482,900 for maintenance work. $210,000 of this expense is allocated to Visiting Faculty Housing units, which are getting dated and require interior renovations and replacement of furniture and housewares.

Rental income will increase as new market-rent units are added to inventory – we also expect to increase Visiting Faculty Housing rates to more competitive levels as units are refreshed and repaired. Long-term tenanted housing is subject to the rent increase guideline set by the Ontario government, which this year was 3.1%. Whenever possible, we do apply for above-guideline increases for these units to cover the cost of capital repairs or extraordinary increases in utility costs, but legislation also caps the amount and duration of these increases, which means that many units in the neighbourhood are already capped and costs of capital work can therefore not be recovered. We are nevertheless required to be responsible and proactive landlords.

Other operating costs have been assigned inflationary increases. Property management fees are calculated as a percentage of gross rental income, utility costs will increase and salary expenses are linked to collective agreements.

Overall, we expect a net deficit of $197,571.

<u>Long-range financial plan and assumptions</u>

We will continue to convert vacated long-term tenanted housing to student family and faculty housing, as there continues to be strong demand for this type of housing at the University, and because it is housing which supports the academic mission. It is also housing which can be offered closer to market rents, is exempt from property tax and has a turnover rate that is appropriate for maintaining reasonable property standards (GTAA estimates that an average tenant stays 3 years in rental housing; in Faculty Housing our average stay is 2 to 2 ½ years).

We also recognise that we must be a responsible landlord to our long term tenants, and respect their love of, and tenure in, the neighbourhood. To that end, we have successfully worked to strengthen our relationship with the Huron Sussex Residents' Association over the last several years. We also believe that as responsible landlords, it is appropriate for us to effect the repairs we deem necessary to maintain the houses properly, and to apply for associated rent increases as permitted by law.

Rental revenue for faculty and student family housing is budgeted to increase each year of the long-range plan. Rental revenue for third party tenants is expected to decrease.

Operating costs have been assigned inflationary increases, as have overhead expenses. Property tax expenses are expected to decrease as they are payable only on our third party tenanted housing, and we are planning for reductions in this area. We begin to break even reliably beginning in 2013-14, and in 2016-17 a large amortization expense falls away. It should take 2 -3 years after that for cash reserves to build back up to offset the investment in capital assets.

Schedule 1A shows the detailed budget according to cost centre.