St. George Campus
Residential Housing Ancillary

Overview of Operations and Business Plan for 2009-2014

The Residential Housing Ancillary manages 80 residential addresses with a total of 142 units in the Huron-Sussex neighbourhood. 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 intended to be 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 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 type of student housing best suited to the neighbourhood is student family 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. Student Family Housing admissions are supported by the Admissions staff in our Charles Street Student Family Housing office.

<u>Overview of operations, 2008-09</u>

The forecast for 2008-09 shows a negative variance for rental and other income as a result of a number of units which have vacated and are awaiting renovation. Unfortunately we have not been able to turn around our renovations as quickly as originally hoped, and get our vacant units fixed and occupied. We have also had cost overruns on several projects. Both the timing and the cost issue are directly related to site conditions. We have nevertheless kept our operating costs in line with our revenue, and deferred a couple of renovation projects in order to keep this year's results on budget. The projects deferred this year are under review to determine priority for completion.

Capital work completed this year included extensive repair of a house on Harbord, the creation of 2 new Faculty Housing units and one new Student Family Housing unit, and maintenance of roofs, boilers, eavestroughs, foundations, porches and windows throughout the neighbourhood. One additional project, originally budgeted in 2007-08 and plagued with a number of challenging site conditions, which will create one new Faculty unit and one new Student Family unit, is currently in progress.

At the end of this fiscal year, we anticipate an operating deficit of $132,655, and a reserve balance of $779,637.

Operating Plan, 2009-10

We will only be able to afford to renovate 2 units this year. One unit will be for Student Family Housing, and the other will be for Visiting Faculty. We are planning to complete these units in the summer of 2009 and have them occupied by the fall.

Rental income will increase as we will be increasing rental rates for our Faculty Housing units. These units have not been subject to regular rent increases, and many have fallen far below market value, which can create a tax issue for residents, and does not keep revenue at pace with operating costs. We are therefore implementing a 3% rent increase and increasing utility recoveries for larger units. We will also implement larger rent increases as units vacate over the next few years. This plan has been approved by the Faculty Housing Co-op Board at their Annual General Meeting held in March 2009.

Operating costs will increase at roughly the same pace as income. Property management fees are calculated as a percentage of gross rental income, utility costs will increase and salary expenses are linked to collective agreements. Our debt service costs have also increased, as a result of taking on new properties on Harbord Street.

Overall, we expect an operating deficit of $232,359 and a reserve balance of $547,278 for 09-10.

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. We plan to continue to gradually upgrade the houses and create more faculty/student family housing as units vacate and funds permit.

Operating costs have been assigned inflationary increases, as have overhead expenses. Average annual capital maintenance expenditures have had to be capped at $400,000 per year in order to arrive at a break-even budget. This is a small department, with few resources and a very limited reserve balance. There is therefore very little opportunity for significant investment in repairs and refurbishment.

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