REQUEST FOR DECISION

FORWARDED TO: BOARD OF GOVERNORS ON RECOMMENDATION OF PRESIDENT STEPHEN J. TOOPE

APPROVED FOR SUBMISSION:

Stephen J. Toope, President & Vice-Chancellor

DATE
May 19, 2011

PRESENTED BY:
Hubert Lai, University Counsel
Pierre Ouillet, Vice President, Finance, Resources and Operations
Peter Smailes, Treasurer

DATE OF MEETING: June 8, 2011

SUBJECT: Student Housing Financing Endowment

DECISION REQUESTED: Approval of the Terms of Reference for the Student Housing Financing Endowment

Background

The Student Housing Financing Endowment concept is to direct the proceeds from land development on the UBC Vancouver campus into a discrete endowment fund and to invest this endowment fund in interest-bearing loans that Student Housing and Hospitality Services would use to fund student housing–related capital projects. The interest generated from these loans will be partially capitalized in order to maintain the value of the endowment fund over time, and the balance of the interest will be directed to the Trek Endowment Fund's Spending Account.

The concept of the Student Housing Financing Endowment was recommended to the Board Finance Committee by the Vice President, Finance, Resources and Operations and the Treasurer on February 1, 2011 (note, at that time, it was called the "Land Proceeds
Financing Endowment"). It was proposed that the Endowment be governed by a set of principles to ensure that the Endowment met its stated purposes.

At the Committee's request, the concept was brought back for further consideration at the Board's meeting on February 7, 2011. At this time, the concept was renamed the "Student Housing Financing Endowment".

On February 7, 2011, the Board approved the creation of the Student Housing Financing Endowment, subject to the development of appropriate terms of reference based upon the principles presented to the Board on February 1, 2011.

The Terms of Reference attached hereto reflect the Student Housing Financing Endowment principles and shall, upon approval, govern the administration and management of the Student Housing Financing Endowment.

Attachment:

Terms of Reference - Student Housing Financing Endowment
TERMS OF REFERENCE
STUDENT HOUSING FINANCING ENDOWMENT

INTRODUCTION

A. On February 7, 2011, the Board of Governors approved the creation of the Student Housing Financing Endowment (the "Endowment"), subject to the development of appropriate terms of reference based upon the Student Housing Financing Endowment principles presented to the Board of Governors; and

B. These Terms of Reference, made after the Board of Governor's meeting on February 7, 2011 and approved by the Board of Governors on June 8, 2011, govern the administration and management of the Endowment.

TERMS OF REFERENCE

1. Management of SHFE Capital

1.1 The Board of Governors hereby designates proceeds the University receives from UBC Properties Investments Ltd., in its capacity as trustee of the UBC Properties Trust, as SHFE Capital ("SHFE Capital").

1.2 The Vice President, Finance, Research and Operations will manage the Endowment in accordance with these Terms of Reference, with the objective of maintaining the value of the SHFE Capital, over time.

2. Permitted Uses of SHFE Capital

Loans to Student Housing and Hospitality Services

(a) The Vice President, Finance, Research and Operations shall ensure that the SHFE Capital is, to the fullest extent possible, loaned to Student Housing and Hospitality Services to finance or refinance student housing–related capital projects ("SHHS Loans").

(b) SHHS Loans shall be documented by an internal loan agreement that:

(i) sets out the principal loan amount, interest rate charge, and repayment terms;

(ii) requires principal and interest repayments to be accompanied by a certification, signed by the Managing Director, Student Housing and Hospitality Services, that the proceeds of the SHHS Loan were used to finance or refinance student housing–related capital projects;

(iii) is signed by such individuals and contains such other terms and conditions that Treasury may require.

(c) The per annum interest rate for all SHHS Loans shall be no less than:

the projected rate of inflation over the repayment term, as determined by Treasury, as at the execution date of the internal loan agreement plus
the Spending Rate, established pursuant to University Policy #113, as at the execution date of the internal loan agreement.

(d) Unless otherwise approved by the Vice President, Finance, Resources and Operations, the interest rate will be fixed for the duration of the repayment term of the SHHS Loan.

(e) Unless otherwise approved by the Vice President, Finance, Resources and Operations, repayments will be made in annual instalments, amortized over not more than a 30 years term.

(f) Expenses related to development (i.e. fundraising) at the University and the investment, administration and management of endowment funds will not be charged on SHHS Loans.

3. Use of Endowment Income

In respect of each loan made with SHFE Capital, the interest received by the University will be allocated as follows:

(a) the portion of the interest attributable to inflation will be capitalized, becoming additional SHFE Capital; and

(b) the portion of the interest attributable to the Spending Rate will be directed into the Spending Account for the TREK Endowment Fund (or as otherwise directed by the Board of Governors, from time to time).

4. Redirection of SHFE Capital

4.1 The SHFE Capital shall be received by and remain an asset of the University in its own capacity and is not received or held by the University as a trustee. These Terms of Reference are not intended to create a trust in respect of the SHFE Capital; rather, they set out the intention of the Board of Governors with respect to the management and administration of the SHFE Capital and its proceeds.

4.2 If there is an amount of SHFE Capital that exceeds the University's foreseeable financing needs for student housing-related capital projects, the Board of Governors may transfer the excess funds into another endowment fund, and such transferred funds will cease to be SHFE Capital governed by these Terms of Reference. It is contemplated that the excess funds will be transferred to the TREK Endowment Fund, but the Board of Governors may direct the funds into such other endowment that, at the time of transfer, best meets the University's needs.

5. Reporting

Unless otherwise directed by the Board of Governors, the Vice President, Finance, Resources and Operations will submit to the Board of Governors an annual report, which shall contain:

(a) the financial details of the Endowment including:

(i) funds flow into the Endowment;
(ii) a summary of each loan made with the SHFE Capital, including loan advances, repayments, and the rate of return;

(iii) cumulative data about loan advances, and principal and interest payments;

(iv) a list of the student housing-related capital projects that SHFE Capital has helped finance; and

(v) the amount of Endowment income deposited in the Trek Endowment Fund in accordance with Section 3(b) above; and

(b) such additional information as requested by the Board of Governors, from time to time.