



**FOR APPROVAL**

**PUBLIC**

**OPEN SESSION**

**TO:** Business Board

**SPONSOR:** Scott Mabury, Vice President University Operations  
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**PRESENTER:** Anne Macdonald, Director, Ancillary Services  
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**DATE:** April 5, 2018 for April 23, 2018

**AGENDA ITEM:** 3

**ITEM IDENTIFICATION:**

Ancillary Services: Residential Housing – Operating Plan and Budget, 2018-19

**JURISDICTIONAL INFORMATION:**

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

**GOVERNANCE PATH:**

**1. Business Board [For Approval] (April 23, 2018)**

**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 2017-18 Budget was approved at the Business Board meeting on April 6, 2017.

**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 2017-18 is showing a positive variance which is attributable to slightly higher occupancy rates and a variance due to timing of capital maintenance to units and grounds.

The financial picture of the department continues to improve, as market rent units are added to the neighbourhood to replace rent controlled units. At the end of this fiscal year, we anticipate a net income from operating results before transfers of \$528K, which is a positive variance of \$241K from budget. 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 10 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 2018-19, as contained in the '2018-19 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2018-23*, be approved.

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### **DOCUMENTATION PROVIDED:**

- *St. George Campus Residential Housing Ancillary – Overview of Operations and Business Plan for 2018-2023*

- *St. George Campus Residential Housing Ancillary – Statement of Operating Results 2016-17 to 2022-23*

**St. George Campus  
Residential Housing Ancillary**

**Overview of Operations and Business Plan for 2018-2023**

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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 Executive 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, 2017-18**

The forecast for 2017-18 is showing a positive variance which is attributable to slightly higher occupancy rates. Also, the level of repair, maintenance within the units and the grounds is coming in lower than budget. We expect this will increase in 2018-19 when more repairs and maintenance work will be done as units are refreshed during the turnover period. Further, the window replacement planned work did not get done because of scheduling conflicts.

This year, we undertook a roof condition assessment for all properties at the cost of \$62K, a mechanical assessment to determine feasibility for providing individual unit control in each property at a cost of \$10K, installation of 4 tank-less water heaters at a cost of \$9K, and structural repairs to the exterior wall at 28 Sussex Avenue at a cost of \$105K.

The laneway housing project is funded by Student Family Housing, and a contribution from the VP University Operations. This is shown as an interfund transfer on Schedule 2.

At the end of this fiscal year, we anticipate a net income from operating results before transfers of \$528K, which is a positive variance of \$241K from budget.

### **Operating Plan, 2018-19**

We are budgeting \$493K 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 replacements as identified in roof condition assessment, mechanical work to provide individual unit controls in some properties and tuck pointing repairs at several identified properties.

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 1.8%. 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.

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 12 year period of amortization of various improvements made in 2005-06 was completed in 2017-18 thereby lowering amortization going forward by a significant \$247.5K.

Overall, we expect a net result of \$275K for 2018-19.

### **A Housing planning strategy – consultation process**

In 2017-18, we retained N. Barry Lyon Consultants and Brook McIlroy to develop a Housing Strategy for the St. George Campus, for our housing program. This study focuses on student

family and faculty housing (not single student housing), currently situated within the Huron-Sussex and Charles and Yonge Street communities. The goal is to create a vision for this unique and diverse housing portfolio that will support the future growth of stable and successful communities and make the University of Toronto an attractive choice for faculty and student families.

Campus and community consultations were conducted over a 6-month period. Methods included interviews and focus group sessions with key stakeholders from the University and community to discuss key issues and opportunities for university family housing, which included two public workshops and an online survey.

We anticipate conducting a couple of additional stakeholder workshops to finalise the draft report over the coming months, with a final report anticipated by June 2018. The draft report identifies three goals for University Family Housing and key themes and common threads across both communities:

Goals:

1. Recognize university family housing as a resource that supports the University purpose, mission and objectives while facilitating its growth through the recruitment and retention of best and brightest faculty, students, researchers and staff.
2. Ensure the university family housing meets physical and economic needs of a broad range of University resident groups, through safe, comfortable and attainable housing.
3. Support University community life by offering programming and amenities that support all family members throughout their initial transition to the community and the duration of their stay.

Key Themes:

- Affordability and Access to Housing
- Supply
- Resident Group Composition (who lives where, and whether there are optimal ways of “clustering” residents to help individual residents and communities thrive)
- Sense of Community
- University as a Landlord
- Family Services and Support for Partners (in addition to primary leaseholder who is typically the student or faculty member with the closest relationship to the University)
- Suite mix and Modernization (in-unit and community amenities and services)
- Greenspace
- Administrative Framework (payment collection and other administrative efficiencies)

### **Long-range plan**

In 2018-19, and forward, the ancillary continues to generate positive results from operations. 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. Building sustainable elements and improvements will continue to be explored and, as budget permits, improvements will be made to the infrastructure that will improve energy efficiency and costs.

**St. George Campus Residential Housing Ancillary**  
**Statement of Operating Results 2016-17 TO 2022-23**  
**in \$'s**

	<b>2016-17 Actual</b>	<b>2017-18 Budget</b>	<b>2017-18 Forecast</b>	<b>2017-18 Variance</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>	<b>2022-23 Budget</b>
<b>Revenue:</b>									
Faculty/Student Housing	2,070,903	2,071,866	2,146,435	74,569	2,191,426	2,353,969	2,424,588	2,497,325	2,572,245
Residential Rentals	539,089	550,219	554,305	4,086	564,231	572,694	581,285	590,004	598,854
Commercial Rentals			-	-	-	-	-	-	-
Institutional and Divisional Rentals			-	-	-	-	-	-	-
Miscellaneous income	8,131	43,276	41,821	(1,455)	41,881	43,137	44,432	45,764	47,137
Interest income	2,622	1,000	12,372	11,372	6,000	1,000	1,000	1,000	1,000
<b>Total Revenue</b>	<b>2,620,746</b>	<b>2,666,361</b>	<b>2,754,933</b>	<b>88,572</b>	<b>2,803,538</b>	<b>2,970,801</b>	<b>3,051,304</b>	<b>3,134,094</b>	<b>3,219,237</b>
<b>Direct Expenses:</b>									
Property Operating Expenses	1,057,553	1,209,625	1,133,843	75,782	1,249,711	1,287,202	1,325,818	1,365,593	1,406,561
Capital Renewal - Major Maintenance	546,264	385,000	285,329	99,671	493,000	490,000	490,000	490,000	490,000
Property Taxes/Grants in Lieu	159,104	166,189	163,671	2,518	167,411	172,433	177,606	182,935	188,423
Salaries, Benefits and Office Expenses	167,315	200,293	219,475	(19,182)	214,063	220,485	227,099	233,912	240,930
Legal Fees	3,954	15,000	31,008	(16,008)	20,000	20,000	20,000	20,000	20,000
Insurance	18,509	19,435	19,232	203	19,925	20,642	21,385	22,155	22,953
Amortization of Improvements	413,854	272,901	263,141	9,760	218,355	327,996	329,810	331,736	333,780
Loan Interest	46,930	45,416	45,416	-	43,808	42,100	40,286	38,361	36,316
Finance Fees	-	-	-	-	-	-	-	-	-
<b>Total Direct Expenses</b>	<b>2,413,483</b>	<b>2,313,859</b>	<b>2,161,115</b>	<b>152,744</b>	<b>2,426,273</b>	<b>2,580,859</b>	<b>2,632,005</b>	<b>2,684,692</b>	<b>2,738,962</b>
<b>Indirect Expenses:</b>									
Central Overhead Charges	10,299	10,853	10,853	-	10,377	10,585	10,796	11,012	11,232
Departmental Overhead Charges	41,051	43,104	43,104	-	79,688	82,079	84,541	87,077	89,690
Facilities & Services Overhead Charges	11,712	11,968	11,968	-	12,020	12,260	12,506	12,756	13,011
<b>Total Indirect Expenses</b>	<b>63,062</b>	<b>65,925</b>	<b>65,925</b>	<b>-</b>	<b>102,085</b>	<b>104,924</b>	<b>107,843</b>	<b>110,845</b>	<b>113,933</b>
<b>Total Expenses</b>	<b>2,476,545</b>	<b>2,379,784</b>	<b>2,227,040</b>	<b>152,744</b>	<b>2,528,358</b>	<b>2,685,782</b>	<b>2,739,848</b>	<b>2,795,537</b>	<b>2,852,895</b>
<b>Operating Results Before Transfers</b>	<b>144,201</b>	<b>286,577</b>	<b>527,893</b>	<b>241,315</b>	<b>275,180</b>	<b>285,018</b>	<b>311,456</b>	<b>338,557</b>	<b>366,342</b>

**St. George Campus Residential Housing Ancillary**  
**Statement of Operating Results 2016-17 TO 2022-23**  
in \$'s

	<b>2016-17 Actual</b>	<b>2017-18 Budget</b>	<b>2017-18 Forecast</b>	<b>2017-18 Variance</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>	<b>2022-23 Budget</b>
<b>Total Fund Balance - Opening</b>	3,883,407	5,176,689	4,957,159	(219,530)	5,713,754	6,716,212	6,901,209	7,108,393	7,342,728
<b>Net Operating Results before Transfers (Schedule 1)</b>	144,201	286,577	527,893	241,316	275,180	285,018	311,456	338,557	366,342
Transfers in (out) of RHA ancillary operation:				-	-	-	-	-	-
Laneway/Single-family dwelling houses (From Student Family Housing Ancillary)	900,000	-	-	-	400,000				
Laneway/Single-family dwelling houses (From VP University Operations)		-	300,000	300,000	400,000				
Donated property at Bayview and Sheppard Ave. (From VP University Opearitions)	100,000		-	-					
Loan Repayment to Student Family Housing for Renovations at 28 & 30 Sussex)	(70,448)	(70,545)	(71,298)	(753)	(72,722)	(72,722)	(72,772)	(72,722)	(72,772)
Net revenue from the donated property transfer out to Restricted Fund for scholarships					-	(27,300)	(31,500)	(31,500)	(31,500)
<b>Net Operating Results after Transfers</b>	1,073,753	216,032	756,595	540,563	1,002,458	184,996	207,184	234,335	262,070
<b>Total Fund Balance - Closing</b>	<b>4,957,159</b>	<b>5,392,721</b>	<b>5,713,754</b>	<b>321,033</b>	<b>6,716,212</b>	<b>6,901,209</b>	<b>7,108,393</b>	<b>7,342,728</b>	<b>7,604,798</b>
<b>Closing Fund balance is made up of:</b>									
<b>Investments in Capital Assets</b>	3,913,888	5,672,408	4,345,092	(1,327,316)	5,025,260	4,697,264	4,367,454	4,035,718	3,701,938
<b>Internally Restricted</b>									
Capital Renewal Reserve	-	-	-	-	-	-	-	-	-
Operating Reserve									
New Construction Reserve (Laneway/Single-family dwelling houses)	1,800,000	-	1,227,307	1,227,307	-	-	-	-	-
<b>Unrestricted Surplus/(Deficit)</b>	(756,728)	(279,687)	141,356	421,043	1,690,953	2,203,945	2,740,939	3,307,010	3,902,860



**St. George Campus Residential Housing Ancillary**  
**Schedule of Major Maintenance 2017-18 to 2022-23**  
**in \$'s**

<b>Maintenance Type</b>	<b>2017-18 Forecast</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>	<b>2022-23 Budget</b>
Inspections		-	5,000	5,000	5,000	5,000
Roofing	62,378	175,000	50,000	50,000	50,000	50,000
Porches & Decks		-	10,000	10,000	10,000	10,000
Windows		100,000	100,000	100,000	100,000	100,000
Concrete		-	10,000	10,000	10,000	10,000
Air Conditioning		-	5,000	5,000	5,000	5,000
Electrical Service		-	10,000	10,000	10,000	10,000
Furnace & Boilers	18,696	110,000	12,000	12,000	12,000	12,000
Interior Refresh	82,480	35,000	150,000	150,000	150,000	150,000
Flooring		-	25,000	25,000	25,000	25,000
Exterior Work - Repair & Paint		30,000	10,000	10,000	10,000	10,000
Landscaping		-	5,000	5,000	5,000	5,000
Trees		-	7,000	7,000	7,000	7,000
Brick, Tuck Pointing & Foundations	5,000	40,000	5,000	5,000	5,000	5,000
Special Projects (includes surveys)	116,775	3,000	66,000	66,000	66,000	66,000
Contingency		-	20,000	20,000	20,000	20,000
<b>Total</b>	<b>285,329</b>	<b>493,000</b>	<b>490,000</b>	<b>490,000</b>	<b>490,000</b>	<b>490,000</b>

**St. George Campus Residential Housing Ancillary**  
**Schedule of capital expenditures 2017-18 to 2022-23**  
**in \$'s**

<b>Description and Location</b>	<b>Forecast 2017-18</b>	<b>Budget 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Budget 2021-22</b>	<b>Budget 2022-23</b>
Laneway Project: Currently Approved \$1.8M	572,693					
Laneway Project: Proposed Budget Increase (Revised Total Project: \$2.698M)		898,523				
28 & 20 Sussex (2017-18 Expenditures to close project)	121,652					
<b>Total Capital Expenditure</b>	<b>694,345</b>	<b>898,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u><b>Amortization/Principal Repayment Schedule</b></u>						
48 Harbord mortgage, partial (2008-09): 25 years	10,546	11,142	11,771	12,436	13,139	13,881
Loan for various improvements (2009-10): 25 years	15,550	16,562	17,640	18,789	20,012	21,314
<b>Total Principal:</b>	<b>26,096</b>	<b>27,704</b>	<b>29,411</b>	<b>31,225</b>	<b>33,151</b>	<b>35,195</b>
Amortization of improvements, various (2005-06): 12 years	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, 2017 (full year plus 8 months catch-up in 17-18)	35,762	23,800	23,800	23,800	23,800	23,800
30 Sussex: 25 years starting May 1, 2017 (full year plus 8 months catch-up in 17-18)	38,630	24,800	24,800	24,800	24,800	24,800
2 Laneway, 1 Single Family Dwelling: 25 years starting 1st Qtr of 19-20		-	107,934	107,934	107,934	107,934
<b>Total:</b>	<b>237,045</b>	<b>190,651</b>	<b>298,585</b>	<b>298,585</b>	<b>298,585</b>	<b>298,585</b>
<b>TOTAL AMORTIZATION:</b>	<b>263,141</b>	<b>218,355</b>	<b>327,996</b>	<b>329,810</b>	<b>331,736</b>	<b>333,780</b>