



**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:** March 17, 2017 for April 6, 2017

**AGENDA ITEM:** 5

**ITEM IDENTIFICATION:**

Ancillary Services: Residential Housing – Operating Plan and Budget, 2017-18

**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 [for approval] (April 6, 2017)**

**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 2016-17 Budget was approved at the Business Board meeting on April 5, 2016.

**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 2016-17 shows a positive variance which is primarily attributable to savings in operating costs such as lower costs in annual maintenance, a variance due to timing of

amortization for renovations of 28 & 30 Sussex and a variance in consulting costs as the housing planning strategy project is moved to 2017-18.

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 \$63,843, which is a positive variance of \$139,882 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 2017-18, as contained in the '2017-18 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2017-22*, be approved.

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#### **DOCUMENTATION PROVIDED:**

*St. George Campus Residential Housing Ancillary – Overview of Operations and Business Plan for 2017-22*

*St. George Campus Residential Housing Ancillary – Statement of Operating Results 2015-16 to 2021-22*

**St. George Campus  
Residential Housing Ancillary**

**Overview of Operations and Business Plan for 2017-2022**

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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 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, 2016-17**

The forecast for 2016-17 is showing a positive variance which is primarily attributable to savings in operating costs: \$38.8K due to very low turnover in faculty housing as a result of an occupancy cap change from 3 years to 4 years and higher retention which will level off in 2017-18, \$48.4K variance due to timing of amortization for renovations of 28 & 30 Sussex and \$30K variance in consulting costs as the Housing planning strategy project is moved to 2017-18.

This year, two large scale major maintenance projects were undertaken. We completed a costly repair of one of our heritage properties at 36 Sussex needed as a result of damage sustained during a wind storm. Damage was sustained to the rear roof and parapet which required structural replacement of roof joists, parapet repairs and roof replacement.

In addition, a second large scale project was undertaken at 19 Washington as a result of an unexpected long term tenant departure. A decision was made to invest in the refurbishment of the unit for use as a faculty rental. The unit refurbishment is complete and unit is occupied.

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.

In an effort to increase inventory in the faculty housing programme, and as part of a special pilot exercise, Residential Housing Ancillary has opportunity to add one property to the fleet of houses in the programme. This residential property located in North York (Bayview Avenue & Sheppard Avenue) was donated to the University of Toronto to establish a scholarship fund in the Faculty of Medicine. The VP University Operations contributed \$100K to the refurbishment of the property. This is shown as an interfund transfer on Schedule 2. A portion of this contribution will be used to complete a roof replacement in 2016-17 and the remainder of the contribution will be used for interior repairs in 2017-18. This is a single family dwelling and it is anticipated that occupancy will commence in August 2017. Net revenue will be transferred annually to the Division of Advancement for the scholarship fund (in 17-18, transfer to Advancement is not budgeted as net revenue is not expected to be significant in this first year due to timing of securing a tenant and start-up costs that will need to be recovered from any revenue).

At the end of this fiscal year, we anticipate a net income from operating results before transfers of \$63,843, which is a positive variance of \$139,882 from budget.

### **Operating Plan, 2017-18**

We are budgeting \$385,000 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 condition assessment of all 83 properties, exterior paint work on several Washington properties and a structural repair to the exterior foundation wall at 28 Sussex.

Demand is expected to remain strong, and new faculty rents will be increased by 2%. 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 1.5%. 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.

This year, an old loan that was taken to fund neighbourhood repairs and renovations will be fully paid, which means that amortization costs decrease significantly this year and from this point on.

Overall, we expect a net result of \$286,577 for 2017-18.

### **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 implemented several measures to address high turnover, including reducing the number of units assigned to short-term visitors, and extending the lease for new faculty by one year. This year, we will begin the review process in consultation with university and neighbourhood stakeholders, to put a strategy in place for the long term.

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

This year, the University will engage in a project to develop a housing strategy on the St. George Campus for rental housing for members of the university community who are not single students. Currently, these include student families, new faculty, long-term tenants, and visiting faculty. In the future, this might also include other individuals associated with the University. There are two neighbourhoods in which this housing is currently provided: the low-rise neighbourhood in Huron-Sussex, and a high-rise neighbourhood at Charles Street and Yonge.

The Student Family Housing Ancillary, which also reports to Ancillary Services and brings its annual budget and operating plans 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 200-space parking garage which are subject to land leases until 2019. The residential towers are currently used exclusively for student family housing, as a condition of a transfer agreement with the Province of Ontario, which also expires in 2019.

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. Both neighbourhoods already contain a blend of commercial, residential and institutional activities, as well as community spaces and services, and green space. There are significant commonalities between the neighbourhoods, including tenant profiles and the way in which the housing is managed, which is the reason for looking at both neighbourhoods together for this project.

It is anticipated that there will be recommendations developed for each neighbourhood individually, as well as recommendations that apply to both. The project will combine neighbourhood planning objectives such as identifying ideal resident and unit mixes, as well as housing market studies to support the implementation of changes in both Huron-Sussex and the Charles-Yonge Street properties. The primary focus is to develop strategic goals to guide future growth that supports stable and successful communities within this unique housing portfolio.

A resident consultation process (current residents), campus consultation process (future residents) and university stakeholder groups, which will include surveys, focus groups and community meetings, will be undertaken to ensure representative input from the two neighbourhoods and the broader university community.

### **Long-range plan**

In 2018-19, the ancillary will emerge from its accumulated deficit position. This is the result of positive results from operations, and the end of amortization of various building improvements, reducing expenses by \$247.2K per year going forward. 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 2015-16 TO 2021-22**

	2015-16	2016-17		Variance		2017-18	2018-19	2019-20	2020-21	2021-22
	Actual	Budget	Forecast	\$	%	Budget	Budget	Budget	Budget	Budget
<b>Revenue:</b>										
Faculty/Student Housing	1,869,210	2,043,010	2,092,367	49,357	2.42%	2,071,866	2,134,022	2,198,043	2,263,984	2,331,903
Residential Rentals	543,959	545,814	542,674	(3,140)	-0.58%	550,219	558,472	566,849	575,352	583,982
Commercial Rentals	-	-	-	-	0.00%	-	-	-	-	-
Institutional and Divisional Rentals	-	-	-	-	0.00%	-	-	-	-	-
Miscellaneous income	8,131	8,131	8,131	-	0.00%	43,276	44,574	45,912	47,289	48,708
Interest income	1,635	1,000	1,283	283	0.00%	1,000	-	-	-	-
<b>Total Revenue</b>	<b>2,422,934</b>	<b>2,597,955</b>	<b>2,644,455</b>	<b>46,500</b>	<b>1.79%</b>	<b>2,666,361</b>	<b>2,737,069</b>	<b>2,810,804</b>	<b>2,886,625</b>	<b>2,964,593</b>
<b>Expenses:</b>										
Direct Expenses:										
Property Operating Expenses	1,080,388	1,170,009	1,123,244	(46,765)	-4.00%	1,209,625	1,258,010	1,308,330	1,360,663	1,415,090
Capital Renewal - Major Maintenance	211,632	525,000	578,219	53,219	10.14%	385,000	490,000	484,000	484,000	484,000
Property Taxes/Grants in Lieu	128,840	158,687	159,104	417	0.26%	166,189	171,175	176,310	181,599	187,047
Salaries, Benefits and Office Expenses	118,291	201,457	170,690	(30,767)	-15.27%	200,293	156,302	160,991	165,821	170,795
Legal Fees	29,340	28,000	7,000	(21,000)	-75.00%	15,000	15,000	15,000	15,000	15,000
Insurance	17,628	18,511	18,510	(1)	-0.01%	19,435	20,407	21,427	22,498	23,623
Amortization of Improvements	412,428	462,339	413,854	(48,485)	-10.49%	272,901	256,246	293,953	295,767	297,693
Loan Interest	48,356	46,930	46,929	(1)	0.00%	45,416	43,807	42,100	40,286	38,366
Finance Fees	1,445	-	-	-	0.00%	-	-	-	-	-
Total Direct Expenses	<b>2,048,348</b>	<b>2,610,933</b>	<b>2,517,550</b>	<b>(93,383)</b>	<b>-3.58%</b>	<b>2,313,859</b>	<b>2,410,946</b>	<b>2,502,110</b>	<b>2,565,634</b>	<b>2,631,614</b>
Indirect Expenses:										
Institutional Overhead	9,801	10,299	10,299	-	0.00%	10,853	11,070	11,291	11,517	11,748
Departmental Overhead	39,096	41,051	41,051	-	0.00%	43,104	44,397	45,729	47,101	48,514
F&S Overhead	11,718	11,712	11,712	-	0.00%	11,968	12,207	12,452	12,701	12,955
Total Indirect Expenses	<b>60,615</b>	<b>63,062</b>	<b>63,062</b>	<b>-</b>	<b>0.00%</b>	<b>65,925</b>	<b>67,675</b>	<b>69,472</b>	<b>71,319</b>	<b>73,216</b>
<b>Total Expenses</b>	<b>2,108,963</b>	<b>2,673,995</b>	<b>2,580,612</b>	<b>(93,383)</b>	<b>-3.49%</b>	<b>2,379,784</b>	<b>2,478,621</b>	<b>2,571,582</b>	<b>2,636,953</b>	<b>2,704,830</b>
<b>Net Operating Results</b>	<b>313,972</b>	<b>(76,040)</b>	<b>63,843</b>	<b>139,882</b>	<b>183.96%</b>	<b>286,577</b>	<b>258,448</b>	<b>239,221</b>	<b>249,672</b>	<b>259,763</b>



**Residential Housing Ancillary  
Statement of Reserves 2015-16 to 2021-22  
in \$'s**

	<u>2015-16 Actual</u>	<u>2016-17 Budget</u>	<u>2016-17 Forecast</u>	<u>2016-17 Variance</u>	<u>2017-18 Budget</u>	<u>2018-19 Budget</u>	<u>2019-20 Budget</u>	<u>2020-21 Budget</u>	<u>2021-22 Budget</u>
<b>Total Fund Balance - Opening</b>	1,527,993	3,636,984	3,883,407	246,423	5,176,689	5,392,721	5,580,624	5,749,300	5,928,427
Net Operating Results before Transfers and Subsidy (Schedule 1)	313,972	(76,040)	63,843	139,883	286,577	258,448	239,221	249,672	259,763
Transfers in - RHA ancillary operation:				-	-	-	-	-	-
From SFH to RHA for student housing	500,000			-					
Loan (15 Year) from SFH to RHA	1,000,000			-					
From SFH to RHA for Laneway houses (15-16 \$600K)	600,000			-					
From SFH to RHA for Laneway houses (16-17 \$900K)		1,200,000	900,000	(300,000)					
From VPUO for Laneway houses (16-17 \$300K)			300,000	300,000					
From VPUO for 67 Citation Drive			100,000	100,000					
Transfers (out) - RHA ancillary operation:	(58,557)	(70,145)	(70,561)	(416)	(70,545)	(70,545)	(70,545)	(70,545)	(70,545)
Operating Fund Subsidy	-	-	-	-	-	-	-	-	-
<b>Net Operating Results after Transfers and Subsidy</b>	2,355,414	1,053,815	1,293,282	239,467	216,032	187,903	168,676	179,127	189,218
<b>Total Fund Balance - Closing</b>	<b>3,883,407</b>	<b>4,690,799</b>	<b>5,176,689</b>	<b>485,890</b>	<b>5,392,721</b>	<b>5,580,624</b>	<b>5,749,300</b>	<b>5,928,427</b>	<b>6,117,645</b>
<b>Closing Fund balance is made up of:</b>									
<b>Investments in Capital Assets</b>	3,960,601	5,825,668	4,170,057	(1,655,611)	5,723,086	5,494,544	5,230,002	4,965,461	4,700,919
<b>Internally Restricted</b>									
Capital Renewal Reserve	-	-	-	-	-	-	-	-	-
New Construction Reserve (\$600K in 15-16 , \$1,200K in 16-17 Transfer)	-	-	600,000	600,000	-	-	-	-	-
Operating Reserve (Held for interior Refresh of 67 Citation Drive)	-	-	63,000	63,000	-	-	-	-	-
<b>Unrestricted Surplus/(Deficit)</b>	(77,194)	(1,134,869)	343,632	1,478,501	(330,365)	86,080	519,298	962,967	1,416,727

**UNIVERSITY OF TORONTO**  
**ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY**  
**SCHEDULE OF MAJOR MAINTENANCE 2016-17 TO 2021-22**

<b>Maintenance Type</b>	<b>2016-17 Forecast</b>	<b>2017-18 Budget</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>
Inspections	-	-	5,000	5,000	5,000	5,000
Roofing	37,000	55,000	50,000	30,000	30,000	30,000
Porches & Decks	-	-	10,000	10,000	10,000	10,000
Windows	-	90,000	100,000	100,000	100,000	100,000
Concrete	-	-	10,000	5,000	5,000	5,000
Air Conditioning	-	-	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	1,915	81,000	150,000	200,000	200,000	200,000
Flooring	-	-	25,000	15,000	15,000	15,000
Exterior Work - Repair & Paint	-	25,000	10,000	10,000	10,000	10,000
Landscaping	-	-	5,000	5,000	5,000	5,000
Trees	-	6,000	7,000	7,000	7,000	7,000
Brick, Tuck Pointing & Foundations	-	-	5,000	5,000	5,000	5,000
Special Projects (includes surveys)	539,305	78,000	66,000	50,000	50,000	50,000
Contingency	-	50,000	20,000	20,000	20,000	20,000
<b>Total</b>	<b>578,220</b>	<b>385,000</b>	<b>490,000</b>	<b>484,000</b>	<b>484,000</b>	<b>484,000</b>

UNIVERSITY OF TORONTO  
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY  
SCHEDULE OF DEFERRED MAINTENANCE 2016-17 TO 2021-22

	<b>2016-17 Forecast</b>	<b>2017-18 Budget</b>	<b>2018-19 Budget</b>	<b>2019-20 Budget</b>	<b>2020-21 Budget</b>	<b>2021-22 Budget</b>	<b>Total</b>
<b>Maintenance Type</b>							
No deferred maintenance	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Total:</b>	-	-	-	-	-	-	-

**UNIVERSITY OF TORONTO**  
**ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY**  
**SCHEDULE OF CAPITAL EXPENDITURES 2016-17 TO 2021-22**

Description and Location	Forecast 2016-17	Budget 2017-18	Budget 2018-19	Budget 2019-20	Budget 2020-21	Budget 2021-22
Whole House renovation: 28 Sussex (\$589,686 TCP)	253,112	-	-	-	-	-
Whole House renovation: 30 Sussex (\$672,600 TCP)	345,617	-	-	-	-	-
Two Prototype Laneway/One SFD/Demo/Playground	-	1,799,834	-	-	-	-
<b>Total Capital Expenditure</b>	<b>598,729</b>	<b>1,799,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Amortization/Principal Repayment Schedule</u>						
48 Harbord mortgage, partial (2008-09): 25 years	9,982	10,546	11,142	11,771	12,436	13,139
Loan for various improvements (2009-10): 25 years	14,600	15,550	16,562	17,640	18,789	20,012
Total Principal:	24,582	26,096	27,704	29,411	31,225	33,151
Amortization of improvements, various (2005-06): 12 years	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, 2017 (retro to Aug 1/16)	-	39,312	23,587	23,587	23,587	23,587
30 Sussex: 25 years starting May 1, 2017 (retro to Aug 1/16)	-	44,840	26,904	26,904	26,904	26,904
2 Laneway, 1 Single Family Dwelling: 25 years starting Oct 1, 2018	-	-	36,000	72,000	72,000	72,000
Total:	389,273	246,805	228,542	264,542	264,542	264,542
<b>TOTAL AMORTIZATION:</b>	<b>413,855</b>	<b>272,901</b>	<b>256,246</b>	<b>293,953</b>	<b>295,767</b>	<b>297,693</b>