



SPONSOR: Catherine J. Riggall, Vice President Business Affairs
CONTACT INFO: 416-978-7473 e-mail catherine.riggall@utoronto.ca

DATE: April 8, 2009 for April 27, 2009

AGENDA ITEM: 8

ITEM IDENTIFICATION:

Ancillary Operations: Residential Housing – 2008-09 Operating Results and 2009-10 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 2008-09 Budget was approved at the Business Board meeting on April 28, 2008.

HIGHLIGHTS:

The Residential Housing Ancillary manages 80 residential addresses with a total of 142 units. Just over half of the units are for Faculty Housing, both newly appointed and visiting, and the remaining units are rented to third-party tenants. One unit is for student family housing, with additional student family housing units planned for the coming years.

The forecast for 2008-09 shows a negative variance for rental and other income, but direct expenses have been controlled to offset this. We anticipate an operating deficit of \$132,655 and a reserve balance of \$779,637 for 2008-09. Capital maintenance and renovation costs were extensive again this year, and two projects intended to create 4 new units (and accompanying new rental income) experienced schedule delays and cost overruns as a result of site conditions. We have nevertheless increased capacity by two faculty units and one student family housing unit this year, with 4 additional units planned for 2009-10. Over the next three years, we will be implementing a gradual move towards market pricing with our faculty units, which have not had a rent increase for several years.

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The long range plan assumes gradual transitioning of vacated third-party rental housing to faculty and student family housing, and cyclical capital maintenance. Revenues from faculty and student housing are therefore budgeted to increase, and third-party rental revenues are budgeted to decrease. Our reserves remain small and we are therefore budgeting to spend a maximum of \$400,000 per year on capital maintenance and renovations.

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 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 tenanted 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 Residential Housing Ancillary for 2009-10, as contained in the five-year operating plan.