St. George Campus
Residential Housing Ancillary

Overview of Operations and Business Plan for 2011-2016

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 4 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, 2010-11

The forecast for 2010-11 is showing a healthy positive variance as a result of better rental income and our ability to amortize our capital cost for one house renovation. Our market rent adjustments implemented 2 years ago in Faculty Housing are almost complete and our occupancy rates are good. In addition, we have not needed to borrow money from another ancillary this year, so our debt service expense is better than budgeted.

Capital work completed this year included renovation of 1 house and 1 main floor unit, to create an additional unit of student family housing, and one unit of faculty housing. The main floor unit renovation was done to accommodate an elderly long-term tenant with significant mobility constraints who could no longer remain in her 3-storey home. The unit she and her husband were moved to was equipped with a ramp several years earlier. Other general repair expenses have included window replacements, demolition of several old garages, landscaping and roof work.

At the end of this fiscal year, we anticipate a net deficit of $12,662, and a reserve balance of $1,107,692.

Operating Plan, 2011-12

We have budgeted for three house renovations this year to create 6 more units of housing, and $596,731 of repair work. $200,000 of this expense is allocated to Visiting Faculty Housing units, which are getting dated and require interior renovations and replacement of furniture and housewares.

Rental income will increase as new market-rent units are added to inventory – we also expect to increase Visiting Faculty Housing rates to more competitive levels as units are refreshed and repaired. Long-term tenanted housing is subject to the rent increase guideline set by the Ontario government, which this year hit its lowest point since 1975: 0.7%. 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. We are nevertheless required to be responsible and proactive landlords.

Other operating costs will increase, although at a slightly lower pace than income for the first time in many years. Property management fees are calculated as a percentage of gross rental income, utility costs will increase and salary expenses are linked to collective agreements.

Overall, we expect a net deficit of $308,322 and a reserve balance of $799,370 for 2011-12.

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. We begin to break even on the operation in 2014-15 and a small reserve is maintained throughout all the years of the plan.

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