

TO: Business Board

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

DATE: March 21, 2011 for April 4, 2011

AGENDA ITEM: 6

ITEM IDENTIFICATION:

Ancillary Operations: Residential Housing – 2010-11 Operating Results and 2011-12 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 2010-11 Budget was approved at the Business Board meeting on April 26, 2010.

HIGHLIGHTS:

The Residential Housing Ancillary manages 83 residential addresses with a total of 147 units. 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 4 houses are leased to Campus Co-op. The remaining units are rented to third party tenants, who were in the houses at the time the University acquired them.

The forecast for 2010-11 shows a positive variance overall, due to good occupancy rates, a market rent adjustment in Faculty Housing, amortization of one large project and a few conversions of long-term units to market rent units. An operating deficit of \$12,662 and a reserve balance of \$1,107,692 are expected for 2010-11. Capital maintenance and renovation costs were extensive again this year. We have increased capacity by one faculty unit and one student family housing unit this year, with 6 additional units planned for 2011-12.

The long range plan assumes continued 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 approximately \$300,000 per year (\$3,750 per house) on maintenance and renovations. We will be able to amortize whole house 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. Stability should be achieved by 2014-15 as the new management focus and the gradual transition of third-party tenanted housing to faculty and student housing assists 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 2011-12, as contained in the five-year operating plan.