



FOR APPROVAL

PUBLIC

OPEN SESSION

TO: Business Board

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PRESENTER: Anne Macdonald, Director, Ancillary Services
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DATE: March 13, 2014 for March 31, 2014

AGENDA ITEM: 6.

ITEM IDENTIFICATION:

Ancillary Services: Residential Housing – Operating Plan and Budget, 2014-15

JURISDICTIONAL INFORMATION:

Pursuant to Section 5.4 (b.) of the Business Board Terms of Reference, the Board reviews and approved the annual budget of unincorporated business ancillaries.

GOVERNANCE PATH:

- 1. Business Board (March 31, 2014)**

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 2013-14 Budget was approved at the Business Board meeting on April 8, 2013.

HIGHLIGHTS:

The Residential Housing Ancillary manages 85 residential addresses with a total of 156 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 11 units of student family housing and 2 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 2013-14 shows a positive variance overall, due to the amortization of a capital project. The financial picture of the department continues to improve and is close to breakeven in

2014-15. This is attributable to market rent adjustments in Faculty Housing, and the cumulative effect of conversions of rent controlled units to market rent units. An operating deficit of \$23,909 is expected for 2014-15 and positive results are expected thereafter. Capital maintenance and renovation costs were extensive again this year and this will continue in all years of the plan, because of the age and unique nature of the properties.

The long range plan assumes continued transitioning of vacated long term rental housing to faculty and student family housing, and cyclical capital maintenance.

FINANCIAL 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 assists in increasing revenues to the level needed to cover costs.

RECOMMENDATION:

Be It Resolved

THAT the operating budget for the Residential Housing Ancillary for 2014-15, as contained in the '2014-15 Budget' column of Schedule 1 to the *Overview of Operations and Business Plan for 2014-19*, be approved.

DOCUMENTATION PROVIDED:

St. George Campus Residential Housing Ancillary – Overview of Operations and Business Plan for 2014-19

St. George Campus Residential Housing Ancillary – Statement of Operating Results 2012-13 to 2018-19

**St. George Campus
Residential Housing Ancillary**

Overview of Operations and Business Plan for 2014-2019

The Residential Housing Ancillary manages 85 residential addresses with a total of 156 rental 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 12 units of student family housing and 2 houses are leased to Campus Co-op. The remainder is rented to tenants who were in the houses at the time the University acquired them; many have been tenants for over 30 years. Day to day property management is contracted to an external property management firm, 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 housing in the Huron-Sussex area in a fiscally responsible manner, perform necessary repairs and capital refurbishment and maintain good relationships with tenants. Units vacated by long-term tenants are refurbished when funds permit, and are rented to University tenants (i.e., faculty or student tenants). Student family housing was first introduced to the neighbourhood 6 years ago and has proven a good fit; these are often graduate students, many of whom have children of their own and appreciate the amenities and quiet atmosphere that the area offers. Student Family Housing and New Faculty Housing both have strong demand which exceeds the current supply.

The Residential Housing Ancillary is part of the Ancillary Services department, reporting to the Director of Ancillary Services. There is one full-time employee, with support provided by the Ancillary Services accounting team. Student Family Housing admissions are supported by the Admissions staff in the Charles Street Student Family Housing office, also part of Ancillary Services. In 2011, the department added a Director (at 50% FTE) to improve supervision and coordination of staff and contractors, and enhance neighbourhood relations.

Overview of operations, 2013-14

The forecast for 2013-14 is showing a large positive variance due to the amortization of a capital project. Without the impact of this adjustment, we would be showing a negative variance, entirely attributable to higher repair and renovation costs. The budget is nevertheless on track to be very close to break-even in 2014-15 and to improve thereafter. Market rent adjustments implemented over the last several years in Faculty Housing, high occupancy rates and the addition of newly refurbished market rent units has resulted in a 30% boost to income over the last 5 years.

2 houses previously leased to Campus Co-op were reclaimed this year, to create an additional two units of student family housing, and two units of faculty housing. Other general repair expenses have included window replacements, masonry repair, landscaping and roof work.

This year we finished a multi-year renovation project at one of our three listed heritage addresses. The project is a combination research project and residential renovation, done in collaboration with the Department of Civil Engineering, and a recipient of funding from the Ontario Power Authority, which will pioneer a method (NTED: Nested Thermal Envelope Design) of achieving over 75% energy savings in a residential retrofit. We are excited about the potential for this project to become a showcase for the neighbourhood, and we have already had media and industry interest. The house is now occupied and energy consumption is being monitored and measured. Results thus far are encouraging.



At the end of this fiscal year, we anticipate net income of \$433,965, which is a positive variance of \$541,374 to budget.

Operating Plan, 2014-15

We are budgeting \$498,500 for major maintenance work, which continues to be a significant annual expense in the department, given the age and unique nature of the houses. Work this year will include window replacements, roof work, masonry/porches and interior repairs. Extensive masonry work is required at another of our three listed heritage properties, and this one repair is currently estimated at \$180,000.

Demand is expected to remain strong, and rents will be subject to annual inflationary increases. Larger periodic rent adjustments will also continue to be made on market-rent units, generally after they are refurbished, or if we feel that they have dipped too far below market rates. Long-term tenanted housing is subject to the rent increase guideline set by the Ontario government, which this year is 0.8%. Whenever possible, we apply for above-guideline increases for these units to cover the cost of capital repairs, but legislation also caps the amount and duration of these increases (3% per year, for a maximum of 3 years), which means that many units in the neighbourhood are already capped and costs of capital work can therefore not be recovered. Above guideline increases are also possible for extraordinary increases in utility costs, which will most certainly be a factor this year due to double-digit rate increases from Toronto Hydro.

Other operating costs have been assigned inflationary increases. Property management fees are charged as a percentage of gross rental income, and salary expenses are linked to collective agreements.

Overall, we expect a net result of (\$23,909) for 2014-15.

Long-range plan and assumptions

We expect to have a steadily improving financial picture which allows for a small increase in needed expenditures for repairs and maintenance, and in 2017-18, an old loan that was taken to fund capital repairs will be fully amortized, which significantly improves net income that year and thereafter.

In June 2015, the final two houses leased to Campus Co-op will be reclaimed. They are in poor condition and will therefore require extensive repairs. As there are no cash reserves available for this work, the ancillary will likely seek approval for some borrowing for this project. This has not been shown in the long range plan.

For the last year, we have been actively engaged, along with the Huron Sussex Residents' Organization, the University's Campus and Facilities Planning department, University members of the neighbourhood liaison committee and Councillor Vaughan's office, in a planning study for Huron-Sussex. The final plan contains proposals for phased development and suggestions for strategies to enhance the economic sustainability of the neighbourhood, and has met with broad support from all stakeholders. The implementation of this plan over the coming years will serve to further strengthen the residential housing program and add much needed capacity, while respecting the history of the neighbourhood and its many long-term tenants.

Rental revenue is budgeted to increase for all the years of the plan and operating costs have been assigned inflationary increases, as have overhead expenses.

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
STATEMENT OF OPERATING RESULTS 2012-13 TO 2018-19

	2012-13	2013-14		Variance		2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Budget	Forecast	\$	%					
Revenue:										
Faculty/Student Housing	1,618,173	1,622,912	1,763,142	140,230	8.64%	1,816,450	1,974,473	2,108,476	2,213,900	2,324,595
Residential Rentals	559,726	562,582	551,905	(10,677)	-1.90%	554,038	565,119	576,421	587,950	599,709
Commercial Rentals	-	-	-	-	0.00%	-	-	-	-	-
Institutional and Divisional Rentals	-	-	-	-	0.00%	-	-	-	-	-
Miscellaneous income	-	-	666	666	0.00%	7,992	7,992	7,992	7,992	7,992
Interest income	-	-	-	-	0.00%	-	-	-	-	9,171
Total Revenue	<u>2,177,899</u>	<u>2,185,494</u>	<u>2,315,713</u>	<u>130,219</u>	<u>5.96%</u>	<u>2,378,480</u>	<u>2,547,583</u>	<u>2,692,889</u>	<u>2,809,841</u>	<u>2,941,466</u>
Expenses:										
Direct Expenses:										
Property Operating Expenses	911,652	1,047,005	1,057,661	10,656	1.02%	1,056,172	1,077,295	1,098,841	1,120,818	1,143,235
Capital Renewal - Major Maintenance	581,308	424,700	(608)	(425,308)	-100.14%	488,500	597,000	517,000	509,000	534,000
Property Taxes/Grants in Lieu	159,373	163,384	161,008	(2,376)	-1.45%	165,033	161,732	158,498	155,328	152,221
Salaries, Benefits and Office Expenses	102,383	106,073	108,105	2,032	1.92%	114,159	117,584	121,111	124,745	128,487
Legal Fees	9,914	10,000	19,316	9,316	93.16%	10,000	10,000	10,000	10,000	10,000
Insurance	16,720	17,556	17,054	(502)	-2.86%	17,907	18,265	18,630	19,003	19,383
Amortization of Improvements	330,628	377,669	378,496	827	0.22%	410,355	411,697	413,124	188,318	171,744
Loan Interest	52,155	50,964	50,964	(0)	0.00%	49,699	48,356	46,930	45,416	43,807
Finance Fees	17,320	32,748	30,291	(2,457)	-7.50%	30,000	29,450	24,512	19,505	-
Total Direct Expenses	<u>2,181,452</u>	<u>2,230,099</u>	<u>1,822,287</u>	<u>(407,812)</u>	<u>-18.29%</u>	<u>2,341,824</u>	<u>2,471,380</u>	<u>2,408,646</u>	<u>2,192,132</u>	<u>2,202,877</u>
Indirect Expenses:										
Institutional Overhead	9,422	9,602	9,602	(0)	0.00%	10,321	10,527	10,738	10,953	11,172
Departmental Overhead	31,000	40,131	36,787	(3,344)	-8.33%	36,787	37,523	38,273	39,039	39,819
F&S Overhead	12,744	13,072	13,072	(0)	0.00%	13,457	13,726	14,001	14,281	14,566
Total Indirect Expenses	<u>53,166</u>	<u>62,805</u>	<u>59,461</u>	<u>(3,344)</u>	<u>-5.33%</u>	<u>60,565</u>	<u>61,776</u>	<u>63,012</u>	<u>64,272</u>	<u>65,558</u>
Total Expenses	<u>2,234,618</u>	<u>2,292,904</u>	<u>1,881,748</u>	<u>(411,156)</u>	<u>-17.93%</u>	<u>2,402,389</u>	<u>2,533,156</u>	<u>2,471,658</u>	<u>2,256,404</u>	<u>2,268,434</u>
Net Operating Results	<u>(56,719)</u>	<u>(107,410)</u>	<u>433,965</u>	<u>541,374</u>	<u>504.03%</u>	<u>(23,909)</u>	<u>14,427</u>	<u>221,231</u>	<u>553,437</u>	<u>673,032</u>

**ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
2014-15 Budget Detail**

Business Area 1020 Cost Centre CF Centre Description	Visiting Faculty 13389 102266			Faculty Housing Co-op 13390 102266			Student Family Housing 13896 102266			Residential Rentals 13391 102267			Campus Co-op 13394 102267			Total		
	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15	Year end 30-Apr-13	Forecast 2013-14	Budget 2014-15
Revenue:																		
Rental Income	417,393	382,824	435,587	1,048,452	1,183,201	1,174,863	152,328	197,117	206,000	546,214	541,057	543,000.00	13,512	10,847	11,038	2,177,899	2,315,047	2,370,488
Miscellaneous income	-	-	-	-	666	7,992	-	-	-	-	-	-	-	-	-	-	666	7,992
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	417,393	382,824	435,587	1,048,452	1,183,867	1,182,855	152,328	197,117	206,000	546,214	541,057	543,000.00	13,512	10,847	11,038	2,177,899	2,315,713	2,378,480
Expenses:																		
Direct Expenses																		
Property Operating Expenses	203,874	262,758	266,921	443,155	465,240	470,257	48,174	73,233	61,271	216,449	256,431	257,723.00	-	-	-	911,652	1,057,661	1,056,172
Capital Renewal - Major Maintenance	282,644	29,864	-	227,743	(201,446)	83,139	3,563	6,642	8,000	59,738	87,468	397,361.00	7,621	76,864	-	581,308	(608)	488,500
Property Taxes/Grants in Lieu	-	-	-	-	-	-	-	-	-	159,373	161,008	165,033.00	-	-	-	159,373	161,008	165,033
Salaries, Benefits and Office Expenses	-	-	-	102,378	108,100	114,159	4	-	-	-	5	-	-	-	-	102,383	108,105	114,159
Legal Fees	-	-	2,000	5,636	-	-	-	-	-	4,125	19,316	8,000.00	153	-	-	9,914	19,316	10,000
Insurance	2,341	2,558	2,507	7,357	6,992	7,700	1,003	1,364	1,432	6,019	6,140	6,268.00	-	-	-	16,720	17,054	17,907
Building Depreciation Expense	56,012	56,320	56,611	188,683	221,090	252,040	25,047	40,200	40,817	60,886	60,886	60,886.44	-	-	-	330,628	378,496	410,355
Loan Interest	13,011	12,737	12,446	16,991	16,539	16,060	22,153	21,688	21,192	-	-	-	-	-	-	52,155	50,964	49,699
Finance Fees	-	-	-	17,320	30,291	30,000	-	-	-	-	-	-	-	-	-	17,320	30,291	30,000
Total Direct Expenses	557,881	364,237	340,485	1,009,263	646,807	973,355	99,944	143,127	132,713	506,591	591,253	895,271	7,773	76,864	-	2,181,452	1,822,287	2,341,824
Indirect Expenses:																		
Divisional Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutional Overhead	1,319	1,440	1,445	4,145	3,937	4,438	565	768	826	3,392	3,457	3,612.00	-	-	-	9,422	9,602	10,321
Departmental Overhead	4,340	5,518	5,150	14,880	15,083	15,818	1,860	2,943	2,943	9,920	13,243	12,876.00	-	-	-	31,000	36,787	36,787
F&S Overhead	1,784	1,961	1,884	5,608	5,359	5,786	765	1,046	1,077	4,588	4,706	4,710.00	-	-	-	12,744	13,072	13,457
Total Indirect Expenses	7,443	8,919	8,479	24,633	24,379	26,042	3,190	4,757	4,846	17,900	21,406	21,198.00	-	-	-	53,166	59,461	60,565
Total Expenses	565,325	373,156	348,964	1,033,896	671,185	999,397	103,134	147,883	137,559	524,491	612,659	916,469.44	7,773	76,864	-	2,234,618	1,881,748	2,402,389
Net Income (Loss)	(147,931)	9,668	86,623	14,556	512,681	183,458	49,194	49,234	68,441	21,723	(71,602)	(373,469.44)	5,739	(66,017)	11,038	(56,719)	433,965	(23,909)
Less: Interfund transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	(147,931)	9,668	86,623	14,556	512,681	183,458	49,194	49,234	68,441	21,723	(71,602)	(373,469.44)	5,739	(66,017)	11,038	(56,719)	433,965	(23,909)

**Residential Housing Ancillary
Statement of Reserves 2012-13 to 2018-19**

in \$'s

	<u>2012-13 Actual</u>	<u>2013-14 Budget</u>	<u>2013-14 Forecast</u>	<u>2013-14 Variance</u>	<u>2014-15 Budget</u>	<u>2015-16 Budget</u>	<u>2016-17 Budget</u>	<u>2017-18 Budget</u>	<u>2018-19 Budget</u>
Total Fund Balance - Opening	1,100,614	1,031,810	1,043,895	12,085	1,477,860	1,453,951	1,468,378	1,689,610	2,243,047
Net Operating Results before Transfers and Subsidy (Schedule 1)	(56,719)	(107,410)	433,965	541,375	(23,909)	14,427	221,231	553,437	673,032
Transfers in (out) of Ancillary operations	-	-	-	-	-	-	-	-	-
Operating Fund Subsidy	-	-	-	-	-	-	-	-	-
Net Operating Results after Transfers and Subsidy	(56,719)	(107,410)	433,965	541,375	(23,909)	14,427	221,231	553,437	673,032
Total Fund Balance - Closing	1,043,895	924,400	1,477,860	553,460	1,453,951	1,468,378	1,689,610	2,243,047	2,916,079
Closing Fund balance is made up of:									
Investments in Capital Assets	3,602,484	3,338,968	4,086,037	747,069	3,719,307	3,353,920	2,989,960	2,854,433	2,743,537
Internally Restricted									
Capital Renewal Reserve	-	-	-	-	-	-	-	-	-
Operating Reserve	-	-	-	-	-	-	-	-	-
Unrestricted Surplus/(Deficit)	(2,558,589)	(2,414,567)	(2,608,176)	(193,609)	(2,265,356)	(1,885,542)	(1,300,350)	(611,386)	172,542

**UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF MAJOR MAINTENANCE 2013-14 TO 2018-19**

Maintenance Type	2013-14 Forecast	2014-15 Budget	2015-16 Budget	2016-17 Budget	2017-18 Budget	2018-19 Budget
Inspections	-	3,000	5,000	5,000	5,000	5,000
Roofing	100,672	-	50,000	50,000	50,000	30,000
Porches & Decks	6,043	-	10,000	10,000	10,000	10,000
Windows	67,662	100,000	120,000	100,000	100,000	100,000
Concrete	-	-	15,000	15,000	10,000	5,000
Air Conditioning	-	-	5,000	5,000	5,000	5,000
Electrical Service	-	-	10,000	10,000	10,000	10,000
Furnace & Boilers	-	-	10,000	10,000	7,000	7,000
Interior Refresh	103	100,000	150,000	150,000	150,000	200,000
Flooring	-	-	40,000	15,000	15,000	15,000
Exterior Work - Repair & Paint	-	-	10,000	10,000	10,000	10,000
Landscaping	-	-	5,000	5,000	5,000	5,000
Trees	2,516	6,500	7,000	7,000	7,000	7,000
Brick, Tuck Pointing & Foundations	-	-	5,000	5,000	5,000	5,000
Special Projects	(186,932)	279,000	100,000	100,000	100,000	100,000
Water Services	-	-	-	-	-	-
Asbestos Abatement	-	-	-	-	-	-
Surveys & Drawings	-	-	40,000	-	-	-
Contingency	9,327	-	15,000	20,000	20,000	20,000
Total	(608)	488,500	597,000	517,000	509,000	534,000

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF DEFERRED MAINTENANCE 2013-14 TO 2018-19

	2013-14 Forecast	2014-15 Budget	2015-16 Budget	2016-17 Budget	2017-18 Budget	2018-19 Budget	Total
Maintenance Type							
No deferred maintenance	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total:	-	-	-	-	-	-	-

UNIVERSITY OF TORONTO
ST. GEORGE CAMPUS RESIDENTIAL HOUSING ANCILLARY
SCHEDULE OF CAPITAL EXPENDITURES 2013-14 TO 2018-19

Description and Location	Forecast 2013-14	Budget 2014-15	Budget 2015-16	Budget 2016-17	Budget 2017-18	Budget 2018-19
Whole House renovation: 31 Sussex	820,954	-	-	-	-	-
	-	-	-	-	-	-
Total Capital Expenditure	<u>820,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
*Financing to be determined						
<u>Amortization/Principal Repayment Schedule</u>						
48 Harbord mortgage, partial (2008-09): 25 years	8,464	8,943	9,448	9,982	10,846	13,861
Loan for various improvements (2009-10): 25 years	<u>12,083</u>	<u>12,870</u>	<u>13,707</u>	<u>14,600</u>	<u>15,550</u>	<u>16,562</u>
Total Principal	20,547	21,812	23,155	24,581	26,396	30,424
Amortization of improvements, various (2005-06): 12 years	247,222	247,222	247,222	247,222	20,602	
Amortization 400 Huron: 25 years starting May 1, 2012	16,131	16,131	16,131	16,131	16,131	16,131
11/13 Washington, : 25 years starting Apr 1, 2013	20,710	20,710	20,710	20,710	20,710	20,710
38 Sussex: 25 years starting Apr 1, 2013	16,908	16,908	16,908	16,908	16,908	16,908
392 Huron: 25 years starting Apr 1, 2013	10,354	10,354	10,354	10,354	10,354	10,354
32 Sussex: 25 years starting Apr 1, 2014	21,575	21,583	21,583	21,583	21,583	21,583
34 Sussex: 25 years starting Apr 1, 2014	22,438	22,796	22,796	22,796	22,796	22,796
31 Sussex: 25 years starting Mar 1, 2014	2,610	32,838	32,838	32,838	32,838	32,838
TOTAL	<u>357,948</u>	<u>388,542</u>	<u>388,542</u>	<u>388,542</u>	<u>161,922</u>	<u>141,320</u>