



FOR APPROVAL

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: Scott Mabury, Vice President University Operations
CONTACT INFO: 416-978-7116 scott.mabury@utoronto.ca

PRESENTER: Anne Macdonald, Director, Ancillary Services
CONTACT INFO: 416-978-7830, anne.macdonald@utoronto.ca

DATE: March 18, 2016 for April 5, 2016

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Ancillary Services: Residential Housing – Operating Plan and Budget, 2016-17

JURISDICTIONAL INFORMATION:

Pursuant to Section 5.4 (b.) of the Business Board Terms of Reference, the Board reviews and approved the annual budget of unincorporated business ancillaries.

GOVERNANCE PATH:

1. Business Board (April 5, 2016)

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 2015-16 Budget was approved at the Business Board meeting on April 7, 2015.

HIGHLIGHTS:

The Residential Housing Ancillary manages 83 residential addresses with a total of 163 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 13 units of student family housing. The remaining units are rented to long term tenants.

The forecast for 2015-16 shows a positive variance, due to savings in utilities and repairs. The financial picture of the department continues to improve, as market rent units are added to the neighbourhood to replace rent controlled units. An operating surplus of \$67,468 is forecast for

2015-16. Capital maintenance and renovation costs were extensive again this year and this will continue in all years of the plan, because of the age and unique nature of the properties.

The long range plan assumes continued transitioning of vacated long term rental housing to faculty and student family housing, and cyclical capital maintenance. The implementation of the recommendations of the Huron Sussex neighbourhood plan will also be a priority for this ancillary, and should impact the financial picture in a positive way.

FINANCIAL 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. Over the last 9 years, revenue growth from the new management approach has significantly outpaced growth of operating costs and the ancillary is now a stable operation.

RECOMMENDATION:

Be It Resolved

THAT the operating budget for the Residential Housing Ancillary for 2016-17, as contained in the '2016-17 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2016-21*, be approved.

DOCUMENTATION PROVIDED:

St. George Campus Residential Housing Ancillary – Overview of Operations and Business Plan for 2016-21

St. George Campus Residential Housing Ancillary – Statement of Operating Results 2014-15 to 2020-21

**St. George Campus
Residential Housing Ancillary**

Overview of Operations and Business Plan for 2016-2021

The Residential Housing Ancillary manages 83 residential addresses with a total of 163 rental 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 13 units of student family housing. The remainder is rented to long term tenants, some of whom have been residents for decades. Day to day property management is contracted to an external property management firm, with capital work supervised and tendered by a University property manager. Rental rates for Faculty Housing are at market, rental rates for student family housing are slightly below market, and the rents for long term tenants have been significantly constrained by rent control legislation.

The goals of the Residential Housing Ancillary are to manage the housing in the Huron-Sussex area in a fiscally responsible manner, perform necessary repairs and capital refurbishment and maintain good relationships with tenants. Units vacated by long-term tenants are refurbished when funds permit, and are rented to University tenants (i.e., faculty or student tenants). Student family housing was first introduced to the neighbourhood 8 years ago and has proven a good fit; these are often graduate students, many of whom have children of their own and appreciate the amenities and quiet atmosphere that the area offers. Student Family Housing and New Faculty Housing both have strong demand which exceeds the current supply.

The Residential Housing Ancillary is part of the Ancillary Services department, 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 the Charles Street Student Family Housing office, also part of Ancillary Services. In 2011, the department added a Director (at 50% FTE) to improve supervision and coordination of staff and contractors, and enhance neighbourhood relations. In 2015, the administrative support to this department from Student Family Housing grew to include the assistance of a Business Officer.

Overview of operations, 2015-16

The forecast for 2015-16 is showing a positive variance which is primarily attributable to savings in operating costs (utilities and repairs).

This year, the last two houses that were leased to Campus Co-op have been returned to the University. These required extensive renovations which will be complete by the spring of 2016, and will create 2 new faculty units and 2 new student family units.

Other general repair expenses have included window replacements and landscaping. Major maintenance expenses included an opportunistic investment to refurbish a unit which became vacant unexpectedly.

At the end of this fiscal year, we anticipate a surplus of \$67,468, which is a positive variance of \$147,094 from budget.

Operating Plan, 2016-17

We are budgeting \$525,000 for major maintenance work, which continues to be a significant annual expense in the department, given the age and unique nature of the houses. Work this year will include window replacements, roof work, masonry/porches and interior repairs, and a significant expenditure for a heritage repair.

Demand is expected to remain strong, and new faculty rents will be increased by 3%. Larger periodic rent adjustments will continue to be made on all market-rent units, generally after they are refurbished, or if we feel that they have dipped too far below market rates. Long-term tenanted housing is subject to the rent increase guideline set by the Ontario government, which this year is 2%. Whenever possible, we apply for above-guideline increases for these units to cover the cost of capital repairs, but legislation also caps the amount and duration of these increases (3% per year, for a maximum of 3 years), which means that many units in the neighbourhood are already capped and costs of capital work cannot be recovered while the current tenant remains in the unit. Above guideline increases are also possible for extraordinary increases in utility costs.

Other operating costs have been assigned inflationary increases. Property management fees are charged as a percentage of gross rental income, and salary expenses are linked to collective agreements. The laneway housing project will be funded by Student Family Housing, and a contribution from the VP University Operations. This is shown as an interfund transfer on Schedule 2.

Overall, we expect a net result of (\$76,040) for 2016-17.

The Huron-Sussex neighbourhood plan

In 2010, the University and representatives from the University Community Liaison Committee created a joint working group, charged with setting forth directions for the neighbourhood that would respond equally to University and community needs. This led to a multi-year process, beginning with the establishment of principles, followed by a comprehensive year-long consultation with University stakeholders, neighbours and local government. The final result was an innovative neighbourhood development plan endorsed by all parties. For the University,

this process – and its outcome - represented a positive change in its relationship with a close neighbour, and provides support for redevelopment in the neighbourhood. The Huron Sussex neighbourhood planning study received a 2014 Excellence in Planning award from the Ontario Professional Planners Institute, and was enthusiastically received by the University's Business Board in the fall of 2014.

The original objectives of the working group included a requirement to address neighbourhood “sustainability”, which is defined as finding an appropriate mix of long-term and short-term occupancies that will ensure that the neighbourhood maintains its unique character and sense of history. The neighbourhood plan provides for this over the long term, by increasing density and providing a mix of housing types and rental/ownership models. In the short term, we have undertaken a review of our operating practices and tenancy types in collaboration with the Office of the Vice-Provost, Academic Life, and the Huron Sussex Residents' Organization, and have implemented the following:

- Maximum lease term for new faculty tenants increased to 4 years
- Reduction in number of units assigned to short term rentals (i.e., visiting faculty); conversion of these units to new faculty units with 4-year leases
- Review of tenant adjacencies with an eye to clustering compatible tenant types (e.g., longer term and shorter term grouped together), where feasible
- Commitment to supporting community-building initiatives and events

Long-range plan

In 2017-18, an old loan that was taken to fund capital repairs will be fully amortized, which significantly improves net income that year and thereafter. Within 3 years, the ancillary should have repaid its accumulated deficit. Rental revenue is budgeted to increase for all the years of the plan and operating costs have been assigned inflationary increases, as have overhead expenses.

There has been an increasing amount of administrative and supervisory support provided by the Student Family Housing Ancillary group in this department over the last several years, as well as an increasing number of student family units in the neighbourhood. The Student Family Housing Ancillary, which reports to the University Affairs Board, primarily occupies the apartment complex at 730 Yonge and 35 Charles Street. These properties also have 62,000 square feet of commercial retail space, and a 300-space parking garage which are subject to land leases until 2019. 2019 also marks the expiry of the transfer agreement with the province,

which includes provisions governing the operation of the residential towers; specifically, a requirement that they be used exclusively for student housing.

The Huron Sussex neighbourhood plan sets the stage for both mid and low-rise residential development of over 500 units in the neighbourhood. The expiry of the Charles Street commercial land leases provides a significant revenue opportunity for the University, and the expiry of the transfer agreement provides the operational freedom to re-imagine the uses of the residential towers. Given the positive way in which student family housing has been received in Huron Sussex over recent years, it makes sense to consider the possibility of including a larger number of these types of units in this neighbourhood as development plans unfold. This could in turn allow for the Charles Street buildings to be refurbished, for another 50 years of use, and with a possible mix of occupancy which might include faculty as well as student families, and other university residents. Both neighbourhoods already contain a blend of commercial, residential and institutional activities, as well as community spaces and services, and green space. Future development would further enhance this mixed use.

Given the common management, common groups served and the strategic fit of these two ancillary units given future development possibilities, we will be undertaking a strategic review of both departments – individually and as a possible combined entity - in the coming year. The review will examine demand from, and needs of, our different tenant groups, including current groups and any groups which may currently be underserved, and opportunities created by the development possibilities of both neighbourhoods; and will propose a vision for the way in which this housing could support the University's academic mission in the years to come.

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
STATEMENT OF OPERATING RESULTS 2014-15 TO 2020-21

	2014-15	2015-16		Variance		2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Budget	Forecast	\$	%	Budget	Budget	Budget	Budget	Budget
Revenue:										
Faculty/Student Housing	1,797,521	1,882,111	1,861,017	(21,094)	-1.12%	2,043,010	2,104,300	2,167,429	2,232,452	2,299,426
Residential Rentals	565,803	557,166	543,827	(13,339)	-2.39%	545,814	554,001	562,311	570,746	579,307
Commercial Rentals	-	-	-	-	0.00%	-	-	-	-	-
Institutional and Divisional Rentals	-	-	-	-	0.00%	-	-	-	-	-
Miscellaneous income	8,142	7,992	8,131	139	0.00%	8,131	8,131	8,131	8,131	8,131
Interest income	-	-	1,007	1,007	0.00%	1,000	-	-	-	-
Total Revenue	2,371,466	2,447,269	2,413,982	(33,287)	-1.36%	2,597,955	2,666,433	2,737,872	2,811,329	2,886,864
Expenses:										
Direct Expenses:										
Property Operating Expenses	1,032,191	1,156,700	1,108,964	(47,736)	-4.13%	1,170,009	1,193,409	1,217,277	1,241,623	1,266,455
Capital Renewal - Major Maintenance	563,944	488,500	414,303	(74,197)	-15.19%	525,000	490,000	484,000	484,000	484,000
Property Taxes/Grants in Lieu	167,750	172,500	128,840	(43,660)	-25.31%	158,687	161,861	165,098	168,400	171,768
Salaries, Benefits and Office Expenses	113,047	119,710	118,310	(1,400)	-1.17%	201,457	207,501	213,726	220,138	226,742
Legal Fees	43,354	20,000	35,724	15,724	78.62%	28,000	28,000	28,000	28,000	28,000
Insurance	17,225	17,914	17,629	(285)	-1.59%	18,511	18,881	19,259	19,644	20,037
Amortization of Improvements	411,502	417,428	412,329	(5,099)	-1.22%	462,339	309,233	290,239	291,946	293,760
Loan Interest	49,699	48,356	48,356	-	0.00%	46,930	45,416	43,807	42,100	40,286
Finance Fees	17,760	25,172	1,445	(23,727)	-94.26%	-	13,618	9,520	4,422	(1,635)
Total Direct Expenses	2,416,471	2,466,280	2,285,900	(180,380)	-7.31%	2,610,933	2,467,919	2,470,926	2,500,272	2,529,413
Indirect Expenses:										
Institutional Overhead	10,321	9,801	9,800	(1)	-0.01%	10,299	10,505	10,715	10,929	11,148
Departmental Overhead	30,838	39,096	39,096	-	0.00%	41,051	41,872	42,709	43,564	44,435
F&S Overhead	13,457	11,718	11,718	-	0.00%	11,712	11,946	12,185	12,429	12,677
Total Indirect Expenses	54,616	60,615	60,614	(1)	0.00%	63,062	64,323	65,610	66,922	68,260
Total Expenses	2,471,087	2,526,895	2,346,514	(180,381)	-7.14%	2,673,995	2,532,242	2,536,536	2,567,194	2,597,673
Net Operating Results	(99,620)	(79,626)	67,468	147,094	-184.73%	(76,040)	134,191	201,336	244,135	289,191

**ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
2016-17 Budget Detail**

Business Area 1020 Cost Centre CF Centre Description	Visiting Faculty 13389 102266			Faculty Housing Co-op 13390 102266			Student Family Housing 13896 102266			Residential Rentals 13391 102267			Campus Co-op 13394 102267			Total		
	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17	Year end 30-Apr-15	Forecast 2015-16	Budget 2016-17
Revenue:																		
Rental Income	395,030	341,629	481,277	1,196,176	1,329,853	1,344,461	206,316	189,535	217,272	554,705	542,341	545,814.00	11,098	1,486	-	2,363,324	2,404,844	2,588,824
Miscellaneous income	-	-	-	8,142	8,131	8,131	-	-	-	-	-	-	-	-	-	8,142	8,131	8,131
Interest income	-	-	-	-	1,007	1,000	-	-	-	-	-	-	-	-	-	-	1,007	1,000
Total Revenue	395,030	341,629	481,277	1,204,318	1,338,991	1,353,592	206,316	189,535	217,272	554,705	542,341	545,814.00	11,098	1,486	-	2,371,466	2,413,982	2,597,955
Expenses:																		
Direct Expenses																		
Property Operating Expenses	241,155	245,873	260,255	499,306	556,793	586,199	58,487	69,481	74,900	233,242	236,817	248,655.00	-	-	-	1,032,191	1,108,964	1,170,009
Capital Renewal - Major Maintenance	(267)	38,598	31,000	262,130	333,924	77,350	20,475	7,026	27,850	281,606	34,755	388,800.00	-	-	-	563,944	414,303	525,000
Property Taxes/Grants in Lieu	-	-	-	-	-	-	-	-	-	167,750	128,840	158,687.00	-	-	-	167,750	128,840	158,687
Salaries, Benefits and Office Expenses	-	-	-	113,012	118,301	171,457	3	-	30,000	33	9	-	-	-	-	113,047	118,310	201,457
Legal Fees	-	-	-	36,888	35,724	20,000	-	-	-	6,466	-	8,000.00	-	-	-	43,354	35,724	28,000
Insurance	2,412	2,292	2,407	7,407	7,404	7,774	1,378	1,763	1,851	6,028	6,170	6,479.00	-	-	-	17,225	17,629	18,511
Building Depreciation Expense	56,645	56,921	57,251	253,016	253,176	304,195	40,955	41,346	40,007	60,886	60,886	60,886.00	-	-	-	411,502	412,329	462,339
Loan Interest	12,446	12,136	11,806	16,060	15,555	15,021	21,192	20,665	20,103	-	-	-	-	-	-	49,699	48,356	46,930
Finance Fees	-	-	-	17,760	1,445	-	-	-	-	-	-	-	-	-	-	17,760	1,445	-
Total Direct Expenses	312,391	355,820	362,719	1,205,579	1,322,322	1,181,996	142,490	140,281	194,711	756,011	467,477	871,507	-	-	-	2,416,471	2,285,900	2,610,933
Indirect Expenses:																		
Divisional Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional Overhead	2,924	1,274	1,339	3,698	4,116	4,326	688	980	1,030	3,010	3,430	3,604.00	-	-	-	10,321	9,800	10,299
Departmental Overhead	4,317	5,082	5,337	13,261	16,420	17,241	2,467	3,910	4,105	10,793	13,684	14,368.00	-	-	-	30,838	39,096	41,051
F&S Overhead	3,813	1,523	1,523	4,822	4,922	4,919	897	1,172	1,171	3,925	4,101	4,099.00	-	-	-	13,457	11,718	11,712
Total Indirect Expenses	11,054	7,879	8,199	21,781	25,458	26,486	4,052	6,062	6,306	17,729	21,215	22,071.00	-	-	-	54,616	60,614	63,062
Total Expenses	323,445	363,699	370,918	1,227,359	1,347,780	1,208,482	146,542	146,343	201,017	773,740	488,692	893,578.00	-	-	-	2,471,087	2,346,514	2,673,995
Net Income (Loss)	71,584	(22,070)	110,359	(23,042)	(8,789)	145,110	59,773	43,192	16,255	(219,034)	53,649	(347,764.00)	11,098	1,486	-	(99,620)	67,468	(76,040)

**Residential Housing Ancillary
Statement of Reserves 2014-15 to 2020-21**

in \$'s

	<u>2014-15 Actual</u>	<u>2015-16 Budget</u>	<u>2015-16 Forecast</u>	<u>2015-16 Variance</u>	<u>2016-17 Budget</u>	<u>2017-18 Budget</u>	<u>2018-19 Budget</u>	<u>2019-20 Budget</u>	<u>2020-21 Budget</u>
Total Fund Balance - Opening	1,627,612	1,504,074	1,527,992	23,918	3,636,983	4,690,798	4,754,843	4,886,034	5,060,024
Net Operating Results before Transfers and Subsidy (Schedule 1)	(99,620)	(79,626)	67,468	147,094	(76,040)	134,191	201,336	244,135	289,191
Transfers in - From SFH to RHA for student housing:	-	500,000	500,000	-	-	-	-	-	-
- Loan (15 year) from SFH to RHA	-	1,000,000	1,000,000	-	-	-	-	-	-
- From SFH to RHA for laneway houses	-	-	600,000	600,000	1,200,000	-	-	-	-
Transfers (out) - RHA to SFH re loan repayment:	-	(66,660)	(58,477)	8,183	(70,145)	(70,145)	(70,145)	(70,145)	(70,145)
Operating Fund Subsidy	-	-	-	-	-	-	-	-	-
Net Operating Results after Transfers and Subsidy	(99,620)	1,353,714	2,108,991	755,277	1,053,815	64,046	131,191	173,990	219,046
Total Fund Balance - Closing	1,527,992	2,857,788	3,636,983	779,195	4,690,798	4,754,843	4,886,034	5,060,024	5,279,070
Closing Fund balance is made up of:									
Investments in Capital Assets	3,686,318	4,750,958	4,488,007	(262,951)	5,825,668	5,516,435	5,226,196	4,934,250	4,640,491
Internally Restricted									
Capital Renewal Reserve	-	-	-	-	-	-	-	-	-
Operating Reserve	-	-	-	-	-	-	-	-	-
Unrestricted Surplus/(Deficit)	(2,158,326)	(1,893,170)	(851,024)	1,042,146	(1,134,870)	(761,592)	(340,162)	125,774	638,579

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF MAJOR MAINTENANCE 2015-16 TO 2020-21

Maintenance Type	2015-16 Forecast	2016-17 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget
Inspections	-	-	5,000	5,000	5,000	5,000
Roofing	50,151	127,000	50,000	30,000	30,000	30,000
Porches & Decks	11,899	-	10,000	10,000	10,000	10,000
Windows	63,786	50,000	100,000	100,000	100,000	100,000
Concrete	18,159	10,000	10,000	5,000	5,000	5,000
Air Conditioning	-	10,000	5,000	5,000	5,000	5,000
Electrical Service	-	-	10,000	10,000	10,000	10,000
Furnace & Boilers	-	-	12,000	7,000	7,000	7,000
Interior Refresh	15,000	15,000	150,000	200,000	200,000	200,000
Flooring	-	-	25,000	15,000	15,000	15,000
Exterior Work - Repair & Paint	17,931	-	10,000	10,000	10,000	10,000
Landscaping	-	-	5,000	5,000	5,000	5,000
Trees	-	8,000	7,000	7,000	7,000	7,000
Brick, Tuck Pointing & Foundations	-	30,000	5,000	5,000	5,000	5,000
Special Projects	237,378	275,000	66,000	50,000	50,000	50,000
Contingency	-	-	20,000	20,000	20,000	20,000
Total	414,304	525,000	490,000	484,000	484,000	484,000

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF DEFERRED MAINTENANCE 2014-15 TO 2019-20

	2015-16 Forecast	2016-17 Budget	2017-18 Budget	2018-19 Budget	2019-20 Budget	2020-21 Budget	Total
Maintenance Type							
No deferred maintenance	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total:	-	-	-	-	-	-	-

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF CAPITAL EXPENDITURES 2015-16 TO 2020-21

Description and Location	Forecast 2015-16	Budget 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21
Whole House renovation: 28 Sussex	578,806	-	-	-	-	-
Whole House renovation: 30 Sussex	635,312	-	-	-	-	-
3 Laneway Houses	-	1,800,000	-	-	-	-
Total Capital Expenditure	1,214,118	1,800,000	-	-	-	-
<u>Amortization/Principal Repayment Schedule</u>						
48 Harbord mortgage, partial (2008-09): 25 years	9,449	9,982	10,546	11,142	11,771	12,436
Loan for various improvements (2009-10): 25 years	13,707	14,600	15,550	16,562	17,640	18,789
Total Principal:	23,156	24,582	26,096	27,704	29,411	31,225
Amortization of improvements, various (2005-06): 12 years	247,222	247,222	20,602			
Amortization 400 Huron: 25 years starting May 1, 2012	16,131	16,131	16,131	16,131	16,131	16,131
11/13 Washington: 25 years starting Apr 1, 2013	20,710	20,710	20,710	20,710	20,710	20,710
38 Sussex: 25 years starting Apr 1, 2013	16,908	16,908	16,908	16,908	16,908	16,908
392 Huron: 25 years starting Apr 1, 2013	10,354	10,354	10,354	10,354	10,354	10,354
32 Sussex: 25 years starting Apr 1, 2014	21,583	21,583	21,583	21,583	21,583	21,583
34 Sussex: 25 years starting Apr 1, 2014	22,796	22,796	22,796	22,796	22,796	22,796
31 Sussex: 25 years starting Mar 1, 2014	33,569	33,569	33,569	33,569	33,569	33,569
28 Sussex: 25 years starting May 1, 2016	-	23,072	23,072	23,072	23,072	23,072
30 Sussex: 25 years starting May 1, 2016	-	25,412	25,412	25,412	25,412	25,412
3 Laneway Houses: 25 years starting in May 1, 2017	-	-	72,000	72,000	72,000	72,000
Total:	389,273	437,757	283,137	262,535	262,535	262,535
TOTAL AMORTIZATION:	412,429	462,339	309,233	290,239	291,946	293,760