



FOR APPROVAL

PUBLIC

OPEN SESSION

TO: Business Board

SPONSOR: Scott Mabury, Vice-President, Operations and Real Estate Partnerships
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DATE: April 1, 2019 for April 23, 2019

AGENDA ITEM: 4

ITEM IDENTIFICATION:

Ancillary Services: Residential Housing – Operating Plan and Budget, 2019-20

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, 2019)

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 2018-19 Budget was approved at the Business Board meeting on April 23, 2018.

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 2018-19 is showing a positive variance which is attributable to higher interest income because of timing impacts with the laneway project and because of major maintenance scheduled work that will not be completed this fiscal year.

HIGHLIGHTS continued:

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 \$746K, which is a positive variance of \$471K from budget.

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.

Housing Demand Survey

Over the past year, the office of the Vice-President, Operations and Real Estate Partnerships developed a real estate strategy (now known as the Four Corners Strategy) to guide advancement of real estate projects and opportunities for University lands at the campus edges. One objective of the strategy is to grow the portfolio of good quality, attainable housing to help attract and retain outstanding faculty, librarians and senior staff. In order to assess and quantify this demand, a housing survey was undertaken in the fall of 2018, in collaboration with the office of the Vice-Provost, Academic Life. The study primarily focused on the St. George campus but feedback was gathered from UTSC and UTM that will help inform demand and potential for projects on those campuses. The survey was launched in September 2018, to all full-time faculty, emeritus faculty, librarians and senior staff. Response rates were very high - over 40% across the three campuses. Demand for University-affiliated housing of various types, and for both rental and ownership, is strong. The university is currently reviewing the final reports and future discussion will occur in the coming months as plans for development are shaped.

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 13 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 2019-20, as contained in the '2019-20 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2019-2024*, be approved.

DOCUMENTATION PROVIDED:

- *Overview of Operations and Business Plan for 2019-2024*
- *Statement of Operating Results 2017-18 to 2023-24*
- *2019-20 Budget Detail*
- *Statement of Reserves 2017-18 to 2023-24*
- *Schedule of Major Maintenance 2017-18 TO 2023-24*
- *Schedule of Major Maintenance 2017-18 TO 2023-24*
- *Schedule of capital expenditures 2017-18 TO 2023-24*

**St. George Campus
Residential Housing Ancillary**

Overview of Operations and Business Plan for 2019-2024

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 introduced to the neighbourhood 9 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 that exceeds the current supply.

The Residential Housing Ancillary is part of the Ancillary Services department, reporting to the Assistant Vice-President, Ancillary Services. There is one full-time employee, with support provided by the Ancillary Services accounting team. Student Family Housing admissions is 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 45% 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 (at 30% FTE). In 2019, plan is to provide further support to this ancillary by including the assistance of a Building Operations and Services Manager and Assistant Director each at 30% FTE.

Overview of operations, 2018-19

The forecast for 2018-19 is showing a positive variance, which is attributable to higher interest income because of timing impacts with the laneway project and because of major maintenance scheduled work that will not be completed in this fiscal year. Human resources within the F&S Property Management group affected window replacement, roof replacement and exterior painting projects and scheduling conflicts. As a result, the majority of this work is deferred to 2019-20.

The laneway housing project is funded by Student Family Housing (SFH) as well as contributions from the VP Operations & Real Estate Partnerships (VP, OREP). This funding is shown as a series of interfund transfers on Schedule 2. A combination of \$3.3M in contributions from SFH and VP, OREP is now committed for this project.

At the end of this fiscal year, we anticipate a net income from operating results before transfers of \$746K, which is a positive variance of \$471K from budget.

Operating Plan, 2019-20

We are budgeting \$838K for major maintenance work, which is mostly deferred major maintenance from 2018-19 and 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 an office renovation for the Director, Business Officer and administrative staff at 375 Huron Street that is funded jointly by Student Family Housing and Residential Housing Ancillary.

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.

Overall, we expect a net result of (\$241.6K) for 2019-20.

Housing Demand Survey

Over the past year, the office of the Vice-President, Operations and Real Estate Partnerships developed a real estate strategy (now known as the Four Corners Strategy) to guide advancement of real estate projects and opportunities for University lands at the campus edges. One objective of the strategy is to grow the portfolio of good quality, attainable housing to help attract and retain outstanding faculty, librarians and senior staff. In order to assess and quantify this demand, a housing survey was undertaken in the fall of 2018, in collaboration with the office of the Vice-Provost, Academic Life. The study primarily focused on the St. George campus but feedback was gathered from UTSC and UTM that will help inform demand and

potential for projects on those campuses. The survey was launched in September 2018, to all full-time faculty, emeritus faculty, librarians and senior staff. Response rates were very high - over 40% across the three campuses. Demand for University-affiliated housing of various types, and for both rental and ownership, is strong. The university is currently reviewing the final reports and future discussion will occur in the coming months as plans for development are shaped.

Notable

We estimate over \$3M is required to upgrade two recently vacated long-term tenanted properties (37 Sussex and 691 Spadina); both properties were occupied by the same tenant for over 40+ years and one recent university acquisition at 29 Sussex Avenue that was under renovation at the time of purchase. \$3M is estimated to renovate and create five new units for use by faculty families and student families. This very small ancillary does not have the financial capacity to invest \$3M to renovate units that require significant repair and as a result, we have not captured this work in the long-range plans.

Long-range plan

While university development and strategic plans for growing faculty housing are underway, this ancillary operation will continue to experience impacts of aging and costly inventory. 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.

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
STATEMENT OF OPERATING RESULTS 2017-18 TO 2023-24

	2017-18	2018-19		Variance		2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Budget	Forecast	\$	%					
Revenue:										
Faculty/Student Housing (includes Parking rental)	2,161,489	2,225,176	2,209,286	(15,890)	-0.71%	2,340,155	2,462,686	2,536,566	2,612,663	2,691,043
Residential Rentals	554,653	564,231	542,315	(21,916)	-3.88%	527,706	535,622	543,656	551,811	560,088
Commercial Rentals			-	-	0.00%	-	-	-	-	-
Institutional and Divisional Rentals			-	-	0.00%	-	-	-	-	-
Miscellaneous income	8,131	8,131	8,131	-	0.00%	8,131	8,131	8,131	8,131	8,131
Interest income	14,266	6,000	24,740	18,740	0.00%	6,000	1,000	1,000	1,000	1,000
Total Revenue	2,738,539	2,803,538	2,784,472	(19,066)	-0.68%	2,881,992	3,007,438	3,089,353	3,173,605	3,260,262
Expenses:										
Direct Expenses:										
Property Operating Expenses	1,105,719	1,249,711	1,189,493	(60,218)	-4.82%	1,274,209	1,312,435	1,351,808	1,392,363	1,434,133
Capital Renewal - Major Maintenance	268,958	493,000	50,939	(442,061)	-89.67%	837,537	430,000	430,000	370,000	370,000
Property Taxes/Grants in Lieu	163,671	167,411	176,864	9,453	5.65%	183,225	188,722	194,383	200,215	206,221
Salaries, Benefits and Office Expenses	218,448	214,063	228,037	13,974	6.53%	345,480	295,844	304,720	313,861	323,277
Legal Fees	50,511	20,000	4,000	(16,000)	-80.00%	20,000	20,000	20,000	20,000	20,000
Insurance	19,231	19,925	20,001	76	0.38%	20,801	21,550	22,326	23,129	23,962
Amortization of Improvements	263,202	218,355	214,571	(3,784)	-1.73%	282,143	571,319	338,787	340,089	341,477
Loan Interest	45,416	43,808	43,807	(1)	0.00%	42,100	34,089	26,497	25,194	23,807
Finance Fees	-	-	-	-	0.00%	-	-	-	-	-
Total Direct Expenses	2,135,156	2,426,273	1,927,712	(498,561)	-20.55%	3,005,495	2,873,959	2,688,521	2,684,851	2,742,878
Indirect Expenses:										
Institutional Overhead	10,853	10,377	10,377	-	0.00%	11,498	11,728	11,963	12,202	12,446
Departmental Overhead	43,104	79,688	88,000	8,312	10.43%	94,000	96,820	99,725	102,716	105,798
F&S Overhead	11,968	12,020	12,019	(1)	-0.01%	12,597	12,849	13,106	13,368	13,635
Total Indirect Expenses	65,925	102,085	110,396	8,311	8.14%	118,095	121,397	124,793	128,286	131,879
Total Expenses	2,201,081	2,528,358	2,038,108	(490,250)	-19.39%	3,123,590	2,995,356	2,813,314	2,813,137	2,874,757
Net Operating Results	537,458	275,180	746,364	471,183	-171.23%	(241,598)	12,083	276,039	360,468	385,505

**ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
2019-20 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			Total		
	Year end 30-Apr-18	Forecast 2018-19	Budget 2019-20	Year end 30-Apr-18	Forecast 2018-19	Budget 2019-20	Year end 30-Apr-18	Forecast 2018-19	Budget 2019-20	Year end 30-Apr-18	Forecast 2018-19	Budget 2019-20	Year end 30-Apr-18	Forecast 2018-19	Budget 2019-20
Revenue:															
Rental Income	291,922	202,783	144,494	1,636,530	1,764,615	1,926,154	233,037	241,888	269,507	554,653	542,315	527,706	2,716,142	2,751,601	2,867,861
Miscellaneous income	-	-	-	8,131	8,131	8,131	-	-	-	-	-	-	8,131	8,131	8,131
Interest income	-	-	-	14,266	24,740	6,000	-	-	-	-	-	-	14,266	24,740	6,000
Total Revenue	<u>291,922</u>	<u>202,783</u>	<u>144,494</u>	<u>1,658,927</u>	<u>1,797,486</u>	<u>1,940,285</u>	<u>233,037</u>	<u>241,888</u>	<u>269,507</u>	<u>554,653</u>	<u>542,315</u>	<u>527,706</u>	<u>2,738,539</u>	<u>2,784,472</u>	<u>2,881,992</u>
Expenses:															
Direct Expenses															
Property Operating Expenses	200,910	163,281	132,250	622,173	723,371	809,913	66,021	73,244	91,339	216,615	229,598	240,707	1,105,719	1,189,493	1,274,209
Capital Renewal - Major Maintenance	8,409	3,651	31,339	196,629	33,796	523,695	39,196	1,904	75,000	24,724	11,588	207,503	268,958	50,939	837,537
Property Taxes/Grants in Lieu	-	-	-	-	-	-	-	-	-	163,671	176,864	183,225	163,671	176,864	183,225
Salaries, Benefits and Office Expenses	-	-	-	187,119	221,330	345,480	6,758	1,458	-	24,572	5,249	-	218,448	228,037	345,480
Legal Fees	-	-	-	50,511	4,000	20,000	-	-	-	-	-	-	50,511	4,000	20,000
Insurance	2,058	1,290	936	9,231	11,871	12,897	1,654	1,678	1,976	6,289	5,162	4,992	19,231	20,001	20,801
Building Depreciation Expense	33,063	11,272	2,818	158,009	145,726	188,356	67,055	52,395	85,791	5,074	5,178	5,178	263,202	214,571	282,143
Loan Interest	11,455	-	-	14,457	31,829	30,553	19,504	11,978	11,547	-	-	-	45,416	43,807	42,100
Finance Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Direct Expenses	<u>255,895</u>	<u>179,494</u>	<u>167,343</u>	<u>1,238,128</u>	<u>1,171,923</u>	<u>1,930,894</u>	<u>200,188</u>	<u>142,657</u>	<u>265,653</u>	<u>440,944</u>	<u>433,639</u>	<u>641,605</u>	<u>2,135,156</u>	<u>1,927,712</u>	<u>3,005,495</u>
Indirect Expenses:															
Divisional Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional Overhead	1,161	669	517	5,209	6,159	7,129	933	871	1,092	3,549	2,678	2,760	10,853	10,377	11,498
Departmental Overhead	4,612	5,676	4,230	20,690	52,228	58,280	3,707	7,383	8,930	14,095	22,713	22,560	43,104	88,000	94,000
F&S Overhead	1,281	775	567	5,745	7,134	7,810	1,029	1,008	1,197	3,914	3,102	3,023	11,968	12,019	12,597
Total Indirect Expenses	<u>7,054</u>	<u>7,120</u>	<u>5,314</u>	<u>31,644</u>	<u>65,521</u>	<u>73,219</u>	<u>5,670</u>	<u>9,262</u>	<u>11,219</u>	<u>21,557</u>	<u>28,493</u>	<u>28,343</u>	<u>65,925</u>	<u>110,396</u>	<u>118,095</u>
Total Expenses	<u>262,949</u>	<u>186,614</u>	<u>172,657</u>	<u>1,269,772</u>	<u>1,237,444</u>	<u>2,004,113</u>	<u>205,857</u>	<u>151,919</u>	<u>276,872</u>	<u>462,502</u>	<u>462,132</u>	<u>669,948</u>	<u>2,201,081</u>	<u>2,038,108</u>	<u>3,123,590</u>
Net Income (Loss)	<u>28,973</u>	<u>16,169</u>	<u>(28,163)</u>	<u>389,155</u>	<u>560,042</u>	<u>(63,828)</u>	<u>27,180</u>	<u>89,969</u>	<u>(7,365)</u>	<u>92,151</u>	<u>80,183</u>	<u>(142,242)</u>	<u>537,458</u>	<u>746,364</u>	<u>(241,598)</u>
Less: Interfund transfer	-	-	-	72,115	74,288	74,503	(301,375)	-	-	-	-	-	(229,260)	74,288	74,503
Net Income (Loss)	<u>28,973</u>	<u>16,169</u>	<u>(28,163)</u>	<u>317,040</u>	<u>485,754</u>	<u>(138,331)</u>	<u>328,554</u>	<u>89,969</u>	<u>(7,365)</u>	<u>92,151</u>	<u>80,183</u>	<u>(142,242)</u>	<u>766,718</u>	<u>672,076</u>	<u>(316,101)</u>

**Residential Housing Ancillary
Statement of Reserves 2017-18 to 2023-24**

in \$'s

	2017-18 Actual	2018-19 Budget	2018-19 Forecast	2018-19 Variance	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget
Total Fund Balance - Opening	4,957,160	5,713,754	5,723,877	10,123	7,195,953	7,582,073	7,719,928	7,893,297	8,150,250
Net Operating Results before Transfers and Subsidy (Schedule 1)	537,458	275,180	746,364	471,184	(241,598)	12,083	276,039	360,468	385,505
Transfers in - RHA ancillary operation:									
Laneway/SFD - 2017-18 transfer from capital projects (VP, OREP)	301,375	-	-	-	-	-	-	-	-
Laneway/SFD - 2018-19 transfer from SFH \$400K	-	400,000	400,000	-	-	-	-	-	-
Laneway/SFD - 2018-19 transfer from VP, OREP \$400K	-	400,000	400,000	-	-	-	-	-	-
Laneway/SFD - 2019-20 transfer from VP, OREP \$700K	-	-	-	-	702,221	-	-	-	-
48 Harbord - 2020-21 balance of loan recovery from Harbord Project	-	-	-	-	-	227,622	-	-	-
Transfers (out) - RHA ancillary operation:									
Loan Repayment to SFH for reno of 28 & 30 Sussex	(72,115)	(72,722)	(74,288)	(1,566)	(74,503)	(74,503)	(74,503)	(74,503)	(74,503)
67 Citation Rental to Scholarships (starts 20-21 after start-up cost recovery)	-	-	-	-	-	(27,347)	(28,167)	(29,012)	(29,882)
Operating Fund Subsidy	-	-	-	-	-	-	-	-	-
Net Operating Results after Transfers and Subsidy	766,718	1,002,458	1,472,076	469,618	386,120	137,855	173,369	256,953	281,120
Total Fund Balance - Closing	5,723,877	6,716,212	7,195,953	479,741	7,582,073	7,719,928	7,893,297	8,150,250	8,431,370
Closing Fund balance is made up of:									
Investments in Capital Assets	4,353,778	5,025,260	4,931,006	(94,254)	6,743,287	6,424,512	6,105,737	5,786,962	5,468,187
Internally Restricted									
Capital Renewal Reserve	-	-	-	-	-	-	-	-	-
New Construction Reserve (Laneway Project)	1,227,307	-	2,065,011	2,065,011	-	-	-	-	-
Unrestricted Surplus/(Deficit)	142,793	1,690,952	199,936	(1,491,016)	838,786	1,295,416	1,787,560	2,363,288	2,963,183

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF MAJOR MAINTENANCE 2018-19 TO 2023-24

Maintenance Type	2018-19 Forecast	2019-20 Budget	2020-21 Budget	2021-22 Budget	2022-23 Budget	2023-24 Budget
Inspections		-				
Roofing	19,933	516,415	250,000	250,000	250,000	250,000
Porches & Decks		-				
Windows	1,000	150,000	100,000	100,000	40,000	40,000
Concrete		-				
Air Conditioning		-				
Electrical Service		-				
Furnace & Boilers - Unit Controls 2019-20	(6,599)	30,000				
Interior Refresh/(Major Property Rehab)	5,475	2,000				
Flooring		-				
Exterior Work - Repair & Paint	12,332	93,409				
Landscaping		-				
Trees		-				
Brick, Tuck Pointing & Foundations	-	-				
Special Projects (includes surveys)	18,799	45,714				
Contingency		-	80,000	80,000	80,000	80,000
Total	50,940	837,538	430,000	430,000	370,000	370,000

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF CAPITAL EXPENDITURES 2018-19 TO 2023-24

Description and Location	Forecast 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24
Laneway Housing Project (Spent 17-18 \$473,110)	764,100	2,065,011	-	-	-	-
Total Capital Expenditure	764,100	2,065,011	-	-	-	-
<u>Amortization/Principal Repayment Schedule</u>						
48 Harbord mortgage, partial (2008-09): 25 years	11,142	11,771	6,133	-	-	-
Loan for various improvements (2009-10): 25 years	16,562	17,640	18,789	20,012	21,314	22,702
Total Principal:	27,704	29,411	24,922	20,012	21,314	22,702
Amortization of improvements, various (2005-06): 12 years	-	-	-	-	-	-
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	21,642	21,457	21,457	21,457	21,457	21,457
30 Sussex: 25 years starting May 1, 2017	23,178	23,178	23,178	23,178	23,178	23,178
2 Laneway, 1 SFD: 25 October 1, 2019	-	66,044	132,089	132,089	132,089	132,089
Total:	186,871	252,730	318,775	318,775	318,775	318,775
TOTAL AMORTIZATION:	214,575	282,141	343,697	338,787	340,089	341,477