St. George Campus
Residential Housing Ancillary

Overview of Operations and Business Plan for 2008-2013

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 commercial and institutional Real Estate functions performed by the previous Real Estate ancillary are now managed through the office of the Chief Real Estate Officer.

The Residential Housing Ancillary manages 80 residential addresses with a total of 142 units. Just over half of these units are used for faculty housing, for both newly appointed and visiting faculty, and the remainder is rented to third party tenants. Day to day property management is contracted to Samuels Property Management, with most capital work being supervised and tendered by a University property manager. Rental rates for Faculty Housing are at market, whereas the rents for third party tenanted housing have been significantly constrained by rent control legislation.

The goals of the Residential Housing Ancillary are to manage the Faculty Housing and long-term tenanted housing in the Huron-Sussex area in a fiscally responsible manner, perform necessary repairs and capital refurbishment, maintain good relationships with tenants and explore the conversion of vacant long-term tenanted housing to faculty or student housing.

The Residential Housing Ancillary is part of the Ancillary Services division, reporting to the Director of Ancillary Services. There is one full-time employee, with support provided by the Ancillary Services central accounting and HR teams.

Overview of operations, 2007-08

The forecast for 2007-08 shows a positive variance for rental and other income, and direct expenses are expected to be on budget overall. Some salary and overhead expenses which should have been transferred to the RHA in fiscal 2007 were missed at year end as result of the administrative/accounting separation of the residential and commercial functions. These were transferred in the 2008 budget year. The combined variance for both years is positive, however.

Capital work completed this year includes work on both Faculty and long-term tenanted housing. Several projects initially budgeted for 2006-07 were not completed due to staff turnover, and were completed in 2007-08. These included 2 demolition projects, a number of repairs to roofs, exterior painting, foundation work and the conversion of 2 vacant houses to faculty and student housing apartments.

At the end of this fiscal year, we anticipate an operating deficit of $597,721, and a reserve balance of $830,260.

Operating Plan, 2008-09

In the summer of 2008, we anticipate occupancy of the 2 new Faculty and 2 new Student Family Housing units under construction in the spring of 2008. We have 6 additional vacant units which we have budgeted to renovate in 2008-09, and have budgeted to occupy by 2009-10. Due to the size of these units it is likely that most of them will be more appropriate for Student Family Housing than Faculty Housing. Other major maintenance work includes ongoing repairs to our housing inventory. The third party tenanted houses tend to be in worse condition than the other houses and therefore a larger expense is required for the upkeep of those properties.

Income is expected to be relatively stable, with some additional income budgeted for the 4 new units described above. There is a proportional increase to our property operating expenses related to the new units. Other operating expenses have been assigned an inflationary increase. Overhead expenses now reflect the reduced cost of administering a smaller department. The transfer of $747,115 to the operating budget shown on Schedule 2 is a transfer of the remaining reserves that were directly attributable to the commercial and institutional real estate functions of the “old” ancillary, to the Real Estate/Capital Projects department.

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. In addition, the loan obtained in 2005 to finance capital repair work for the residential properties will be paid in 2012, and the amortization cost in 2017. However, in the next few years, in order to maintain the housing properly and take on any new capital renovations that are required (e.g., conversion of vacated long-term units), we will need to borrow.

Long-range financial plan and assumptions

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.

Operating costs have been assigned inflationary increases, as have overhead expenses, and the projected major maintenance expenditures have been arrived at through consultation with the property management company and Facilities and Services.

In the long-range plan, average annual capital maintenance expenditures have had to be capped at $225,000 per year in order to arrive at a break-even budget which gradually replenishes the capital maintenance reserve.

Schedule 1A shows the detailed budget according to cost centre.