St. George Campus
Residential Housing Ancillary

Overview of Operations and Business Plan for 2010-2015

The Residential Housing Ancillary manages 83 residential addresses with a total of 147 units in the Huron-Sussex neighbourhood. Just over half of these units are used for faculty housing, for both newly appointed and visiting faculty. There are also a few units of student family housing and 6 houses are leased to Campus Co-op. The remainder are rented to overholding tenants, who were in the houses at the time the University acquired them. Day to day property management is contracted to Samuels Property Management, with capital work 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 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 team. Student Family Housing admissions are supported by the Admissions staff in our Charles Street Student Family Housing office.

Overview of operations, 2009-10

The forecast for 2009-10 shows a negative variance for rental income as a result of slightly higher vacancy rates than predicted; a number of faculty members took advantage of favourable interest rates and opted to purchase homes sooner than they had originally anticipated. We have also had continuing vacancies in our long-term tenanted housing, and due to the substantial capital cost required to convert long-term to faculty housing, there is usually a significant delay between vacancy and re-occupancy. Other than capital costs, we have kept our operating costs in line with our reduced revenue. Interest income for the ancillary was also negatively affected by low rates.

Capital work completed this year included renovation of 1 house and 2 partial houses, to create an additional 2 units of student family housing, and one unit of faculty housing. This work was funded by a loan. Another house renovation which was scheduled to be completed earlier this year (adding one unit of student family housing and one unit of faculty housing) was delayed by a flood which caused substantial damage, but work is now underway and should be completed this summer. This year we also undertook asbestos surveys in all the houses and took the opportunity to conduct property condition inspections at the same time. General repairs, and repairs associated with the surveys and inspections made up the balance of the capital spending for the year. This project was not budgeted, and we were only able to offset 40% of the cost by deferring other work.

At the end of this fiscal year, we anticipate a net deficit of $309,297, and a reserve balance of $923,190.

Operating Plan, 2010-11

We have budgeted for one house renovation this year, and one main floor unit renovation. Funding for these projects will be assisted by a loan from another ancillary operation with sufficient reserves. Another project for which we have set aside $100,000 in major maintenance spending is a joint project with a faculty member from the department of Civil Engineering, which will demonstrate new technology in energy conservation for residential retrofits. The balance of the funding for this project will come from a research grant and in-kind donations.

Rental income will increase as we have implemented a market adjustment to our faculty housing rates beginning in 2009. As units vacate, rents are adjusted. By 2011, all faculty housing units will have had rents adjusted. Yearly inflationary increases will be implemented thereafter. Long-term tenanted housing is subject to the rent increase guideline set by the Ontario government. Whenever possible, we do apply for above-guideline increases for these units to cover the cost of capital repairs or extraordinary increases in utility costs, but legislation also caps the amount and duration of these increases, which means that many units in the neighbourhood are already capped and costs of capital work can therefore not be recovered.

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 and financing required for renovations.

Overall, we expect a net deficit of $269,871 (net of loan) and a reserve balance of $653,319 for 2010-11.

Long-range financial plan and assumptions

Rental revenue for faculty and student family housing is budgeted to increase each year of the long-range plan. Rental revenue for third party tenants is expected to decrease, 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. Property tax expenses are expected to decrease as they are payable only on our third party tenanted housing, and we are planning for reductions in this area. Average annual capital maintenance expenditures have had to be capped at $300,000 per year (only $3,750 per house) 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.