

TO: Business Board

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DATE: March 19, 2012 for April 2, 2012

AGENDA ITEM: 5(b)

ITEM IDENTIFICATION:

Ancillary Operations: Residential Housing – 2011-12 Operating Results and 2012-13 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 2011-12 Budget was approved at the Business Board meeting on April 4, 2011.

HIGHLIGHTS:

The Residential Housing Ancillary manages 83 residential addresses with a total of 149 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 2011-12 shows a positive variance overall, due to good occupancy rates, market rent adjustments in Faculty Housing, amortization of several large projects and the effect of conversions of long-term units to market rent units. An operating deficit of \$174,547 is expected for 2011-12. Capital maintenance and renovation costs were extensive again this year. We have increased capacity by four faculty units and two student family housing unit this year, with four 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 a maximum of \$300,000 per year (\$3,750 per house) on maintenance and renovations. We will continue 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 2013-14 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 2012-13, as contained in the five-year operating plan.