



FOR INFORMATION

PUBLIC

OPEN SESSION

TO: University Affairs Board

SPONSOR: Professor Sandy Welsh, Vice-Provost, Students

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PRESENTER: Anne Macdonald, Assistant Vice-President, Ancillary Services, 416-978-7830 anne.macdonald@utoronto.ca, and Josh Mitchell, Director of Real Estate, 416-946-7477 josh.mitchell@utoronto.ca

CONTACT INFO:

DATE: September 23, 2020 for September 30, 2020

AGENDA ITEM: 4

ITEM IDENTIFICATION:

Establishment of University Development and Campus Services (UDCS) as an unincorporated business ancillary.

JURISDICTIONAL INFORMATION:

Under section 5.1.1. of its *Terms of Reference*, the Board is responsible for policy affecting the operation of the service ancillaries on the St George campus, including Residences, Food Services, Campus Beverage Services, Parking Services, and University-wide ancillary services as established from time to time. [General financial policies governing these and other University ancillaries are the responsibility of the Business Board.]

GOVERNANCE PATH:

1. Business Board [for approval] (June 18, 2020))
2. **University Affairs Board [for information] (September 30, 2020)**

PREVIOUS ACTION TAKEN:

The Establishment of University Development and Campus Services (UDCS) as an unincorporated business ancillary was approved by the Business Board on June 18, 2020.

HIGHLIGHTS:

The *Four Corners Strategy* serves to guide future discussions and decision-making regarding the advancement of real estate projects. Through a set of goals, objectives, and strategies, the *Strategy* provides UofT and its stakeholders with a clear and consistent approach towards evaluating a wide range of projects and opportunities. The *Strategy* is focused primarily on non-academic/ancillary assets and amenities.

The primary goals are:

1. providing quality amenity spaces (e.g. housing, retail, commercial office, innovation space) to support the mission of the University and improve quality of life for the University population and,
2. generating financial returns directed to the operating fund through income of its improved properties that are comparable to the University's annual endowment payout.

Activities stemming from the strategy to date have included the recruitment of a new Director of Real Estate in May 2019 to lead development and partnership activities, as well as a small team under the Director to work on financial underwriting, partnerships negotiation and commercial leasing, among other real estate transactions. Upon the Director's arrival, he immediately brought Spadina-Sussex and UTSC student residences through governance, and has provided strategic oversight to the Schwartz Reisman Innovation Centre project, as well as a number of other projects currently under development.

The OREP Ancillary Services department on the St. George campus is a self-funded unit responsible for student housing outside the Arts & Science colleges, faculty housing, food and conference services, transportation and trademark licensing. It has annual revenues of approximately \$80 million and about 500 FTE, including a central team which does accounting, administrative, and marketing and communications work. Ancillary Services has had, and will continue to have, significant involvement in Four Corners projects on the St. George campus, ensuring that they have responsible operating plans, and that they meet the needs of the community.

In order to create a sustainable and cost-effective administrative home for Four Corners, and to formalize the collaboration between Real Estate and Ancillary Services, a "merger" of these two units is recommended. The establishment of *University Development and Campus Services* as a business ancillary is proposed, given the breadth of activities which are represented in the unit, the mixed use nature of many current and future developments, and the importance of achieving specific financial goals as identified in the Four Corners strategy. Certain operations within the new ancillary remain

student-focused, and these should continue to seek approvals for fees charged to students, and feedback on operating plans through established processes at University Affairs Board.

For further clarity, the individual ancillary budgets from OREP Ancillary Services, and the operating budget from Real Estate, will not be dissolved/amalgamated, but will be maintained within the new UDCS business ancillary umbrella. There is one exception, which is that two family housing ancillary budgets will be combined in order to improve administrative efficiency and economies of scale.

Consultation with local stakeholder groups, including student groups, will continue as before, on budget matters, operations, amenities/services, and capital projects. These groups include tenants' and neighbourhood associations, local boards and advisory committees, and residence councils.

The chart below shows key current and proposed governance activities involving University Affairs Board (UAB) and Business Board (BB) for matters associated with the operation of the ancillary and progress of the Four Corners Strategy.

Governance Activity**	Current		Proposed	
	UAB	BB	UAB	BB
Approval of capital projects	●	●	●	●
Approval of project financing/partnership agreements		●		●
SARG participation	●		●	
Campus Life information reports	●		●	
Review of progress of Four Corners Strategy (NEW)	●	●	●	●
Approval of operating budget	●	●		●
Approval of rates charged to students	●		●	●

**not intended as an exhaustive list, but rather a snapshot of the primary routine interfaces with these two boards

Advice informing this proposal has been sought from the Four Corners steering committee, administrative leadership at UofT Mississauga and UofT Scarborough, chairs and senior assessors of University Affairs Board and Business Board, the chair of Governing Council, the University's CFO and Comptroller, and the University Secretariat.

An annual operating plan and budget will be presented to Business Board beginning in 2020-21. A report on the progress of the Four Corners Strategy will be presented to University Affairs Board and Business Board beginning in 2020-21.

FINANCIAL IMPLICATIONS:

None

RECOMMENDATION:

For Information

DOCUMENTATION PROVIDED:

- *Business ancillary proposal (OREP Ancillaries & Real Estate), June 18, 2020*

BUSINESS ANCILLARY PROPOSAL

OREP Ancillaries & Real Estate

ANNE MACDONALD
AVP, ANCILLARY SERVICES

JOSH MITCHELL
DIRECTOR, REAL ESTATE



UNIVERSITY OF
TORONTO

FOUR CORNERS (4C) STRATEGY - GOALS

GOAL

Facilitate amenity uses that support the academic mission

SUPPORTING OBJECTIVES

- Improve the amenities and environment on and at the campus periphery
- Grow portfolio of quality, attainable housing
- Promote innovation and commercialization by providing suitable space
- Support University engagement civic goals

GOAL

Grow “other” revenue while maintaining long-term real estate interests

SUPPORTING OBJECTIVES

- Generate strong financial returns while managing risk
- Plan for and respond to current and future space needs

FOUR CORNERS (4C) STRATEGY - BACKGROUND

TRI-CAMPUS REAL ESTATE STRATEGY FOR NON-ACADEMIC DEVELOPMENT

1. Double-bottom line strategy with two primary goals:

- Build much-needed housing, innovation space, retail, and amenities that benefit the UofT community
- Generate appropriate returns for the University

2. More than 3.5 million square feet of new development over the next 15 years

- 55% for faculty and student housing (~2,500 units)
- 30% for innovation and office space (~1 million square feet)
- 15% for retail and other ancillary space (~500K square feet)

3. Goal is \$50M in annual net cash flow after debt service by 2033 returned to University

4. Leverages University's existing resources and expertise in finance, budgeting, property management, planning, design and construction

5. Reviewed and approved by Business Board (BB)

THE PROPOSAL: UNIVERSITY DEVELOPMENT AND CAMPUS SERVICES (UDCS)

“MERGER” OF EXISTING OREP ANCILLARY SERVICES AND REAL ESTATE DEPARTMENTS

- UDCS to be established as a business ancillary
- Student Family Housing and Residential Housing Ancillary also to merge to become University Family Housing; amalgamate these two budgets
- Report to Vice-President, Operations and Real Estate Partnerships (no change)
- Will help align existing revenue generating operations to 4C strategy

NEW STRUCTURE

**University Development and
Campus Services**
Scott Mabury

Ancillary Services
Anne Macdonald

Food and Beverage | Conference Services
University Family Housing
Chestnut Residence | GradHouse
Transportation
Trademark Licensing
Marketing and Communications
Finance and Administration

Real Estate
Josh Mitchell

Four Corners Strategy and Development
Institutional Real Estate Partnerships
Academic & Commercial Leasing

CONTEXT AND RATIONALE

FOUR CORNERS STRATEGY REQUIRES COLLABORATION

- **The future is mixed use: seamlessly integrated housing, academic/office, community retail, and parking operations in progressive developments that enhance campus life**
- **Key to Four Corners success is to leverage and coordinate existing University resources and expertise**
- **Cost effective management and administration from sharing resources across two groups**
- **In certain circumstances, external partners are also important to tap into capital, expertise, and other resources. Partners will value both real estate and operations experience**

GOVERNANCE

DOUBLE BOTTOM-LINE GOALS REQUIRE A BREADTH OF INPUT

- Provide annual information on campus operations, groups served and student fees to University Affairs Board through the Service Ancillaries Review Group (SARG) process
- Present reports on progress of Four Corners strategy to University Affairs Board and Business Board for information
- Present annual full budget and operating plan to Business Board for approval
- Seek concurrence from University Affairs Board and Business Board on fees charged to students as applicable (e.g., for student residences, meal plans)

CHANGES TO GOVERNANCE

ACTION	CURRENT		PROPOSED	
	UAB	BB	UAB	BB
Approval of capital projects	✓	✓	✓	✓
Approval of financing/partnership agreements		✓		✓
SARG participation	✓		✓	
Campus life information reports	✓		✓	
Review of progress of 4C strategy (NEW)			✓	✓
Approval of operating budgets	✓	✓		✓
Approval of rates charged to students	✓		✓	✓

UAB - University Affairs Board | BB - Business Board.