



University of Toronto

OFFICE OF THE VICE PRESIDENT BUSINESS AFFAIRS

TO: Business Board

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DATE: April 11, 2008 for April 28, 2008

AGENDA ITEM: 7

ITEM IDENTIFICATION:

Ancillary Operations: Residential Housing – 2007-08 Operating Results and 2008-09 Budget

JURISDICTIONAL INFORMATION:

Business Board reviews and approves the annual budget of Unincorporated Business Ancillaries.

PREVIOUS ACTION TAKEN:

Business Board approved the change of mandate for the Real Estate Ancillary to focus on rental housing at the January 2007 meeting. The 2007-08 Budget was approved at the Business Board meeting on April 11, 2007.

HIGHLIGHTS:

The Real Estate Strategy approved by the Business Board in January 2007 called for the separation of residential and commercial/institutional activities. The St. George Campus Residential Housing Ancillary serves as the newly constituted Real Estate Ancillary. The Residential Housing Ancillary manages 80 residential addresses with a total of 142 units.

The forecast for 2007-08 shows a positive variance for rental and other income, and direct expenses are expected to be on budget overall. At the end of this fiscal year, we anticipate an operating deficit of \$597,721, and a reserve balance of \$830,260. Major maintenance expenditures this year will again be significant, and will exhaust the capital maintenance reserve fully. It is expected that maintenance expenditures will decrease in 2009-10 as many significant renovations and repairs will have been completed. With increased income this year and thereafter from the newly renovated rental units, this should result in positive cash flows which can be used to rebuild the capital renewal reserve for the future. Rental revenue for faculty and student family housing are budgeted to increase each year of the long-range plan. Rental revenue for third party tenants is expected to decrease slightly, as we are not seeking to replace any tenants who move out with new third party tenants.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

It is the goal of the Residential Housing Ancillary to operate the properties on at least a breakeven basis, to avoid the need for a permanent subsidy from the operating budget. This will take some time to achieve, but the new management focus and the gradual transition of third party tenant housing to faculty and student housing will assist in increasing revenues to the level needed to cover costs.

RECOMMENDATION:

It is recommended that the Business Board approve the operating budget for the Housing Ancillary for 2008-09, as contained in the five-year operating plan.