UNIVERSITY OF TORONTO

OFFICE OF THE GOVERNING COUNCIL

FOR APPROVAL **PUBLIC** **OPEN SESSION**

TO: Business Board

SPONSOR: Professor Scott Mabury, Vice-President, Operations and Real Estate
CONTACT INFO: Partnerships, 416-978-2031, scott.mabury@utoronto.ca

PRESENTER: Anne Macdonald, Assistant Vice-President, Ancillary Services,
CONTACT INFO: Operations and Real Estate Partnerships, 416-319-1802
anne.macdonald@utoronto.ca

Josh Mitchell, Director of Real Estate, Operations and Real Estate Partnerships, 416-946-7477, josh.mitchell@utoronto.ca

DATE: April 14, 2021 for April 27, 2021

AGENDA ITEM: 4

ITEM IDENTIFICATION:

University Development and Campus Services: Annual Report 2020-21 and Budget 2021-22; 4 Corners Annual Report 2020-21

JURISDICTIONAL INFORMATION:

Pursuant to Section 5.4(b) of the Business Board *Terms of Reference* the Board is responsible for general financial policy on ancillary operations and monitoring of business ancillaries.

Approvals for fees charged to students and the University community, and feedback on operating plans, are sought through established processes at the University Affairs Board.

As a result of the creation of the University Development and Campus Services portfolio, Business Board is asked for concurrence of UAB's approval of the UDCS fees regarding fees charged to students and the University community.

GOVERNANCE PATH:

1. University Affairs Board [UDCS fees for approval] (March 4, 2021)
2. **Business Board [UDCS Fees for concurrence] (April 27, 2021)**
3. **Business Board [UDCS Budget for approval] (April 27, 2021)**
4. **Business Board [4 Corners Report for information] (April 27, 2021)**

PREVIOUS ACTION TAKEN:

Governance Consideration

The *4 Corners* (4C) *Strategy* was approved by Business Board in 2018.

University Development and Campus Services was established as a business ancillary by the Business Board on June 18, 2020.

Fees proposed for 2021-22 were approved at University Affairs Board on March 4, 2021.

HIGHLIGHTS:

The University Development and Campus Services (UDCS) ancillary operation was established in June 2020, bringing together St. George campus Ancillary Services and the tri-campus mandate of the university's Real Estate department, both part of the division of Operations and Real Estate partnerships. The activities and operations of this group include faculty housing, student family housing, student residence outside of the colleges, academic and commercial leasing, residential and retail dining, campus events and catering, real estate acquisition, transportation services, and trademark protection and licensing. UDCS also supports the 4 Corners strategy, which works to leverage the university's real estate assets to deliver amenities to support the academic mission and simultaneously grow revenue from sources other than enrolment.

Ancillary operations across all campuses were particularly hard hit by the impacts of the COVID-19 pandemic, and UDCS was no different. Student residence, housing operations, food services and parking operations continued to operate to support students and other community members who continued to be on campus, but with greatly reduced revenues due to capacity limits in buildings, and many community members working and studying from home. Additional costs for cleaning, communication and staff absentee coverage were also incurred. The university's commercial tenants near the downtown campus were also negatively affected, due to government mandated shutdowns and a significant reduction in consumer demand, which has had an impact on rent revenues. The UDCS teams worked tirelessly to seek cost mitigation wherever possible to offset these impacts, but with fixed costs of 60%, there is still a significant negative effect on financial results for 2020-21. UDCS anticipates an operating loss of $20.8 million this year.

For 2021-22, UDCS will focus its efforts on financial recovery, supporting students and the university community in the return to in-person activities, and continuing to build on the foundational work that began this year. Capital renewal spending for next year is focused on critical infrastructure repair and replacement, energy conservation and upgrades to family housing apartments. Operating losses are anticipated again in 2021-22, albeit more modest ones. Overall, the pandemic is expected to contribute $32 million to operating losses over the 2 fiscal years. The 5-year outlook forecasts a return to positive net income in fiscal 2023, which includes cash flow from existing operations as well as the first few 4 Corners development projects coming online in fiscal 2024. Strong cash flow from operations, combined with retirement of $51 million in capital debt, will allow UDCS to contribute significantly to deficit reduction over the planning period.

Under normal circumstances, ancillary units are expected to operate without subsidy from the university's operating budget, and rely solely on revenue from the services they provide. Given the extent and the extraordinary circumstances of the losses this year, and anticipated losses next year; and in recognition of the role that vibrant campus services play in the experience of students, staff, faculty, alumni and visitors, UDCS will look to the university for support in managing this additional debt burden.

Despite the pandemic's negative impact on Real Estate's leasing revenues, which serve as important seed capital for the first tranche of 4C projects, the team made progress on three important objectives this year: building foundations, promoting innovation, and supporting the university community. In particular, the Real Estate team added staff and expertise in the areas of financial analysis and negotiation support, and advanced key projects such as the Schwartz-Reisman Innovation Campus and Spadina Sussex Student Residence that will contribute to a sense of community and our City's innovation economy. The team also strengthened relationships with its Real Estate Advisory Committee to help guide the 4C vision and provide feedback on more than 4 million square feet of future development potential. The team will continue to monitor economic recovery with careful consideration of available revenues and the goal of generating $50 million annually in operating funding within the next 15 years. Quarterbacked by Real Estate and supported by UDCS at large, the annual 4C report is attached as part of the overall UDCS annual report for information.

FINANCIAL IMPLICATIONS:

Refer to highlights.

RECOMMENDATION:

Be it Resolved

THAT the Business Board concur with the recommendation of the University Affairs Board's approval of the UDCS fees charged to students and the University community; and

THAT the proposed 2021-22 operating plans and budgets for University Development and Campus Services, as summarized in the UDCS Annual Report Appendix A, and the St. George business ancillary rates as summarized in Appendix B, be approved effective May 1, 2021.

DOCUMENTATION PROVIDED:

- *University Development and Campus Services, Annual Report and Budget 2021-22, and 4 Corners Annual Report 2021-22*

University Development
and Campus Services

Annual Report 2020-21

and

Budget 2021-22

April 14, 2021

UNIVERSITY OF TORONTO

Table of Contents

Figures List

Appendix A

1 Overview

Overview

This report will provide background information on UDCS operations, planned service changes and capital investments, budget impacts experienced in 2020-21, budget priorities and plans for 2021-22, and a look ahead to the portfolio's five-year plan.

The University Development and Campus Services (UDCS) ancillary operation was established in June 2020, bringing together St. George Campus Ancillary Services and the tri-campus mandate of the university's Real Estate department and 4 Corners Strategy, both part of the division of University Operations and Real Estate Partnerships. The establishment of UDCS strengthened the connection between two units that were already close collaborators on many projects, facilitating the sharing of expertise and resources, consolidating budgets and reporting capabilities, and enhancing capacity to develop and deliver amenities that support the university community.

The mandate of UDCS is to develop and support high-quality innovation space, housing for faculty and students, and commercial retail space to serve the needs of the University of Toronto community. It also aims to generate a sustainable source of revenue for the university by leveraging the university's real estate assets; while creating exceptional environments for learning and life-long memories.

The activities and operations of UDCS include faculty housing, student family housing, student residence outside of the college system, academic leasing, commercial leasing, residential and retail dining, campus events, catering and conference services, real estate acquisitions, parking and transportation, and trademark licensing. The department also supports the 4 Corners Strategy, which works to leverage the St. George campus' real estate assets to deliver amenities to support the academic mission and simultaneously grow revenue from sources other than enrolment.

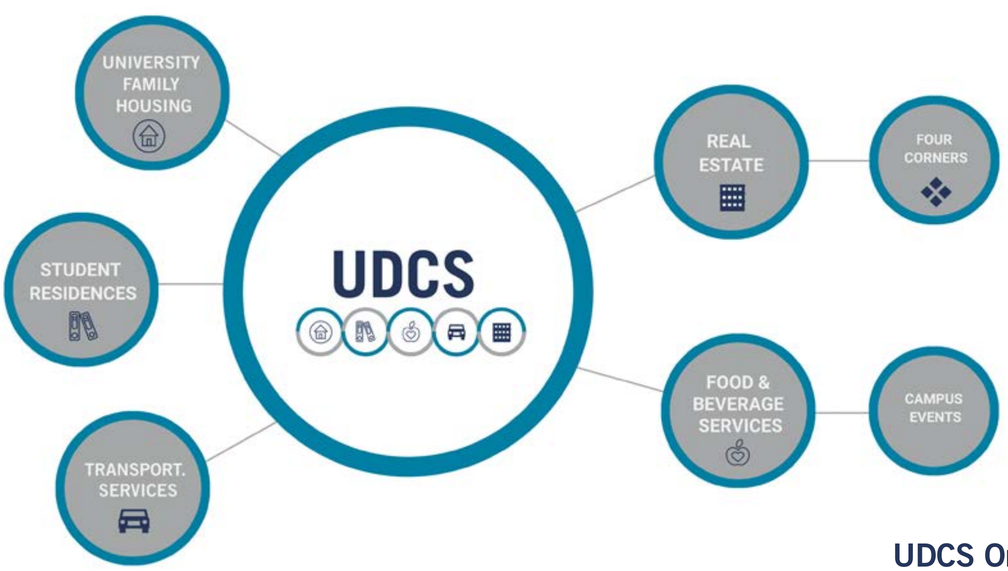


FIGURE 1

UDCS Organizational Structure

The 4 Corners Strategy sets an ambitious goal of generating $50 million in operating funding over the next 15 years through the development of roughly 4 million square feet of new space devoted to housing, campus services, amenities, innovation space and retail spaces.

The potential impact of this strategy is comparable in scale to that of the endowment, which leverages gifts from the university's many generous friends and benefactors to generate a financial return to support the university's research and teaching mission. At a current value of $2.5 billion, the endowment generated $92 million for spending in 2019-20, including $69 million to support endowed Chairs and student aid in the operating budget. Over time, the 4 Corners Strategy will similarly leverage the value of the university's real estate assets to generate an annual contribution of $50 million that will be used to support the academic mission.

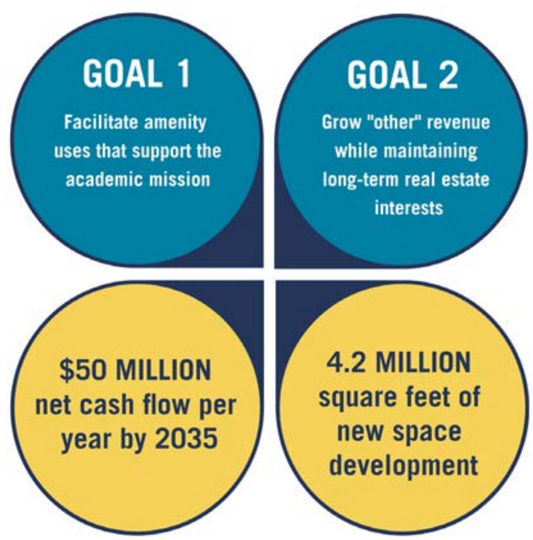
The double-bottom line goals articulated in the 4 Corners Strategy – supporting the academic mission of the university while growing revenue streams – are goals which have always been central to ancillary operations. UDCS housing operations provide a home, as well as academic and personal supports to undergraduate and graduate students, and aid in the recruitment of outstanding students and new faculty members. Food Services and Campus Events provide services to the local campus community, but also connect more broadly to the city and the region, by supporting the local film industry, and, in the case of Food Services, by prioritizing buying from local food businesses and producers, and partnering with Second Harvest on food security initiatives.

Bringing together the Ancillary Services and Real Estate departments ensures that the provision of services to the university community is a fundamental focus throughout all stages of planning, design, and delivery of real estate development projects.

This report will provide background information on UDCS operations, planned service changes and capital investments, budget impacts experienced in 2020-21, budget priorities and plans for 2021-22, and a look ahead to the portfolio's five-year plan.

FIGURE 2

4 Corners Strategy



2 Current Landscape

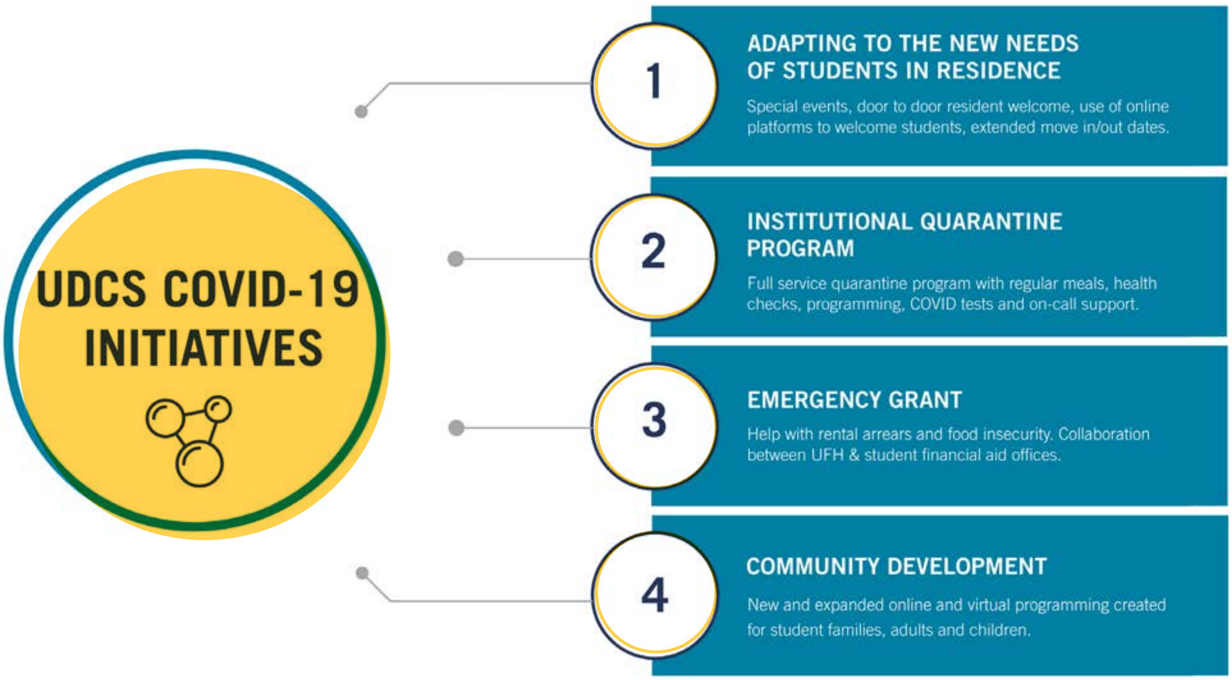
Current Landscape

The integrated UDCS operation was established during the height of the global COVID-19 pandemic. Many of the St. George Campus Ancillary Services – residences, food, and parking – were particularly hard hit due to reduced levels of on campus activity. Ancillary units implemented significant cost-saving strategies, but the magnitude of revenue reductions made it impossible in many cases, to avoid financial losses. With public health restrictions on small businesses revenues from leasing space at the campus periphery to commercial retail tenants was also negatively impacted.

The pandemic of 2020-21 had a profound impact on life both inside and outside the classroom, and the financial impact on individual UDCS operations varied in severity. Since the majority of UDCS operations are considered essential, most UDCS staff continued to work on campus. There were increased costs associated with implementing new methods of work, new ways of supporting students and faculty, and new health and safety requirements. Cost mitigation efforts to offset the loss of revenues included cancelling repair and renovation projects, postponing investments in administrative and service improvements, limiting discretionary expenses, cancelling recruitment of new positions, leaving unfilled positions vacant, reassigning underutilised employees to different roles, encouraging employees to use up accumulated vacation balances, and, when all other options were exhausted, undertaking temporary layoffs. Fixed costs such as mortgage and finance costs, utilities, space costs and overheads normally account for about 60% of operating costs overall, making it impossible to mitigate all impacts of revenue losses this year.

The university's commercial retail tenants near the downtown campus were also severely impacted due to government mandated shutdowns and a significant drop in consumer demand for in-store shopping experiences. Reductions in foot traffic from students, faculty and staff also played a major role. The team worked tirelessly to submit applications for the Canada Emergency Rent Assistance (CERA) Program on behalf of every eligible tenant and successfully received Federal and Provincial Government funding for the six-month program. Shortly after the expiration of that program, the team continued to assist tenants in applying for the Canada Emergency Rent Subsidy (CERS) administered by the Canada Revenue Agency which will provide much needed assistance to current tenants until June 2021. Despite the assistance from these programs, many of the tenants are still experiencing financial hardship, and revenue from commercial rent has therefore dropped significantly.

In total, UDCS revenues in 2020-21 declined 53% over the previous fiscal year, resulting in a projected net operating loss of $20.8 million. Under normal circumstances, ancillary units are expected to operate without subsidy from the university's operating budget and rely solely on revenue from the services they provide. In addition, UDCS is expected to generate seed capital to support future development of the university's real estate assets, and financial return for the university's academic mission as part of the 4 Corners Strategy. Given the extent and extraordinary circumstances of the ancillary losses in 2020-21, short term deficit spending may be required. Investments in real estate development opportunities are expected to continue, but the ambitious timeline for achieving the goal of generating $50 million in net cash flow annually under the 4 Corners Strategy may need to be extended.



Throughout the challenges of the pandemic, the UDCS team continued to provide services for faculty, staff, and students who were required to be on campus to conduct essential research and teaching operations. Notably, UDCS provided housing and food to students who were unable to return home during the initial lock-down period in Spring 2020, and to students who were required to quarantine upon entering Canada to resume studies during the 2020-21 academic year. Many of the student programs and services which transitioned to on-line platforms have the potential to continue post-pandemic to supplement in-person activities and reach larger audiences, and a new virtual event platform and service developed by Campus Events will create an opportunity to provide an incremental income stream and strengthen future in person conference experiences. Food Services and Transportation Services also fast-tracked technology projects providing improved convenience to their customers, new revenues, and cost efficiencies to their operations.

Throughout 2020-21, the rapidly shifting public health landscape required UDCS to be flexible in responding to changing circumstances and opportunities. However, UDCS was able to remain focused on key strategic priorities for its first year of operations: to **strengthen collaboration** between the individual ancillary units and real estate teams, and to **build strong foundations** to support financial recovery and future growth.

Leading the Institutional Quarantine Program

During the spring months of 2020, there were a number of students returning from international travel that required housing support for their quarantine period. Because most housing operations were not able to provide supports that were appropriate for this purpose, the team at Chestnut Residence coordinated the efforts to arrange for housing, meals, and individual support for each student that required assistance.

With the launch of the U of T Quarantine Accommodations Program in Summer 2020, the UDCS Dean of Residence and Director of Student Life worked with the university's Director of Housing & TCard Services, to collectively lead the university's efforts to provide a full-service quarantine program for students entering Canada. They coordinated the program with partners from various other departments, including the Offices of the Vice-Provost, Students, Health & Wellness, Vice President International, Food Services, and others, to ensure that students were supported in residences across the three campuses, or in their own private accommodations. The program included the provision of meals, regular health checks, access to programming, emergency and after-hours on-call support, and COVID tests. Over 2,300 students participated in the program from August 2020 to March 2021.

The Real Estate team worked to procure preferential rates for hundreds of rooms with third-party hotel or off-campus dormitory providers. Food Services created and ran full-service meal offerings to those students housed at downtown hotels. At its peak, 350 students were in quarantine across two sites, receiving 1,100 meals per day. All meals were prepared from scratch and dietary restrictions and preferences were accommodated. The Food Services team was also one of the few teams which worked throughout the university's winter closure period, cooking for 187 students who remained in residence, in addition to the quarantine participants.

Innovation and Resilience

The COVID-19 pandemic had a significant impact on all aspects of university life. As the university's focus turns to recovery, there are opportunities to learn from the creative and innovative approaches to service delivery that were undertaken over the last year. Perhaps the most important silver lining for UDCS has been the way in which the team pulled together to face the challenges they were presented with this year. At all times, the focus was on supporting students and the university community, collective problem-solving, and "rolling up sleeves" to keep operations functioning. Despite the uncertainty, UDCS team members rose to the challenge with incredible resilience.

3 Budget Projections

Budget Projections | 2021-22

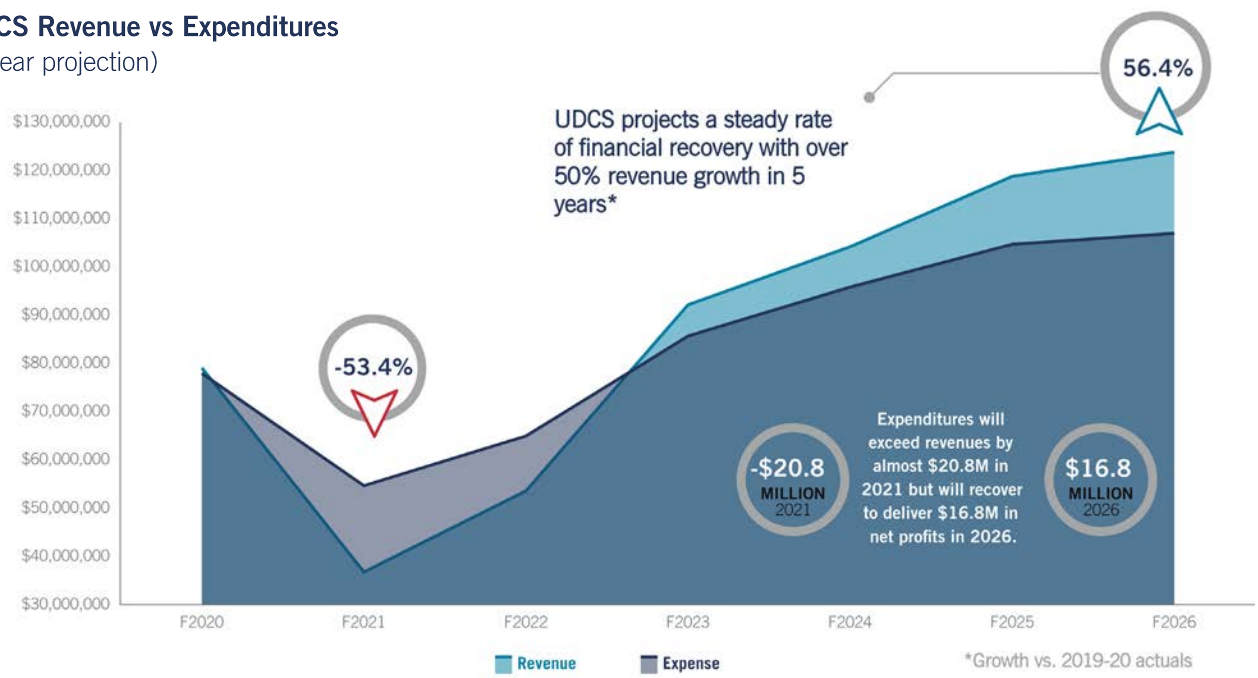
The 2021-22 budget and multi-year financial plan for UDCS is based on important assumptions about how the pandemic will evolve. In particular, it assumes that vaccine programs will continue to roll out as planned by different levels of government and public health units, and the university will see a gradual return to normal operations over the planning period.

Uncertainty about the future course of the pandemic, including the efficacy of vaccines against new variants of the virus, poses some risk. However, these risks are significantly lower than at the onset of the pandemic when the prospect for effective vaccines were unclear. At this time, UDCS assumes on-campus activities will gradually resume as international travel and public health restrictions are eased.

Due to the impact of COVID-19, revenues for 2020-21 were 53% below prior year. UDCS is projecting that revenues will rebound slightly for 2021-22 but will remain 42% lower than the prior year budget. Revenues are forecasted to fully recover in 2022-23.

FIGURE 3

UDCS Revenue vs Expenditures
(5-year projection)



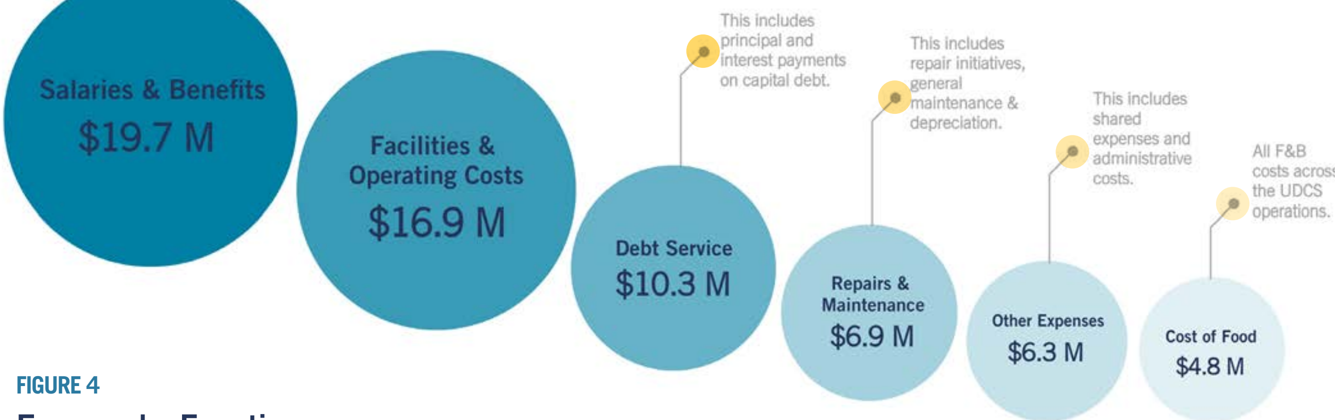


FIGURE 4

Expense by Function

Fiscal 2021-22

In 2023-24 and beyond, UDCS is expected to see strong average revenue growth of over 10% annually as the first 4 Corners projects are delivered, creating new commercial retail and student housing spaces. These new services will add costs for staffing, facilities management, and additional debt service, but the overall impact is positive, with UDCS generating positive net income of $16.8 million annually by the end of the planning period.

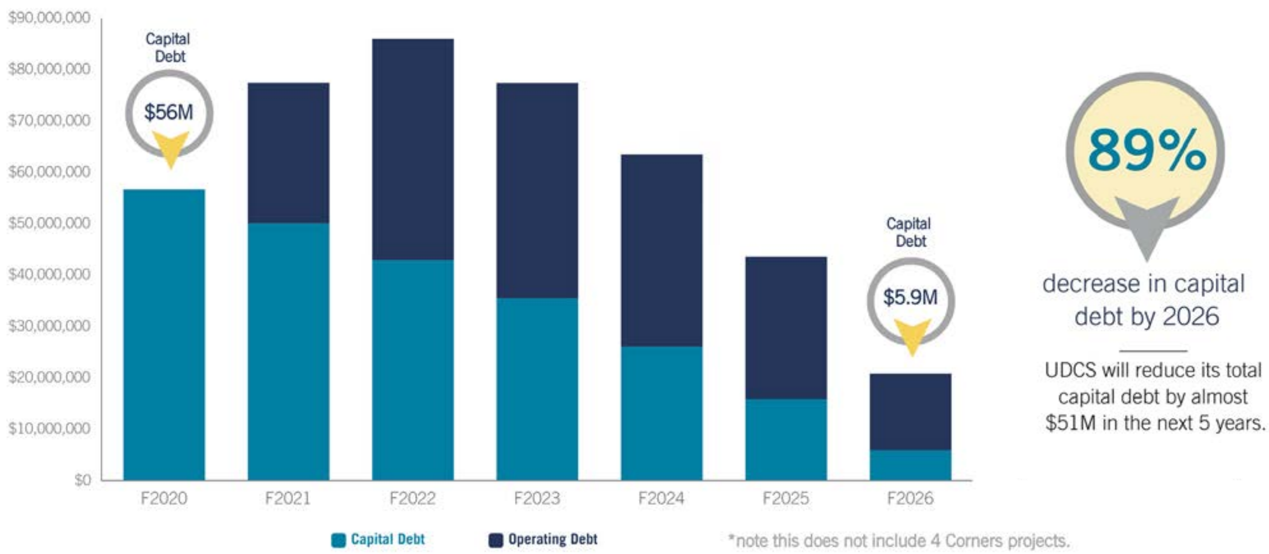
Over time, this positive net income will allow UDCS to pay off its existing capital debt, and begin setting aside funds for reinvestment in new amenities and contributions to the university's operating budget. Over the coming year, UDCS will work with the university's senior leadership to establish priorities for future use of these funds.

Priorities for 2021-22 are primarily focused on financial and service recovery. However, UDCS will continue to make prudent investments that will generate cost efficiencies, enhance capacity for future revenue growth, and advance long range strategic initiatives, including those articulated in the 4 Corners Strategy.

In the meantime, UDCS will continue to deliver high-quality services in a format that is safe for faculty, staff, and students and in compliance with public health requirements. As UDCS works to recover and address its short-term operating deficit, investments in real estate development opportunities and the generation of new revenues for university operations may be delayed.

FIGURE 5

Capital and Operating Debt
(5-year projection)



*note this does not include 4 Corners projects.

Managing Operating and Capital Debt

In the early 2000s, the St. George campus ancillary operations underwent a significant capital expansion with over $130 million in debt financing to acquire and build residences, family housing units, and parking facilities. The debt has been steadily reduced over time to a balance of $56 million as of April 30, 2020. The budget assumes ongoing debt service payments of approximately $10 million annually until these debts are fully retired in 2027-28.

As a result of the COVID-19 pandemic, UDCS incurred significant losses in 2020-21, and is expected to incur more modest losses in 2021-22. In total, UDCS anticipates operating losses of $32 million, and a further $15 million deficit spending for critical infrastructure projects. UDCS will work to eliminate this deficit over a five-year period, with a deficit reduction target of $8.6 million annually, in addition to the debt service costs of existing mortgages as noted above.

Under normal circumstances, ancillaries are expected to operate without subsidy from the university's operating budget and rely solely on the revenues they generate. These campus services are crucial to ensuring that students, faculty, and staff are able to participate in university life, and the university may provide additional support to ancillaries as they develop a path to recovery over the coming years.

Given the extent and extraordinary circumstances of the losses this year, UDCS will look to the university for support to assist in managing this additional debt burden. The university has committed to working with UDCS to assess its financial health each year, and to provide support to assist with annual deficit reductions in cases where long term sustainability or critical infrastructure is at risk.

FIGURE 6

Revenue by Function

(5-year projection)

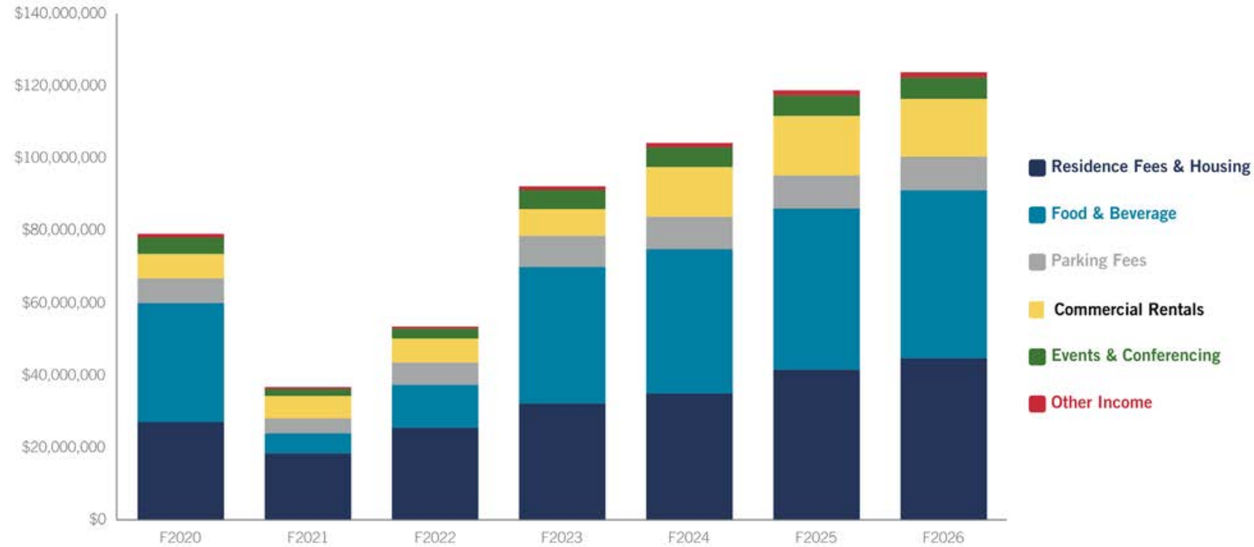
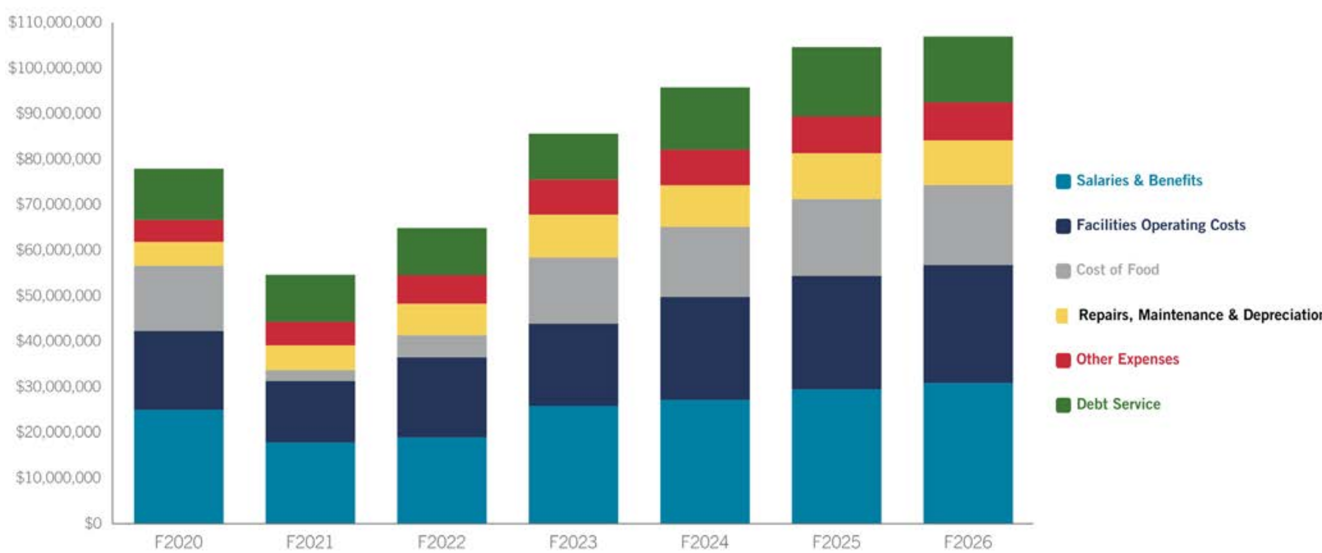


FIGURE 7

Expense by Function

(5-year projection)



4 Ancillary Operations

Ancillary Operations

Each ancillary service within UDCS has historically been operated as a separate business entity, with a separate balance sheet, budget, and reserve balances. The units share administrative services such as accounting and marketing, delivered by a central team whose costs are distributed as departmental overheads. These individual business areas serve to measure each unit's financial performance, and contribution to the overall results of UDCS. Although separate with respect to measuring financial results, the operations have collaborated for many years prior to the establishment of UDCS. These collaborations have included joint procurement of goods and services, and sharing of personnel, expertise, and even capital funds.

Student Residences

UDCS operates two student residences external to the college system on the St. George Campus - Chestnut Residence and Graduate House. Chestnut residence is the university's largest, housing 1,134 undergraduate students from all academic programs, with a large number of students from the Faculty of Applied Science and Engineering. A former hotel, Chestnut offers large rooms with private bathrooms, a location central to the downtown core, and a vibrant and supportive experience for students including U of T's only faculty-in-residence program. Chestnut plays a critical role in helping the university fulfill its first-year housing guarantee.

Graduate House is home to 437 graduate and second-entry students in suite-style accommodation. It is an architectural "gateway" to the campus' western edge, which provides graduate students with a home on campus and a welcoming community to support their academic endeavours. It also plays an important recruitment function within the university, reserving 60% of its beds for incoming students chosen by various graduate departments and second-entry professional faculties, to help attract exceptional students to the University of Toronto.

For fiscal 2022, Graduate House anticipates improvement to occupancy through the summer and into Fall 2021, with overall occupancy for the year estimated at 87%. Chestnut residence, with a summer program normally reliant on short-term stays which contributes $3 million in revenues, is unfortunately assuming another very slow summer. Academic year occupancy projections are assuming a return to some double rooms, but with the majority of rooms still expected to be single occupancy. This reduces overall capacity of the residence to a maximum of 720 beds. Overall, occupancy of the reduced capacity is estimated to be 97%, which is equivalent to 62% of the unreduced capacity. Combined, the residences will see revenues of $17.2 million (an 82% increase from fiscal 2021, but still 26% short of a pre-pandemic year) and a shortfall of just under $3.8 million in 2022. Positive net income is anticipated to return in fiscal 2023.

Adapting to the New Needs of Residents

Due to lockdown/stay-at-home orders along with restricted access to common spaces and gathering limits, many students experienced an increased sense of isolation and ongoing challenges with mental health. This understandably was also exacerbated by anxiety associated with the fear of contracting COVID.

The residences received many cancellation and withdrawal requests at numerous points of the year due to concerns related to family safety, the rise of COVID numbers, and loneliness. With the ongoing pandemic, it is anticipated that this may continue into next year. Overall occupancy at the residences this academic year was 65% at Graduate House and only 29% at Chestnut Residence. Normally these residences have 98% - 99% occupancy, and Graduate House is usually wait listed.

Each year, large numbers of students are accompanied by their friends and families while moving in and out of university residences. This year, the residences extended the move in/out period to allow for improved social distancing and a contactless process. This alleviated the extensive strain typically seen on elevators and staff who would normally work weekends and extended hours to accommodate the customarily limited time window. Looking forward, this year's successfully modified process will be continued.

In response, and partially due to the use of online platforms, the residences' engagement with students has broadened in several ways:

- **The "Dinner With Your Prof" event** has engaged more students outside of Chestnut (residents and off-campus) and across the Faculty of Engineering.
- **More staff have been involved** in going door-to-door to greet residents, welcome them to residence, and answer questions.
- **The residences have hosted** a number of online orientation and welcome events that have enabled more students and staff to participate after hours.

University Family Housing

University Family Housing (UFH) provides apartment-style rental housing for faculty and student families, as well as support and community services to residents. It houses more than 2,500 individuals in 850 units in two campus neighbourhoods (Huron-Sussex, and Charles & Yonge), provides amenities such as community gardens, on-site childcare and gathering spaces, and offers more than 140 community development programs to residents every year. Faculty housing is currently available only to newly recruited faculty members and has a significant wait list. There are currently only 87 faculty housing units in the department's inventory, in century homes in the Huron-Sussex neighbourhood, which require a substantial amount of maintenance. An important goal for the 4 Corners Strategy is to add significantly more units of faculty housing, as well as other housing that would benefit the institution.

UFH has assumed occupancy of 92.7% for next year, reflecting a slightly higher vacancy loss than normal, given continued uncertainty about the arrival dates of tenants from international destinations. Combined with the rent freeze imposed by the provincial government this year, UFH will see only a break-even budget for 2022. Positive net income returns in fiscal 2023, with healthy results seen in fiscal 2024 and thereafter, as the cumulative effects of the capital program take hold.

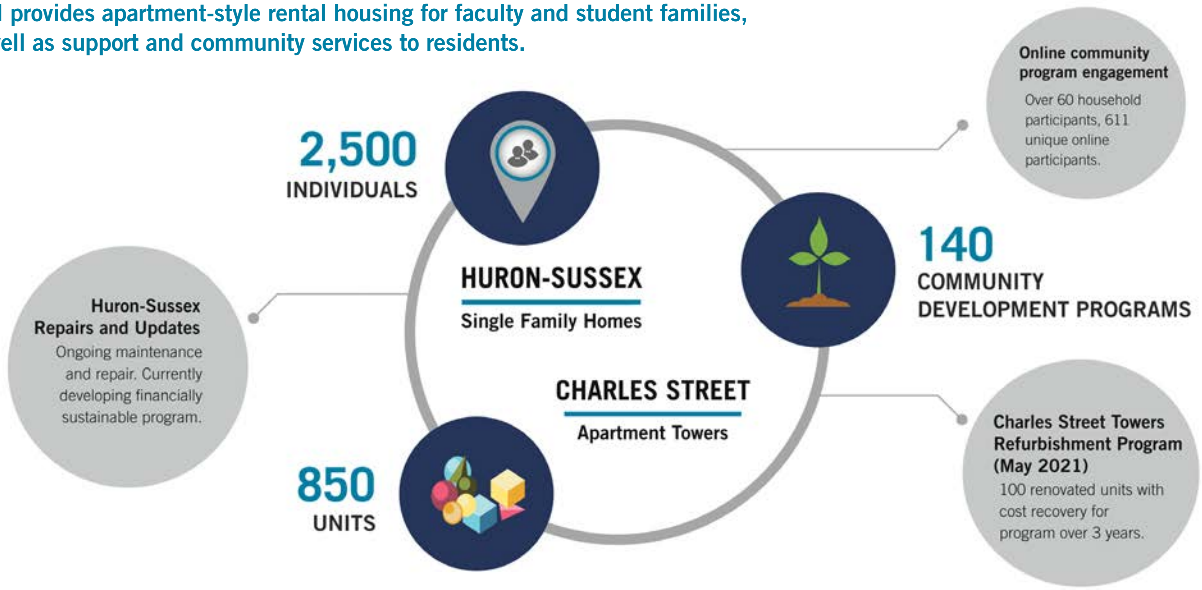
FIGURE 8

University Family Housing
Revenue vs Expenditure

FIGURE 9

UFH Summary: Facts and Figures

UFH provides apartment-style rental housing for faculty and student families, as well as support and community services to residents.



Housing Strategy

Following a multi-year consultation with residents of both neighbourhoods, UFH has completed a new housing strategy that will inform its work over the next 7 years. The strategy includes the establishment of goals for the development and operation of University housing:

- **To recognize family housing as a resource that supports the university's purpose,** mission and objectives while facilitating its growth through the recruitment and retention of faculty, students, researchers and staff;
- **To ensure that family housing meets the physical and economic needs** of a broad range of university resident groups through safe, comfortable and attainable housing; and
- **To 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.

Collaboration

Promote collaboration and transparency between existing and future residents, the University and the broader community, including homeowners and non-University tenants.

Recognition & Visibility

Provide student family housing to undergraduate and graduate students in a full-time degree program near or at the St George Campus while demand exists, and recognize the value of this housing to residents and the institution.

Community Development

Support social interaction through an active public realm, shared outdoor spaces, recreational and educational programs, promote community for students, faculty members, spouses, children and families of all types and sizes.

Balance

Develop and maintain housing occupancy types that support the University's academic mission and strengthen a diverse community by creating a balance between neighbourhood stabilisation and intensification.

Support & Accessibility

Build housing that meets the needs of a variety of income groups and family types, maintain physical assets responsibly, and provide options for residents with challenges or individuals at risk.

University Family Housing: Community and Student Supports

This year saw the establishment of an Emergency Grant, the first of its kind in a housing operation at U of T, geared to student families to provide assistance with rental arrears and/or food insecurity. This program, a collaboration between University Family Housing (UFH) and institutional offices at U of T responsible for student financial aid for undergraduate and graduate students, was launched in October 2020 and to date there have been five successful applicants who received grants.

UFH has always had a strong focus on community development, hosting numerous events and programs for families, and creating and maintaining recreational gathering spaces like playgrounds and community gardens. This year, an extensive menu of online and virtual programming offerings for student families, adults and children, was created to replace in-person programming that had to be cancelled. Many of these have proven so popular that they are clearly important to continue even after in-person activities can resume. Over 60 households participated in the Fall 2020 adult education programs, and the daily drop-in on YouTube (replacing an in-person drop-in centre with programs for children and families) has 45 subscribers, 611 unique visitors and an average of 4 visits per day.

Food & Beverage and Campus Events

Food & Beverage Services operates 3 residential dining halls, 39 retail cafes and kiosks, one full-service conference centre, and campus-wide catering and beverage service on the St. George campus. One of the largest institutional food service operations in Canada, it is primarily self-operated, with a strong focus on fresh food made with high quality ingredients, supported by a team of talented culinary professionals. Local sustainable food procurement, development and delivery of culinary training programs, including a formal apprenticeship program, and a commitment to student health and nutrition are also pillars of the department.

In July 2020, the Campus Events department joined Food & Beverage Services following the restructuring of Academic & Campus Events, creating a tremendous opportunity for an integrated offering for campus departments and external groups seeking to host conferences and events on the St. George campus. The expanded team is currently working on a new strategic plan which will begin implementation in Summer 2021.

Food & Beverage Services was the most significantly affected by COVID-19, mirroring the devastating impacts on the industry at large. It required the greatest cost mitigation effort, in which 42% of budgeted costs, including $8 million in labour expenses, were reduced. Residential dining – although also greatly reduced in scale due to low residence occupancy - remained the most active of all of the functions of the department and required regular adaptation and reinvention to react to changing public health requirements, while trying to keep residential dining an attractive part of the student residence experience. Unfortunately, because of restrictions to in-person dining for the majority of the academic year, the inability to offer self-serve stations and the reduced menu variety driven by low volumes, many students missed the usual vibrant experience of the dining halls and the engaging and interactive community environments. Students expressed significantly higher levels of dissatisfaction in the residential dining program this year than in a normal year. To that end, and in anticipation of returning to on campus activities and in-person dining, the department has launched a review of its residential dining program and student engagement efforts, which will conclude in Spring 2021 and assist in the development of the Fall 2021 program.

Investments in Technology

Campus retail food service operations, previously budgeted to generate gross income of over $16 million, failed to achieve even 5% of that due to extremely limited traffic in campus buildings, including periods of outright closure during lockdowns. The retail management team fast-tracked the development of a new mobile payment app and point-of-sale system upgrade for campus food locations which was launched in September 2020 with a total investment cost of $105,000. This was done in anticipation of a higher demand for cashless transactions, as well as limiting queuing to support social distancing. While campus traffic did not materialise, the development of the app is a welcome addition to the campus landscape and will prove useful in the coming years to improve convenience and reduce line-ups. Although the current sample size of users is too small to properly estimate future utilisation rates, loyalty statistics of current users is strong (e.g., 70% of current users from the Chestnut residence have used the app more than 3 times). Industry data suggests that 10% - 15% of transactions will shift to contactless, and that revenues could see a related lift of 3% - 5%.

Catering and event services, and the team from Campus Events who have only recently joined the department, have had their in-person activities entirely shuttered since March 2020, with a few exceptions, including helping to coordinate the quarantine program, and facilitating local filming when public health restrictions permitted. A very long-awaited renovation of the Chestnut Conference Centre also began this year. Phase one includes the creation of state-of-the-art executive training spaces fully equipped for hybrid meetings and upgraded meeting areas with enhanced audio-visual capacity. Phase one is scheduled to be completed by Spring 2021 and will greatly support business recovery post pandemic.

The Campus Events team has also been instrumental in the development of educational and operational services, including the establishment of an institutional MS Live license, to support the wider campus community in a different way during the pandemic. The team collaborated with numerous departments and student groups this year to facilitate 200+ virtual activities to date including 50+ virtual orientation events, 40+ Fall Campus Week recruitment events, virtual spring and fall convocation viewing celebrations, and a number of departmental meetings and events with high profile speakers including President Gertler. Given that physical space across the campus is always in high demand with limited inventory to facilitate all requests, this new and extensive expertise around virtual events will continue to be extremely beneficial to the broader community.

Revenues and Recovery

Food & Beverage and Campus Events is estimating that its revenues will more than double next year, driven largely by residential dining and some campus retail. This is unfortunately still less than 30% of pre-pandemic levels, and results in another significant deficit of $7.9 million. This business area relies on significant financial contributions from catering and events, which are assumed to continue to be greatly constrained in fiscal 2022 due to limits on gathering sizes.

Revenues and net income are expected to return to pre-pandemic levels in fiscal 2023, although the team will react to evolving conditions related to on-campus activities and population density. Should there be additional revenue generation opportunities that arise in fiscal 2022, these will be acted on. The 5-year plan does not currently reflect efficiencies or opportunities associated with Campus Events joining the team; these forecasts will be developed in time for next year's budget process.

Overall, revenues in Food & Beverage and Campus Events were down 86% this year and despite cost mitigation efforts, year-end results for Fiscal 2021 will include a significant deficit of $11.2 million. The food and hospitality industry will have a long road to recovery after this year, due to the

FIGURE 10

Food, Beverage & Campus Events
Revenue vs Expenditure

typically small profit margins of the industry and its reliance on the ability (and willingness) of people to gather. The recovery of the campus hospitality & events operation will be similar, and it is anticipated that in order to eliminate the deficits that will have accumulated, there will be constraints and difficult cost containment decisions that will have to be made for many years to come.

Transportation Services

Transportation Services operates 41 surface lots and 11 underground garages, providing 2,252 parking spaces for staff, faculty and students on the St. George campus. Parking is sold by permit (reserved, lot reserved or unreserved) or cash. Permit parking priority has always been given first to faculty and staff, and then to students.

The key activities of the department include balancing parking supply and demand through transportation demand management, ensuring that parking facilities are available, functional, safe and convenient to use, and ensuring that there is an effective enforcement process to protect the parking spaces for legitimate parking customers. The department also provides incidental services which generate no revenues, but which enhance the public image and objectives of the university (wayfinding and traffic control), and supports activities related to forms of transportation other than single-occupancy vehicles. Transportation Services is a key contributor to pedestrian safety improvements on campus.

Transportation Services is budgeting for revenues to return to 76% of pre-pandemic levels in fiscal 2022. Also of note are continuing construction-related impacts next year, especially related to the Landmark project. Revenue is expected to stabilise in 2023.

Investments in Technology

In response to the pandemic, Transportation Services implemented a new system using customers' license plates as the primary credential for both permit and cash parking, thereby eliminating the use of physical parking permits. All types of permits are available online for purchase on an annual, monthly, weekly and daily basis, and university departments are now able to purchase parking for their visitors electronically, saving significant time and effort for administrators. The new system has also been integrated with the Transportation department's mobile enforcement application and license plate recognition units in parking garages, which makes enforcing parking more effective and efficient. The total cost of the system and equipment upgrades totalled $810,000, and the department conservatively estimates related cost efficiencies of at least $140,000 per year. Other parking operators using this system report enhanced revenues stemming from more reliable real-time information about the utilisation of parking facilities and more effective enforcement.

FIGURE 11

Transportation Services
Revenue vs Expenditure

Real Estate

The Real Estate department provides three core services to the university community:

1. **Acquisition and/or leasing of off-campus space** to address academic space needs that cannot be met on-campus;
2. **Commercial leasing of university-owned retail and innovation space** on the periphery of campus to generate revenue for the university; and
3. **Leadership and overall strategic direction** for the 4 Corners Strategy

Of note, the Real Estate department is also responsible for oversight of several strategic real estate partnerships, including:

- **Execution of the operating agreement** with MaRS for the Waterfront Innovation Campus;
- **Managing the university's relationship** with JLABS@ Toronto for a life science incubator within the MaRS West Tower;
- **Providing advice and support** for a myriad of title matters, easements, interdivisional transfers, and institutional partnership transactions on behalf of the university.

FIGURE 12

Real Estate
Facts and Figures

Acquisitions
- 229 College Street (40K square feet)
- 171 College Street (2 story retail for redevelopment)

Academic Leasing
- 70K square feet of new off campus leasing.
- Faculty of Medicine & Faculty of Dentistry

UDCS & 4 Corners Capital Projects
- Schwartz Reisman Innovation Campus
- Spadina-Sussex Residence
- Graduate House Expansion
- 730 Yonge Street

4 Corners Framework Strategy
- Strategic Real Estate partnerships
- University Housing
- Innovation Space
- Real Estate advising to divisions

21 Total Commercial Tenants

717 THOUSAND Total Leased Square Footage

The Real Estate Department engages with a Real Estate Advisory Committee (REAC) comprised of deeply experienced real estate executives who are friends and benefactors of the university. The REAC provides expert advice on individual projects, such as the Schwartz-Reisman Innovation Campus, as well as feedback on broader issues as the university navigates the challenges of the Toronto real estate market.

Real Estate also offers financial analysis and negotiation support for tri-campus academic and ancillary real estate opportunities. This year, Real Estate provided assistance with underwriting a new UTM student residence, structuring development partnership agreements for the UTSC Student Residence, evaluating a corporate partnership office within the Faculty of Applied Science and Engineering, and advising on a potential role for UTIAS in an aerospace hub at the former Downsview Airport.

Impact on Real Estate Market

COVID-19 has had profound implications on Real Estate's revenue generating function this past year. In particular, Real Estate's retail tenants have been hit especially hard. The university's commercial/retail tenants comprise a significant portion of Real Estate's revenue, which is currently being used as seed capital for the 4 Corners Strategy. Despite help from the government through rent subsidy programs, tenants continue to have difficulty paying rent. Real Estate's revenues are projected to be impacted with a 7% loss, reducing revenues to $6.2M of net cash flow this year. As a result, these funds will have to be more prudently managed. Furthermore, Real Estate is having trouble filling the remaining two vacant units in 35 Charles Street with concerns that the new redevelopment of 730 Yonge Street, which has five vacancies, will require additional costs to lease.

Despite this, the good news is that the Real Estate portfolio has a number of much larger commercial tenants that have weathered the storm (TD Bank, Dollarama, and Tim Hortons). Furthermore, the team remains optimistic that with vaccinations and more nuanced public policy measures, the demand for high quality retail spaces close to the university's downtown campus will go back to pre-COVID levels much more quickly than other assets.

In addition, 4 Corners development projects currently have projected completion dates in 2023/24, when the real estate market landscape will be much brighter. These uncertain times have shown the importance of cultivating close connections with external stakeholders in the Real Estate Advisory Committee, which provides the team with insight into the rapidly changing market, as it comes back to life in due time.

Key Transactions

Real Estate analyzes a handful of potential acquisition opportunities at any given time. Two key acquisitions that were negotiated and executed this year were 229 College, an approximately 40,000 square foot office building for academic use and future redevelopment, and 171 College, a vacant 2-storey retail building that will contribute significant density to a future redevelopment.

The team also executed agreements for approximately 67,000 square feet of off-campus space for the Faculty of Dentistry and Faculty of Medicine, combined. This increases university's total off-campuses leasing to approximately 717,000 square feet. These two new leases are especially important as they provide “turnkey” fit out solutions for the divisions, saving time and money by having experienced landlords perform the work.

With respect to revenue generating leases, Real Estate negotiated and executed a new lease for the former Brooks Brothers unit to a dentist tenant, as well as negotiated renewals with TD Bank and Dollarama, two key tenants in the retail portfolio. This brings the total number of commercial tenants at 730 Yonge, 35 Charles, 246 Bloor and 262 Bloor to 17. The team also executed 17 licenses within Banting in partnership with University of Toronto Entrepreneurship and 28 licenses in partnership with JLABS within the space the university leases from MaRS.

5 Development and Capital Renewal

Development and Capital Renewal

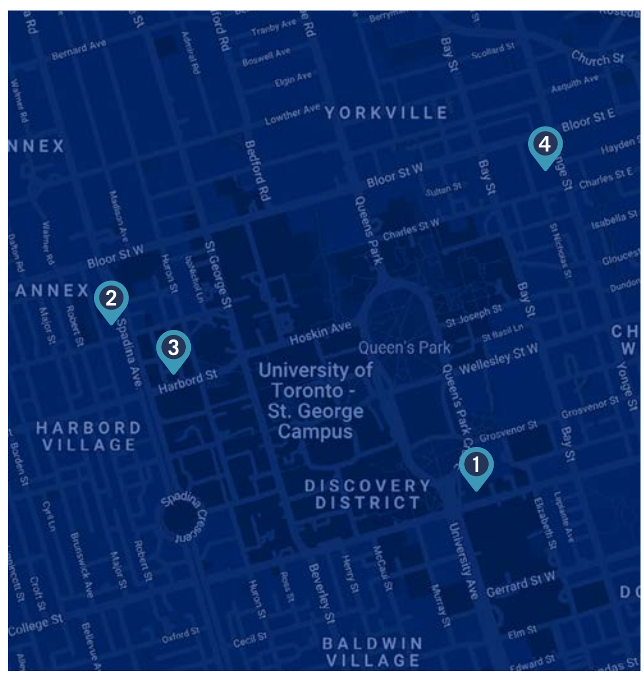
UDCS provides an administrative home that supports the work of the 4 Corners Strategy. The in-house team benefits from operations, finance, development, leasing and real estate transaction expertise, but also works collaboratively with other divisions with specialized skillsets. UDCS works particularly closely with University Planning Design and Construction, who provide design, costing, and project management services for all of 4 Corners development projects. UDCS also works closely with Facilities and Services, who are responsible for providing best in class property management services for the commercial components of the 4 Corners projects. While many other universities and colleges outsource capital project services to consultants and standalone development corporations, the university continues to leverage its deep bench of internal resources to manage these projects efficiently and effectively, while still partnering with sophisticated developers and investors.

4 Corners Progress

As shown in further detail in the 4 Corners Report (see appendix) significant progress was made this year to advance the strategy. The report, which celebrates building foundations, promoting innovation and supporting community, references key accomplishments in the following projects:

1. **Schwartz-Reisman Innovation Campus**, a 650,000 square foot innovation development at College and University
2. **Spadina/Sussex Student Residence**, a 23-story 500+ bed residence for undergraduate and graduate students, and a small townhouse complex for long term and faculty tenants at Spadina and Sussex
3. **Graduate House Expansion**, a 9-story 187 bed residence for graduate students; and,
4. **730 Yonge**, a 40,000 square foot commercial rehab project at Yonge and Charles

This strategy truly is an ongoing team effort and UDCS continues to work closely with all internal and external stakeholders to keep the projects on track.



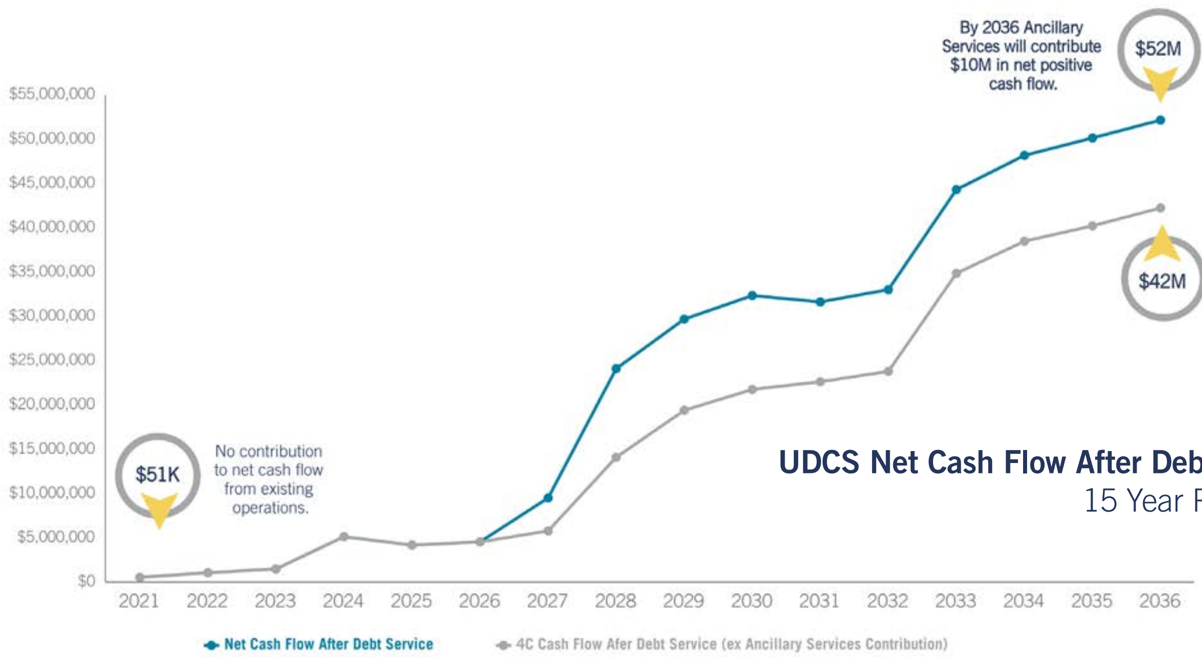


FIGURE 13

UDCS Net Cash Flow After Debt Service
15 Year Projection

Capital Renewal

The 2021-22 budget reflects a capital plan to revitalise aging infrastructure, save operating costs, reduce energy use, and invest in “front of house” renovations to rooms, community and amenity spaces allowing UDCS to continue to provide modern facilities and serve the needs of students and other community members. The fiscal constraints felt this year have required that previously formulated capital plans be revisited, and that priority be given to urgent repairs and investments that have short payback periods. All categories of capital investment nevertheless remain important, and all are represented in the plan, although in reduced dollar amounts.

Overall, UDCS is planning for capital renewal investment of $8.4 million in fiscal 2022. Of this investment, $3.3 million is allocated to infrastructure repair and furniture/equipment replacement, $2.8 million to refurbishments which will be fully recovered within 3 – 5 years through cost efficiencies or revenue growth, and $2.3 million in community and amenity space improvements.

An example of a capital renewal investment with a predictable and quick return, is apartment turnover renovations. UFH will be launching a program in May of 2021 to address the need for significant apartment refurbishments in the two Charles Street towers. To date, apartments have received repairs and small refreshes upon turnover, and more extensive work (such as replacement of kitchens and bathrooms) is now needed. The ambitious goal is to upgrade 100 units in the first year, with cost recovery occurring through increased rents for new residents who receive upgraded units. This represents a departure from the way in which UFH had previously administered rents, levying increases across-the-board annually, keeping all rents equivalent. The new plan aligns more closely with the way in which landlords typically operate thereby assigning higher costs to families who receive renovated apartments. This investment has been designed with an average payback of approximately 3 years.

Other work which has been planned for next year includes replacing in-room heating/cooling/ventilation units at Chestnut residence, window replacements in the Huron Sussex houses, and two design projects to develop plans for room/suite upgrades at Chestnut and Graduate House. There are also several vacant houses in Huron Sussex which require extensive refurbishment and possible conversion into multiple housing units. A feasibility study is currently underway to develop plans and cost estimates for this project.

6 Risk

Risk

The COVID-19 Global Pandemic

In response to the ongoing pandemic, the university implemented an array of new measures, protocols and procedures to deliver a vibrant, world-class educational experience while keeping students, staff, faculty and librarians safe and healthy. The efforts of the university community in 2020 were instrumental in ensuring the continuity of academic programs throughout an unprecedented global shutdown.

The 2021-22 budget is based on important assumptions about how the pandemic will evolve. In particular, it assumes that vaccine programs will continue to roll out as planned by different levels of government and public health units, and the university will see a gradual return to normal operations over the planning period. Uncertainty about the future course of the pandemic, including the efficacy of vaccines against new variants of the virus, poses some risk. However, these risks are significantly lower than at the onset of the pandemic when the prospect for effective vaccines were unclear. At this time, the university assumes on-campus activities will gradually resume as international travel and public health restrictions are eased. Until then, the university will continue to deliver high-quality programs in a format that is safe for faculty, staff, and students and in compliance with public health requirements.

As has been demonstrated over the last year, many of the UDCS operations rely on having a significant population on campus every day, and as such, are much more susceptible to financial losses that stem from limits to on-campus activities than is the institution as a whole. In addition, there are risks associated with demand for UDCS services, such as student residence, which may suffer from post-pandemic hesitancy from students and their families about returning to live in the traditionally dense, social environments that are the hallmark of this type of living space.

There may equally be softened demand for commercial and office space rentals over the next year or two. For example, vacancy in Toronto's downtown north submarket hovered around 0.5% before the pandemic, but jumped up to 3.7% by Q4 2020, and up to 5.6% by Q1 2021 as a result of companies looking to sublease their space. Market outlook discussions with the Real Estate Advisory Committee and the university's development partners suggest that demand will likely rebound by the time the first tranche of 4 Corners projects are delivered in 2023-24. Furthermore, specialized innovation spaces, such as the Schwartz-Reisman Innovation Campus, are heavily focused on attracting innovative companies that require in-person collaboration and creativity and will likely have stronger demand than traditional commercial office buildings.

The Economic Climate

The COVID-19 pandemic has had a significant impact on the global economy. As countries have worked to contain the spread of COVID-19, lockdown measures have restrained economic activity and created financial hardship for individuals and businesses. The surge of infections in Canada during the final months of 2020 has impeded economic growth, and unemployment rates remain high at 8.6%.

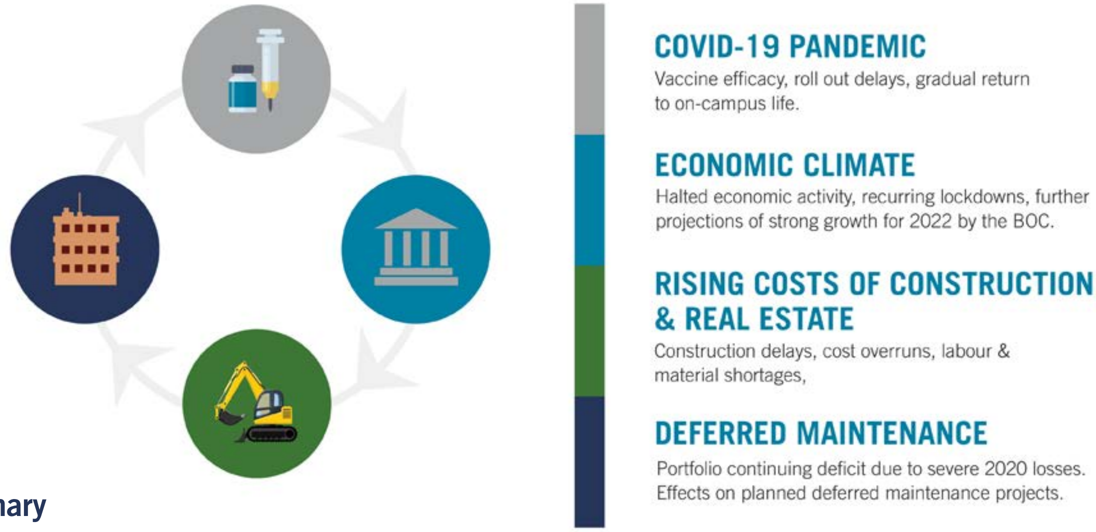


FIGURE 14

Risk Summary

With the rollout of vaccines now underway, the Bank of Canada Monetary Policy report released in January 2021[1] projects strong growth in real GDP of 4.0% in 2021 and 4.8% in 2022. Inflation is expected to be 1.6% in 2021 and 1.7% in 2022. Inflation is assumed to remain close to 2% for the remainder of the planning period.

Rising Costs of Construction and Real Estate

There is continued risk of construction delays and cost overruns in the university's major capital projects caused by unforeseen conditions during construction, labour and material shortages, international trade disputes, city permit delays, and the complexity of working in heritage buildings. Construction activity in Toronto remains very high, and recent calls for tender on university capital projects have resulted in fewer interested contractors and higher costs. Increases in Federal and Provincial infrastructure spending could put additional pressure on construction costs. Cost increases could necessitate additional contributions from the operating budget or from divisional reserves earmarked for capital expansion.

The university Planning, Design, and Construction team seeks to mitigate this risk by building market escalation costs, construction schedule assessment, and contingency funds into future capital project plans. However, estimates of future construction costs are highly variable and depend on the specific functional program, building design, site and market conditions in place at the time the project is tendered to market. As costs increase, the university must re-prioritize projects and adjust timelines, making judicious use of reserves and debt capacity. UDCS, as a developer of revenue-generating projects, must also constantly adapt pro-formas in reaction to changing costs, and use judicious value engineering to ensure that construction cost overruns do not threaten the financial viability of the project.

Deferred Maintenance

As noted in the Annual Report on Deferred Maintenance, presented to Business Board for information on February 3, 2021, the university's total deferred maintenance liability on academic and administrative buildings presently stands at $794 million. Ancillary spaces are not included in this assessment, and UDCS is responsible for managing the costs of maintenance and capital renewal. Capital maintenance which was deferred this year to focus available dollars on the highest priorities will still need to be addressed in coming years, at a higher cost.

1 Bank of Canada Monetary Policy Report, January 2021. https://www.bankofcanada.ca/wp-content/uploads/2021/01/mpr-2021-01-20.pdf

7 Summary

Summary

While the first year of UDCS' existence has been challenging both operationally and financially, the establishment of the new portfolio has helped to establish a solid foundation to aid in the realisation of the 4 Corners Strategy while ensuring the continued growth and success of the UDCS services that support students and the entire campus community at the University of Toronto.

Overall, the global pandemic has had a significant impact on UDCS, with an anticipated operating deficit of $20.8 million in 2020-21, and a cumulative loss associated with COVID-19 of $32 million by the end of 2021-22. However, net income from operations, once rebounded, is healthy, and combined with a forecasted capital debt reduction of $51 million over the next 5 years, will allow for a strong recovery within the forecasted planning period.

UDCS has worked diligently to advance projects in accordance with the 4 Corners Strategy this year, including two new student residences which will add more than 680 beds of much needed housing to the campus. In addition, the completion of a multi-year Housing strategy for University Family Housing, and the addition of the Campus Events team to the Food Services group, will provide significant strategic opportunities to strengthen existing operations and services. The team has also spent this year making quick shifts to deliver services virtually and to fast-track investments in technology which will serve to bolster operations in the years to come, aid in reaching broader audiences and will improve convenience to existing customers. Through it all, the UDCS team has shown remarkable resilience, strength, and adaptability.

Appendix A

Financial Schedules

Appendix A: Budget 2021-22 Financial Schedules

Schedule 1 | Consolidated Income Statement: University Development and Campus Services

Revenues	Actual	Forecast	Budget				
Projection of Operating Revenues	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
Residence Fees & Housing	$29,208,320	$20,308,738	$27,711,549	$34,381,880	$37,262,699	$43,890,096	$47,100,838
Food & Beverage	32,992,671	5,453,960	11,118,538	36,579,033	38,615,652	43,202,095	44,913,557
Parking Fees	6,449,769	3,934,283	5,917,192	8,252,852	8,576,491	8,789,385	8,976,134
Commercial Rentals	6,605,084	6,164,064	6,666,403	7,425,336	13,759,840	16,422,650	15,915,218
Events & Conferencing	2,568,697	286,494	1,441,819	4,357,084	4,575,175	4,886,569	5,191,374
Other Income	1,380,957	733,617	849,490	1,284,544	1,526,379	1,718,840	1,816,516
Total Revenues	**$79,205,499**	**$36,881,157**	**$53,704,991**	**$92,280,728**	**$104,316,236**	**$118,909,635**	**$123,913,637**
Growth versus prior year		**-53.4%**	**45.6%**	**71.8%**	**13.0%**	**14.0%**	**4.2%**
Cumulative growth from 2019-20		**-53.4%**	**-32.2%**	**16.5%**	**31.7%**	**50.1%**	**56.4%**

Expenses	Actual	Forecast	Budget				
Projection of Operating Expenses	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
Salaries & Benefits	$25,758,581	$18,512,579	$19,721,419	$26,702,357	$27,981,819	$30,324,395	$31,741,244
Facilities Operating Costs	15,641,846	14,955,158	15,943,276	16,344,492	20,909,302	23,155,627	24,219,672
Cost of Food	14,307,152	2,441,484	4,836,936	14,557,042	15,406,577	16,911,778	17,527,761
Repairs & Major Maintenance	3,998,511	3,551,118	4,629,092	6,705,804	6,242,758	7,132,904	6,966,177
Insurance & Taxes	1,006,182	969,619	979,640	987,228	1,009,896	1,033,119	959,260
Other Expenses	2,411,505	2,435,134	3,467,535	4,790,331	4,817,177	4,999,073	5,167,945
Depreciation	1,276,284	1,859,358	2,280,266	2,666,810	2,865,042	2,913,795	2,904,014
Debt Service	11,218,423	10,308,102	10,355,007	10,138,655	12,239,079	15,267,838	14,463,765
Overhead	2,443,501	2,743,977	2,857,945	2,910,017	2,990,997	3,074,306	3,160,016
Total Expenses	**$78,061,985**	**$57,776,528**	**$65,071,117**	**$85,802,736**	**$94,462,648**	**$104,812,837**	**$107,109,855**

Revenues less Expenses	Actual	Forecast	Budget				
	F2020	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
Total Revenues less Expenses	**$1,143,514**	**$(20,895,372)**	**$(11,366,126)**	**$6,477,992**	**$9,853,589**	**$14,096,799**	**$16,803,782**

Schedule 2 | **Statement of Financial Position** (Fund Balance)

	Actual	Forecast	Budget				
Cash Balance	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
Opening Balance	$(633,324)	$1,023,236	$(27,362,972)	$(43,064,482)	$(41,912,286)	$(36,754,437)	$(30,622,645)
Cash from operations	13,638,221	(8,727,911)	1,269,147	19,283,457	22,065,848	22,822,857	$20,897,775
Debt Service	(11,218,423)	(10,308,102)	(10,355,007)	(10,138,655)	(10,148,043)	(9,343,965)	$(8,539,892)
Capital Expenditures	(7,480,188)	(9,323,585)	(5,433,157)	(4,987,389)	(3,746,421)	(4,320,305)	$(3,841,688)
Transfers	6,716,950	(26,609)	(1,182,492)	(3,005,217)	(3,013,535)	(3,026,795)	$(3,040,454)
CASH BALANCE	**$1,023,236**	**$(27,362,972)**	**$(43,064,482)**	**$(41,912,286)**	**$(36,754,437)**	**$(30,622,645)**	**$(25,146,903)**

	Actual	Forecast	Budget				
Capital Assets	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
Opening Balance	$22,269,589	$28,473,494	$35,937,722	$39,090,613	$41,411,193	$42,292,571	$43,699,081
Depreciation	(1,276,284)	(1,859,358)	(2,280,266)	(2,666,810)	(2,865,042)	(2,913,795)	(2,904,014)
Capital Expenditures	7,480,188	9,323,585	5,433,157	4,987,389	3,746,421	4,320,305	3,841,688
CAPITAL ASSETS	**$28,473,494**	**$35,937,722**	**$39,090,613**	**$41,411,193**	**$42,292,571**	**$43,699,081**	**$44,636,754**

Schedule 3 | Income and Fund Balances By Department

	Actual	Actual	Actual	Forecast	Budget				
Net Income	**F2018**	**F2019**	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
University Family Housing	$2,643,682	$2,869,358	$2,500,323	$636,081	$(117,390)	$790,374	$1,557,975	$2,150,122	$2,702,517
Chestnut Residences	1,340,679	1,181,777	(2,146,936)	(8,448,494)	(3,513,315)	980,071	2,118,445	2,109,021	3,347,443
Grad House	769,625	962,764	909,318	(1,272,095)	(250,929)	450,978	229,721	1,112,243	1,760,291
Food, Beverage & Campus Events	(34,409)	(1,105,207)	(3,233,406)	(11,267,017)	(7,924,444)	707,074	871,581	1,465,730	1,417,660
Transportation	(510,334)	(95,750)	(725,040)	(3,291,420)	(1,900,523)	19,534	261,070	501,498	668,825
Real Estate	-	-	3,966,345	2,809,689	2,438,149	3,525,844	3,990,542	4,001,057	3,059,546
4 Corners			-	-	-	-	800,826	2,730,876	3,818,211
Trademark and Lic	37,190	(57,932)	(127,089)	(62,115)	(97,674)	4,119	23,429	26,250	29,288
	$4,246,433	**$3,755,010**	**$1,143,514**	**$(20,895,371)**	**$(11,366,126)**	**$6,477,992**	**$9,853,588**	**$14,096,798**	**$16,803,782**

	Actual	Actual	Actual	Forecast	Budget				
Cash Balance	**F2018**	**F2019**	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
University Family Housing	$5,566,679	$6,157,442	$10,004,827	$9,512,082	$7,362,994	$6,185,463	$7,324,954	$9,112,951	$11,516,776
Chestnut Residences	(8,855,666)	(7,065,072)	(6,899,206)	(15,457,330)	(19,185,014)	(17,769,865)	(15,472,078)	(14,120,769)	(11,128,062)
Grad House	2,155,185	3,323,612	3,733,606	1,976,664	1,447,450	1,102,895	891,845	1,143,982	1,993,367
Food, Beverage & Campus Events	(3,378,439)	(5,253,226)	(7,433,852)	(21,012,363)	(28,792,333)	(29,277,035)	(30,096,847)	(29,468,509)	(28,782,933)
Transportation	2,384,107	2,203,921	385,064	(3,354,321)	(4,720,401)	(4,124,683)	(3,010,182)	(1,747,870)	(384,232)
Real Estate	-	-	1,232,797	1,034,412	982,611	2,126,610	3,740,113	5,364,388	6,047,414
4 Corners	-	-	-	-	-	-	800,826	3,531,702	7,349,912
Trademark and Lic	-	-	-	(62,115)	(159,789)	(155,670)	(132,242)	(105,991)	(76,703)
	$(2,128,134)	**$(633,324)**	**$1,023,236**	**$(27,362,972)**	**$(43,064,482)**	**$(41,912,286)**	**$(35,953,611)**	**$(26,290,117)**	**$(13,464,463)**

Schedule 3 | Income and Fund Balances By Department, continued

	Actual	Actual	Actual	Forecast	Budget				
Capital Assets	**F2018**	**F2019**	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**	**F2025**	**F2026**
University Family Housing	$201,481	$411,287	$6,139,255	$7,254,070	$10,504,082	$12,446,994	$12,840,022	$13,176,220	$13,448,506
Chestnut Residences	8,185,358	8,072,844	7,822,186	8,001,408	8,215,776	8,165,476	8,387,413	9,563,398	10,353,914
Grad House	3,962,489	4,284,394	5,318,778	5,518,531	5,975,834	6,794,560	7,258,988	8,143,224	9,078,743
Food, Beverage & Campus Events	2,771,120	2,657,695	2,615,240	4,697,313	4,545,507	4,742,451	5,409,386	5,191,808	4,837,492
Transportation	7,545,032	6,843,368	6,578,035	7,075,332	6,590,221	6,228,590	5,589,711	5,043,451	4,563,191
Real Estate	-	-	-	3,391,068	3,259,193	3,033,122	2,807,051	2,580,980	2,354,908
4 Corners*	-	-	-	-	-	-	-	-	-
Trademark and Lic	-	-	-	-	-	-	-	-	-
	$22,665,480	**$22,269,589**	**$28,473,494**	**$35,937,722**	**$39,090,613**	**$41,411,193**	**$42,292,571**	**$43,699,081**	**$44,636,754**

*value of capital assets for 4 Corners still to be determined.

Appendix B

Business Ancillary Rate Schedule

Appendix B: Schedule of 2021-2022 Business Ancillary Rates

Residence Services I St. George Campus

	2021/22 Rate	2020/21 Rate	Increase	Increase	Prior Year's Increase
	$	$	$	%	%
Graduate House					
Grad. House Res/month - Single - premium	1,344	1,305	39	3.0	6.0
Grad. House Res/month - Single - regular	1,203	1,168	35	3.0	6.0
Grad. House Res/month - Singles in suite 970	1,067	1,036	31	3.0	6.0
Grad. House Res/month - Singles in suite 670	1,160	1,126	34	3.0	6.0
Grad. House Res/month - Regular Double	920	893	27	3.0	6.1
University Family Housing					
Charles Street Community					
Unrenovated Units					
Bachelor	824	824	-	-	-
1 bedroom -Average rate	1,063	1,063	-	-	-
1 bedroom -Weighted Average rate	1,036	1,036	-	-	-
2 bedroom (standard)	1,351	1,351	-	-	-
Refreshed Units on Turnover					
Bachelor	924	N/A	-	-	-
1 bedroom -Average rate	1,163	N/A	-	-	-
1 bedroom -Weighted Average rate	1,136	N/A	-	-	-
2 bedroom (standard)	1,451	N/A	-	-	-
Upgraded/ Renovated Units					
Bachelor	1,134	N/A	-	-	-
1 bedroom -Average rate	1,373	N/A	-	-	-
1 bedroom -Weighted Average rate	1,346	N/A	-	-	-
2 bedroom (standard)	1,661	N/A	-	-	-

Residence Services | St. George Campus, continued

	2021/22 Rate	2020/21 Rate	Increase	Increase	Prior Year's Increase
	$	$	$	%	%
University Family Housing (continued)					
Huron Sussex Neighbourhood					
Student Housing - Unit Rates					
1 Bedroom Units (Average)	1,674	1,674	-	-	-
Laneway Houses (Average)	2,075	2,075	-	-	-
Chestnut Residence					
Single	15,289	14,561	728	5.0	5.0
Double	12,116	11,540	576	5.0	5.0
Summer Rates per month					
Single	1,588	1,512	76	5.0	5.0
Double	1,224	1,166	58	5.0	5.0
Summer Rates full summer					
Single	4,946	4,710	236	5.0	4.0
Double	3,038	2,893	145	5.0	4.0
Summer Rates full summer with discount					
Single	4,204	4,004	200	5.0	4.0
Double	2,584	2,461	123	5.0	4.1

Transportation Services I St. George Campus

	2021/22 Rate	2020/21 Rate	Increase	Increase	Prior Year's Increase
	$	$	$	%	%
Permit					
Faculty of Education	150	145	5	3.4	3.6
School of Continuing Ed(158 St George St)	325	320	5	1.6	1.6
42 Harbord Street	150	145	5	3.4	3.6
Graduate Garage (Lot N)	165	160	5	3.1	3.2
OISE Garage (Lot I)	165	160	5	3.1	3.2
Bedford Rd. (Lot M)	210	205	5	2.4	2.5
St. George Garage (Lot P)	190	185	5	2.7	2.8
Faculty of Law	250	245	5	2.0	2.1
BCIT (Lot C)	210	205	5	2.4	2.5
McLennan Physics (Reserved)	260	255	5	2.0	2.0
McLennan Physics(Lot B)	210	205	5	2.4	2.5
E/S Hart House Circle(Lot U)	200	195	5	2.6	2.6
Triangle	270	265	5	1.9	1.9
Front Campus (KCC & HHC) (Lot R)	255	250	5	2.0	2.0
Lot A Garage (55 St George St.)	320	320	-	0.0	0.0
Galbraith Rd.	270	265	5	1.9	1.9
200 College St.(Rear)/I.S.C.	270	265	5	1.9	1.9
Tower Road - Unreserved	150	145	5	3.4	3.6
Tower Road - Reserved	270	265	5	1.9	1.9
256 McCaul Street - Reserved	270	265	5	1.9	1.9
155 College Street - Garage	298	290	8	2.8	1.8
155 College Street - Surface	270	265	5	1.9	1.9
100 College St. (Banting)	150	145	5	3.4	3.6
88 College St. (Women's college)(Lot L) Closed	n/a	n/a	-	0.0	0.0
Dentistry - Garage	250	245	5	2.0	2.1
Dentistry - Surface	230	225	5	2.2	2.3
6 King's College Road(Lot O)	270	265	5	1.9	1.9
167 College St	n/a	n/a	-	-	-
730 Yonge St. Garage	n/a	n/a	-	-	-

Transportation Services I St. George Campus, continued

	2021/22 Rate	2020/21 Rate	Increase	Increase	Prior Year's Increase
	$	$	$	%	%
Permit Misc					
Commercial monthly	290	285	5	1.8	1.8
Commercial weekly	92	90	2	2.2	4.7
After 4pm parking	82	80	2	2.5	-
Summer Conference monthly	250	245	5	2.0	2.1
Summer Conference weekly	92	90	2	2.2	7.1
UTM/UTSC designated lot	65	60	5	8.3	9.1
UTM/UTSC hunting permit	95	90	5	5.6	-
24-Hour Reserve	320	320	-	-	1.6
24-Hour Reserve (Lot A Garage)	360	350	10	2.9	-
24-Hour Reserve (256 McCaul)	325	320	5	1.6	1.6
Z-Permit (unrestricted)	270	265	5	1.9	1.9
Motorcycle	40	38	2	5.3	5.6
Charles Street Community	100	96	4.0	4.2	-

Food & Beverage Services I St. George Campus

	2021/22 Rate	2020/21 Rate	Increase	Increase	Prior Year's Increase
	$	$	$	%	%
New College, Chestnut, Knox College					
Plan A (F2022 includes $100 Tbucks/IFlex)	5,500	5,150	350	6.8	5.0
Plan B (F2022 includes $100 Tbucks/IFlex)	5,725	-	-	-	-
Plan C (F2022 includes $100 Tbucks/IFlex)	6,075	5,795	280	4.8	3.0
Plan D (F2022 includes $100 Tbucks/IFlex)	6,550	-	-	-	-
245 College Meal Plans (declining balance program)					
Light Plan (Includes $50 flex)	5,690	5,500	190	3.5	1.9
Average Plan (Includes $50 flex)	5,935	5,765	170	2.9	2.0
Hearty Plan (Includes $50 flex)	6,150	5,975	175	2.9	2.1

4 CORNERS
ANNUAL REPORT

A Summary Report of the 4 Corners Strategy Activities for 2020

April 14, 2021

UNIVERSITY OF TORONTO | REAL ESTATE

4 CORNERS STRATEGY

Table of Contents

Architectural renderings prepared by:

Weiss/Manfredi Architects, Teeple Architects (Schwartz-Reisman Innovation Campus), Daniels (Spadina-Sussex Student Residence), Michael Maltzan Architects (Harbord Residence) and Cumulus Architects (730 Yonge St.).

FIGURES LIST

1 EXECUTIVE SUMMARY

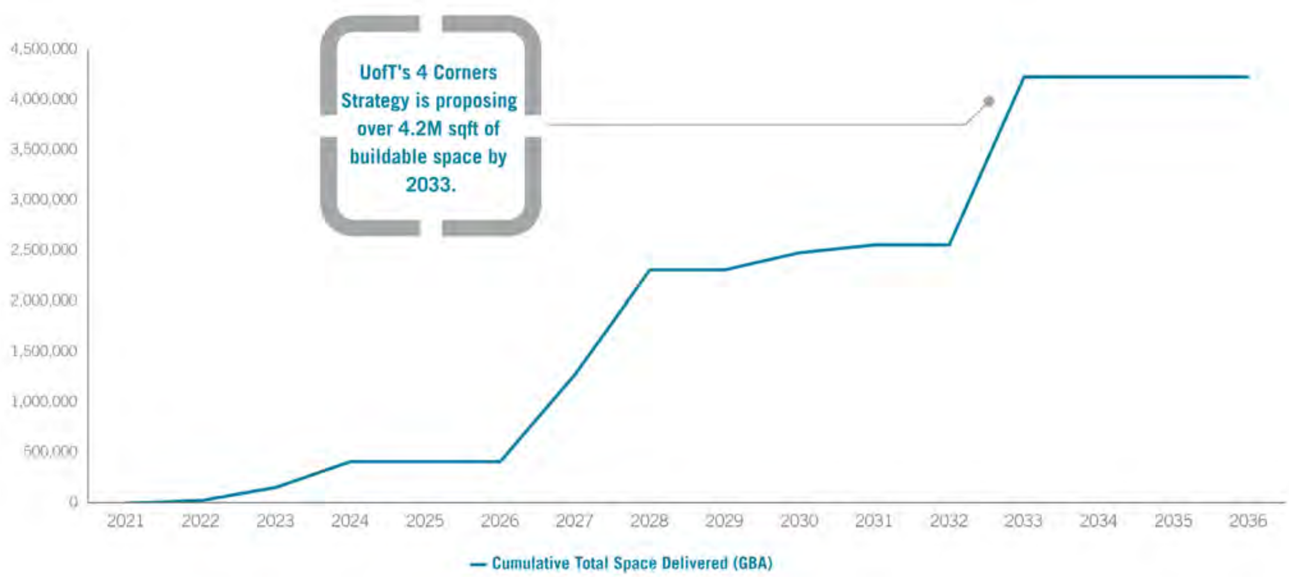
Executive Summary

THE 4 CORNERS (4C) STRATEGY was approved by Business Board in November 2018 with double bottom line goals to deliver amenities to support the academic mission and simultaneously grow revenue from sources other than enrolment. The 4C strategy aims to generate $50 million annually in operating funding over the next 15 years through the development of roughly 4 million square feet of new space devoted to campus services, amenities, innovation and retail spaces.

The 4C strategy is operationalized by the Real Estate department within the University Development and Campus Services (UDCS) ancillary operation, which has a mandate to provide high-quality innovation space, faculty and student housing, and retail space to serve the university community. The positioning of 4C within UDCS ensures that the provision of amenities to support a complete campus is a fundamental focus throughout all stages of planning, design, and delivery of real estate development projects.

FIGURE 1

Total Space Proposed, Gross Buildable Area (GBA)
15 Year Projection



The COVID-19 pandemic had a significant impact on Real Estate's leasing revenues over the last fiscal year. Tenants with retail operations were hit particularly hard and, despite Federal government subsidy programs, many tenants struggled to meet rent obligations. Leasing revenues declined by 7%, reducing the amount of funding available for reinvestment in development projects in the short term. Nevertheless, 4C is a long-term strategy that involves development projects with extended timelines. Many 4C projects are in early construction or predevelopment stages and current year revenues account for only a small part of the long-term funding strategy.

Looking ahead, it is expected that the university will see a gradual return to normal operations as travel and public health restrictions are eased. Real Estate will continue to monitor economic recovery and will remain flexible in responding to development opportunities as they arise, with careful consideration of available revenues and the university's broader fiscal context.

Despite the challenges of the last year, Real Estate has already made short-term progress toward **three important objectives:**

- **Building foundations**
- **Promoting innovation**
- **Supporting the university community**

In this first year of operations, Real Estate added staff capacity and expertise in the areas of financial analysis and negotiation support and advanced key projects such as the Schwartz-Reisman Innovation Campus and Spadina Sussex Student Residence that will contribute to a sense of community and our City's innovation economy. The Real Estate team also strengthened relationships with its Real Estate Advisory Committee (REAC) comprised of internal and external stakeholders, to help guide the 4C vision and provide feedback on future development opportunities.

2 BUILDING FOUNDATIONS

Building Foundations

AS ARTICULATED IN THE 4C STRATEGY, the university has taken the approach of building real estate development capacity internally, rather than establishing a subsidiary development corporation. The Real Estate team is responsible for implementation of the 4C strategy and spent a significant portion of its first year establishing a new team structure and recruiting the highly skilled staff required to deliver on the 4C objectives. The team added a new director to lead the overall strategy, a development analyst to develop financial models of potential projects and negotiate optimal deal terms, as well as a leasing analyst and a leasing administrator to secure tenants and innovation partners. The team benefits from collaboration with a commercial property manager within the Facilities & Services portfolio who is dedicated to ensuring properties are efficiently and professionally managed, and a senior marketing manager shared across the divisions within UDCS who brings public profile and recognition to 4C projects and key accomplishments.

While these resources go a long way, a single team cannot manage this ambitious strategy alone. A key driver in the formation of the UDCS ancillary operation was the acknowledgement that complicated, mixed-use projects require close collaboration between many of the university's existing ancillary operations, such as residence operations, family housing, parking, and food services. The UDCS partnership allows the Real Estate department and Ancillary Services to share resources, expertise, and a common goal of providing efficient and cost-effective services to the university while generating revenue to support the university's academic mission.

FIGURE 2

Real Estate Advisory Committee Membership

SCOTT MABURY
Co-Chair of the Committee
Vice President & Real Estate Partnerships
University of Toronto

GEOFF MATUS
Co-Chair of the Committee, President
Mandukwe
Co-founder of Tricon Residential

JOSH MITCHELL
Director, Real Estate
University of Toronto

BLAKE HUTCHESON
President & CEO
OMERS

FAY WU
Managing Director
NFQ Ventures

GARY BERMAN
President & CEO
Tricon Residential

IRA GLUSKIN
CIO
Irager + Associates Inc.

JACK WINBERG
CEO
Rockport Group

JOHN O'BRYAN
Board Chair of Investment Committee
CT REIT

STEVE GUPTA
Founder & Chairman
Easton's Group of Hotels

Beyond UDCS, the 4C strategy continues to benefit from strong engagement of the 4C Steering Committee, which includes senior leaders from Facilities and Services, Planning & Budget, University Planning Design and Construction, Financial Services, and other senior staff within the Operations and the Real Estate Partnerships portfolio. This contributes to understanding and alignment within the university administration on specific projects and on the goals of the 4C strategy more broadly. The Real Estate team also engages externally with a Real Estate Advisory Committee comprised of deeply experienced real estate executives who are friends and benefactors of the university. The Committee provides sage advice on individual projects, such as Schwartz-Reisman Innovation Campus, as well as broad feedback as the university navigates the challenges of the Toronto real estate market.

In addition to building foundations with internal and external stakeholders, Real Estate created a new website (www.realestate.utoronto.ca) that highlights the 4C strategy and all of its active projects, subscribed to a new leasing and property management software called Yardi, and developed a portfolio model that tracks construction costs, sources of financing, and revenue forecasts for all 4C projects over a 15-year period. These administrative accomplishments may seem small but have been instrumental in building awareness of the strategy, having real-time access to leasing data, and the ability to test scenarios based on market outlook.

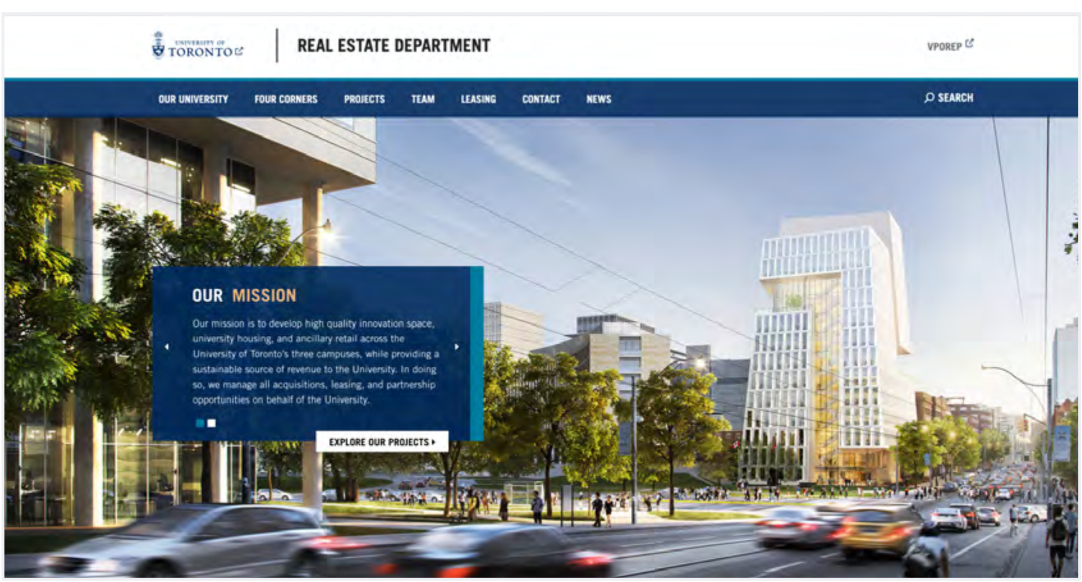


FIGURE 3

Real Estate Website

3 PROMOTING INNOVATION

Promoting Innovation

AN IMPORTANT 4C OBJECTIVE is to promote innovation space that supports the university's research commercialization efforts. The Schwartz-Reisman Innovation Campus, located at the intersection of College and University directly across the street from the MaRS Innovation Centre, will turbocharge the next wave of Canadian innovation, advancing how AI, biomedicine, and other disruptive technologies can enrich lives.

The first phase of the project will provide approximately 250,000 square feet of innovation space focused on advancing the university's strength in artificial intelligence. Anchored by University Entrepreneurship and the Vector Institute, the first phase will also have space for student and affiliate companies, as well as step-up space for scaling AI partners. Designed by the New York based firm, Weiss/Manfredi, Ellis Don began construction of the below

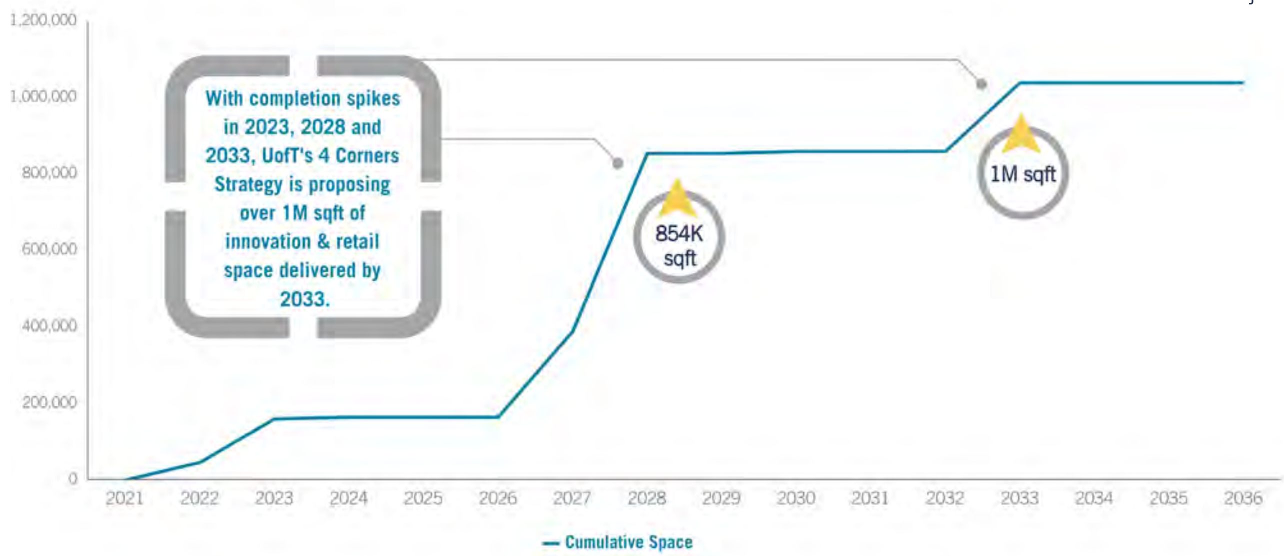
FIGURE 4

Schwartz-Reisman Innovation Campus
Phase 1

FIGURE 5

Total Innovation and Retail Space Proposed

15 Year Projection



grade portion in late 2020 and are about to begin above-ground vertical construction of the superstructure. The Schwartz-Reisman Institute for Technology and Society will be another anchor in the building and have a key role encouraging partnerships across multiple intersecting fields that explore AI.

The second phase, which is to begin construction shortly after the first phase is complete by end of 2022, is anticipated to include over 400,000 square feet of office and much-needed wet laboratory space focused on translating life sciences research and development to commercial companies. Real Estate spent the last quarter of 2020 and beginning of 2021 working with U3 Advisors (the same firm which provided direction on the 4 Corners strategy) to conduct a comprehensive supply and demand analysis for Toronto's life science ecosystem. Internal and external stakeholder engagement will be truly instrumental in determining the programmatic breakdown of this important asset.

Together, the two phases will be the country's largest concentration of student and faculty-led start-ups, firmly positioning Toronto as the place for creating new technology companies, jobs, and solutions. The team is very proud of the progress it has made this past year in advancing the first phase through construction, and further studying the life sciences ecosystem in preparation for the second phase.

4 SUPPORTING COMMUNITY

Supporting Community

AN INTEGRAL OBJECTIVE OF THE 4C STRATEGY is to support the university community, including students, faculty, and staff, as well as the broader community surrounding its campuses. In particular, 4C accomplishes this objective by building much-needed university housing for its community members. The Spadina-Sussex Student Residence is one of those projects. At 23 stories tall, the residence will provide more than 500 beds for students. This past year, the team finalized construction drawings and budgeting with its development partner, The Daniels Corporation, to prepare for construction commencement in summer 2021. The positive impact of this new Residence development doesn't stop at the university community; it will provide retail space on the first floor, green space, and a heritage preservation component to contribute to the local sense of place and quality of the pedestrian realm. The team expects the project to be complete in time for the Fall 2024 semester.

FIGURE 6

Spadina-Sussex
Student Residence

FIGURE 7

Harbord Residence
Graduate House Expansion

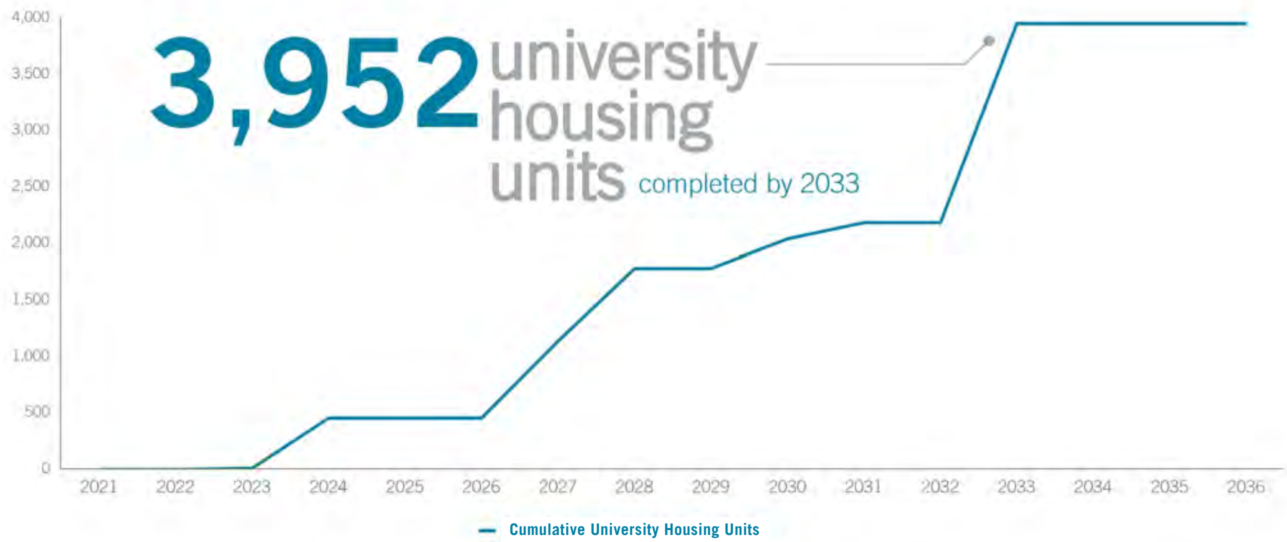
FIGURE 8

730
Yonge Street

FIGURE 9

University Housing Unit Delivery

15 Year Projection



The 4C team also made strides on soliciting community feedback and developing design drawings for the Graduate House Expansion project. Designed by the Los Angeles-based architect Michael Maltzan, the 9-story student residence will provide just under 200 beds for the university's rapidly growing graduate student population. The Residence will be physically connected to the existing Graduate House via two passageways, enriching the student experience for the future graduate community, and adding new collaboration and study space for the existing population. The building will add a progressive rendition of traditional brick façade at an appropriate size for the neighbourhood. It is expected that this project will start construction near the end of 2020 and be completed well before the Fall 2024 semester.

The 4C strategy acknowledges that retail spaces serve community needs and contribute to a vibrant urban environment. In particular, the 4C team made significant progress designing and rehabilitating the retail podium at 730 Yonge Street with its project architect, Cumulus Architects. At almost 40,000 of square feet of retail and office space, the rehabilitation project will improve the façade of the building, reconfigure retail units, expand the loading dock, improve safety, and create a new office and below grade parking lobby. This not only improves the pedestrian experience at a high-profile intersection on one of the city's most prominent streets, but it also improves the retail space for over 1,000 student family residents that live at 730 Yonge Street and at 35 Charles Street just around the corner.

The design is now under City review with hopes to begin construction in Summer 2021.

5 RISKS

Risks

THE 4C STRATEGY IS A REAL ESTATE STRATEGY. It depends on partnerships with developers and investors, and the availability of risk-appropriate returns for its development projects. If a project costs too much, takes too long to build, or does not generate enough income to justify the investment, the project and its benefits to the university community will not materialize.

There is no doubt that the COVID-19 pandemic had a significant impact on almost every facet of the social, economic, and political lives of the university community and the city region in which it operates. The Real Estate team continues to carefully monitor the specific risks that COVID-19 pose to achieving the objectives of the 4C strategy.

Seed capital derived from existing leasing revenues is necessary to drive forward early conceptual stage development of future 4C projects. Although the 4C strategy anticipates generating sufficient revenues to provide an income stream to the university in the long term, current revenues derived from commercial retail leasing activity on the campus periphery are retained by the UDCS ancillary to fund upfront development costs on future projects.

The university currently has 69 rental agreements that generated approximately $6.7M in revenue in 2019-20. Given the broad economic impact of COVID-19, the Real Estate Operations saw a 7% drop in revenue in fiscal year 2020-21, down to $6.2M, and despite projecting an increase of 8% for fiscal year 2021-22 to $6.7M in revenues, is still well below original pre-COVID forecasts. As a result, there is currently less seed capital to fund appraisals, development studies, and hire staff for 4C projects.

In addition, construction efficiency has declined on almost every construction project in the city as a result of social distancing protocols, shutdowns, supply chain disruptions and other public health restrictions.

The fundamental changes in the way we live and work during the COVID-19 pandemic also pose some risk to future demand and time to full occupancy once current projects are completed. For example, vacancy in Toronto's downtown north submarket hovered around 0.5% before the pandemic, but jumped up to 3.7% by Q4 2020, and up to 5.6% by Q1 2021 as a result of companies looking to sublease their space. Public health restrictions may affect occupancy rates of new residences, or remote work arrangements may drive down demand for innovative new office spaces. Market outlook discussions with the Real Estate Advisory Committee and the university's development partners suggest that demand will likely rebound by the time the first tranche of 4C projects is proposed in 2023-24. Furthermore, specialized innovation spaces, such as the Schwartz-Reisman Innovation Campus, are heavily focused on attracting innovative companies that require in-person collaboration and creativity, and will likely have stronger demand than traditional commercial office buildings.

6 FUTURE PROJECTIONS

Future Projections

GIVEN THE IMPACT OF COVID-19 and the risks noted above, it is likely that the objective of generating positive net income for the university may take longer than originally anticipated. The exact timing of cash flows is still to be determined, but the team is confident that the strategy remains robust and that revenue objectives are still achievable in the long term.

The 4C strategy has accomplished a lot over the last year, but the most promising opportunities are yet to come. There are several key milestones in ongoing projects for the next fiscal year, including groundbreaking events for the Spadina-Sussex Student Residence, Grad House Expansion, and 730 Yonge redevelopments. Planning continues for the second phase of the Schwartz-Reisman Innovation Campus, and the university expects to announce another large-scale, mixed-use development project on the university's downtown campus soon. The team will also continue to study future pipeline projects under the 4C strategy, including lands within University of Toronto Scarborough and University of Toronto Mississauga campuses as part of a study using the same external consultants that prepared the original 4C strategic framework.

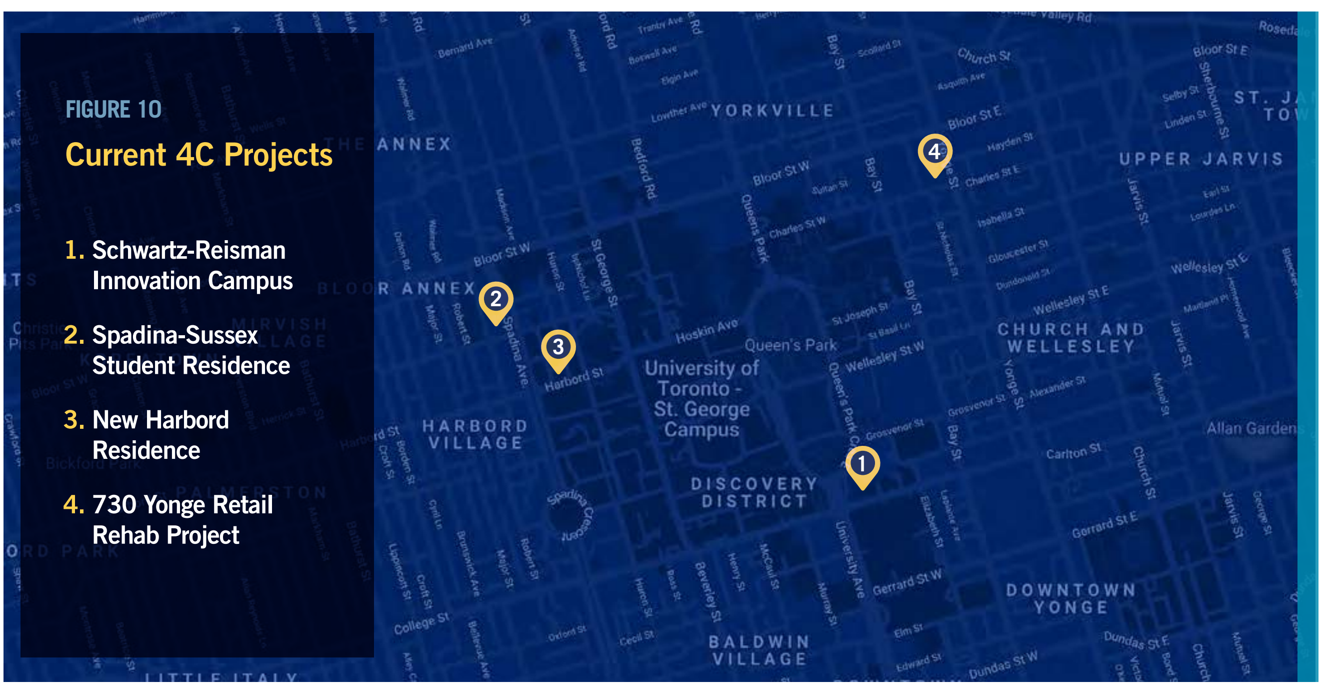


FIGURE 10

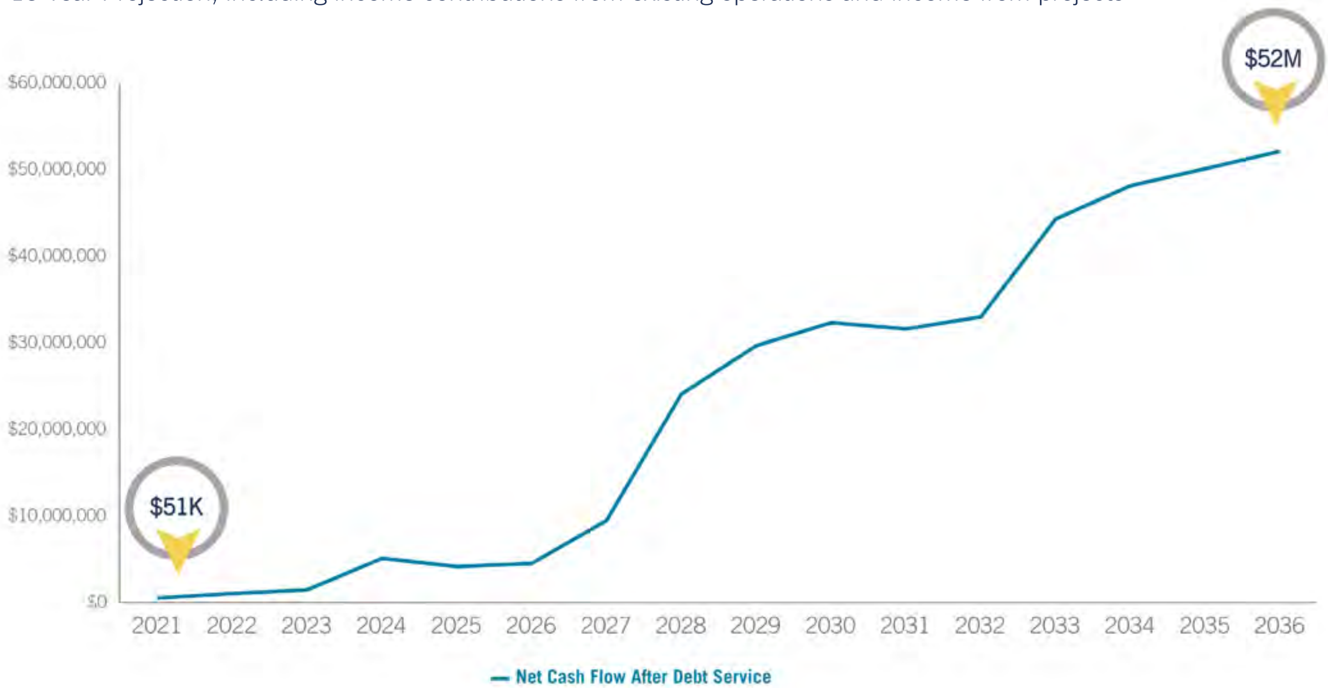
Current 4C Projects

1. Schwartz-Reisman Innovation Campus
2. Spadina-Sussex Student Residence
3. New Harbord Residence
4. 730 Yonge Retail Rehab Project

FIGURE 11

Annual Cash Flow After Debt Service

15 Year Projection, including income contributions from existing operations and income from projects



Over the next 15 years, the university will be on track to construct over 4 million square feet of space, delivering more than 3,500 units of housing and 1 million square feet of innovation and retail space. Furthermore, the strategy is on pace to generate nearly $52M in annual net income for the university by 2036.

Moving forward, many of the accomplishments in the Building Foundations part of this report, such as hiring expertise internally, strengthening interdepartmental ties, formalizing engagement with a seasoned advisory committee, and creating dynamic models for the entire 4C portfolio with real time access to data will prepare the university to adapt quickly to the rapidly changing external environment.

While there have been some immediate tailwinds as a result of the pandemic, there is no doubt the 4C strategy will achieve important objectives for university's academic mission and provide a steady source of funding for years to come.

FIGURE 12

4 Corners Strategy