

S★G★P★S

society of graduate & professional students
CANADIAN FEDERATION OF STUDENTS LOCAL 27

SGPS COUNCIL PRESENTATION

DECEMBER 8, 2009

OUTLINE

1. Project Overview
2. Final Recommendations
3. Financial Analysis
4. Serviceability Analysis
5. Final Recommendations (Re-visited)
6. Question Period

PROJECT OVERVIEW

- SGPS considering two potential investments
 - Housing Authority: own real estate and provide housing for SGPS members
 - An SGPS Cafe, likely in place of Common Ground
- Analysis is done on a basis of two main criteria
 - Financial Criteria
 - Serviceability Criteria
- Comparative AND individual analysis
- Queen's Business Law Clinic
- Final Documentation

FINAL RECOMMENDATIONS

- SGPS should not invest in a cafe
- The Housing Authority is an attractive investment for its profitability, but it is too risky of an investment to undertake independently
- Moving forward, QBC recommends that SGPS look into a third-party partnership for the Housing Authority to mitigate risk and take advantage of expertise

FINANCIAL ANALYSIS

FINANCIAL OVERVIEW

- Methodology: Contact Experts
- Cafe
 - Student Run Cafes on campus (i.e. Common Ground)
- Housing Authority
 - Queen's Community Housing
 - Housing authorities at other schools
 - Local landlords
 - Student Housing Cooperative (Sci'44 Co-op)

COMPARISON MATRIX

Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
Short-Term Profit	5					X
Variance in Expected Profit	3				X	
Start-Up Costs	1			X		
Break-Even Analysis	3					X
Return on Investment	5					X
Cash Flow	3					X
Growth Potential	3					X
Debt Ratio	1		X			
Total Weighted Points		0	0.5	0	1.5	19
Cafe Total	0.5					
Housing Total	20.5					

COMPARISON MATRIX

Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
Short-Term Profit	5					X
Variance in Expected Profit	3				X	
Start-Up Costs	5			X		
Break-Even Analysis	3					X
Return on Investment	5					X
Cash Flow	3					X
Growth Potential	3					X
Debt Ratio	1		X			
Total Weighted Points		0	0.5	0	1.5	19
Cafe Total	0.5					
Housing Total	20.5					

SHORT-TERM PROFIT ANALYSIS

	Year 1	Year 2	Year 3
Net Income for SGPS Cafe	\$ -42,855	\$ 4,110	\$ 8,980
Net Income for Housing Authority	\$ 11,313	\$ 11,870	\$ 12,453

BETTER SHORT-TERM PROFIT FOR HOUSING

	Year 1	Year 2	Year 3
Net Income for SGPS Cafe	\$ -42,855	\$ 4,110	\$ 8,980
Net Income for Housing Authority	\$ 11,313	\$ 11,870	\$ 12,453

START-UP COST ANALYSIS

SGPS CAFE: START-UP COSTS	
	Start-Up
Cost of Goods Sold Inventory	\$ 18,415
Operating Expenses	
Administrative Supplies	\$ 12,418
Launch Advertising	\$ 5,261
Capital Investments	\$ 123,816
Pre-Launch Management Salary	\$ 13,367
Materials & Supplies	\$ 15,133
Rent	\$ 6,950
Total	\$ 195,359

HOUSING AUTHORITY: START-UP COSTS	
	Start-Up
Down Payment	\$ 250,000
One-time Costs	\$ 19,200
Total	\$ 269,200

START-UP COST ANALYSIS

SGPS CAFE: START-UP COSTS	
	Start-Up
Cost of Goods Sold Inventory	\$ 18,415
Operating Expenses	
Administrative Supplies	\$ 12,418
Launch Advertising	\$ 5,261
Capital Investments	\$ 123,816
Pre-Launch Management Salary	\$ 13,367
Materials & Supplies	\$ 15,133
Rent	\$ 6,950
Total	\$ 195,359

HOUSING AUTHORITY: START-UP COSTS	
	Start-Up
Down Payment	\$ 250,000
One-time Costs	\$ 19,200
Total	\$ 269,200

BREAK-EVEN AND ROI ANALYSIS

	SGPS Cafe	Housing
Nominal 25-Year ROI	-14.11%	98.93%
Years to Recoup Investment	28	17
Years to Break-Even on Net Income	5	< 1

BREAK-EVEN AND ROI ANALYSIS

	SGPS Cafe	Housing
Nominal 25-Year ROI	-14.11%	98.93%
Years to Recoup Investment	28	17
Years to Break-Even on Net Income	5	< 1

COMPARISON MATRIX

Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
Short-Term Profit	5					X
Variance in Expected Profit	3				X	
Start-Up Costs	5			X		
Break-Even Analysis	3					X
Return on Investment	5					X
Cash Flow	3					X
Growth Potential	3					X
Debt Ratio	1		X			
Total Weighted Points		0	0.5	0	1.5	19
Cafe Total	0.5					
Housing Total	20.5					

SERVICEABILITY ANALYSIS

SERVICEABILITY OVERVIEW

- Methodology: SGPS Member Survey
- Population size of 4000
 - 328 Responses
 - 95% accurate representation
 - +/- 5%
- Some analysis have 1% discrepancy
 - Each question is optional
 - Averaging questions with different number of respondents

COMPARISON MATRIX

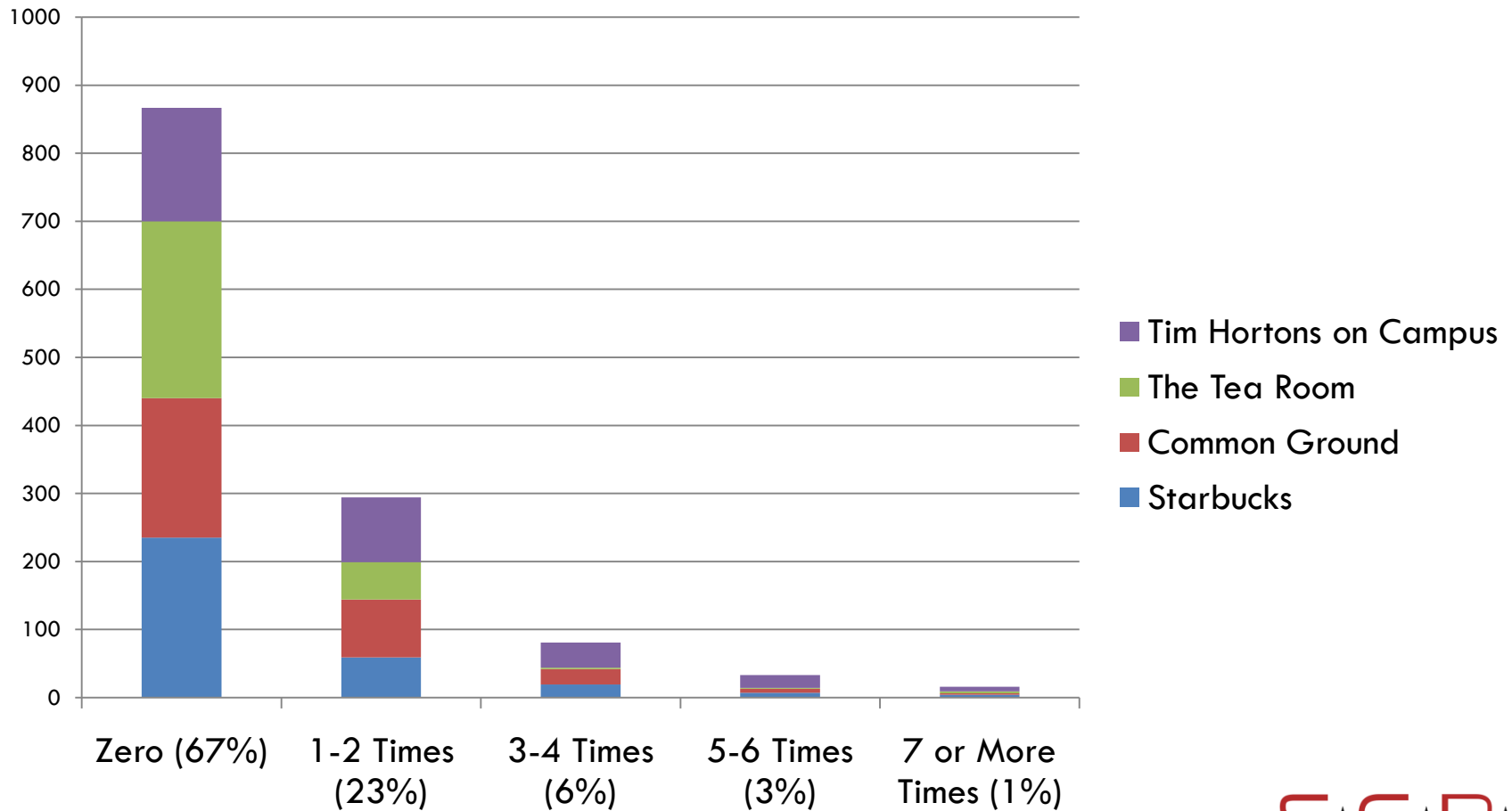
Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
SGPS Members Impacted	5	X				
Amount of Impact	3				X	
Quality of Options	1	X				
Quality of Service / Product	3			X		
SGPS Brand Awareness	3	X				
Network/Community Building	5					X
Convenience	5					X
Employment Opportunities	1	X				
Money Saved	3					X
Total Weighted Points		10	0	0	0.5(3) = 1.5	13
Cafe Total	10					
Housing Total	14.5					

COMPARISON MATRIX

Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
SGPS Members Impacted	5	X				
Amount of Impact	3				X	
Quality of Options	1	X				
Quality of Service / Product	3			X		
SGPS Brand Awareness	3	X				
Network/Community Building	5					X
Convenience	5					X
Employment Opportunities	1	X				
Money Saved	3					X
Total Weighted Points		10	0	0	0.5(3) = 1.5	13
Cafe Total	10					
Housing Total	14.5					

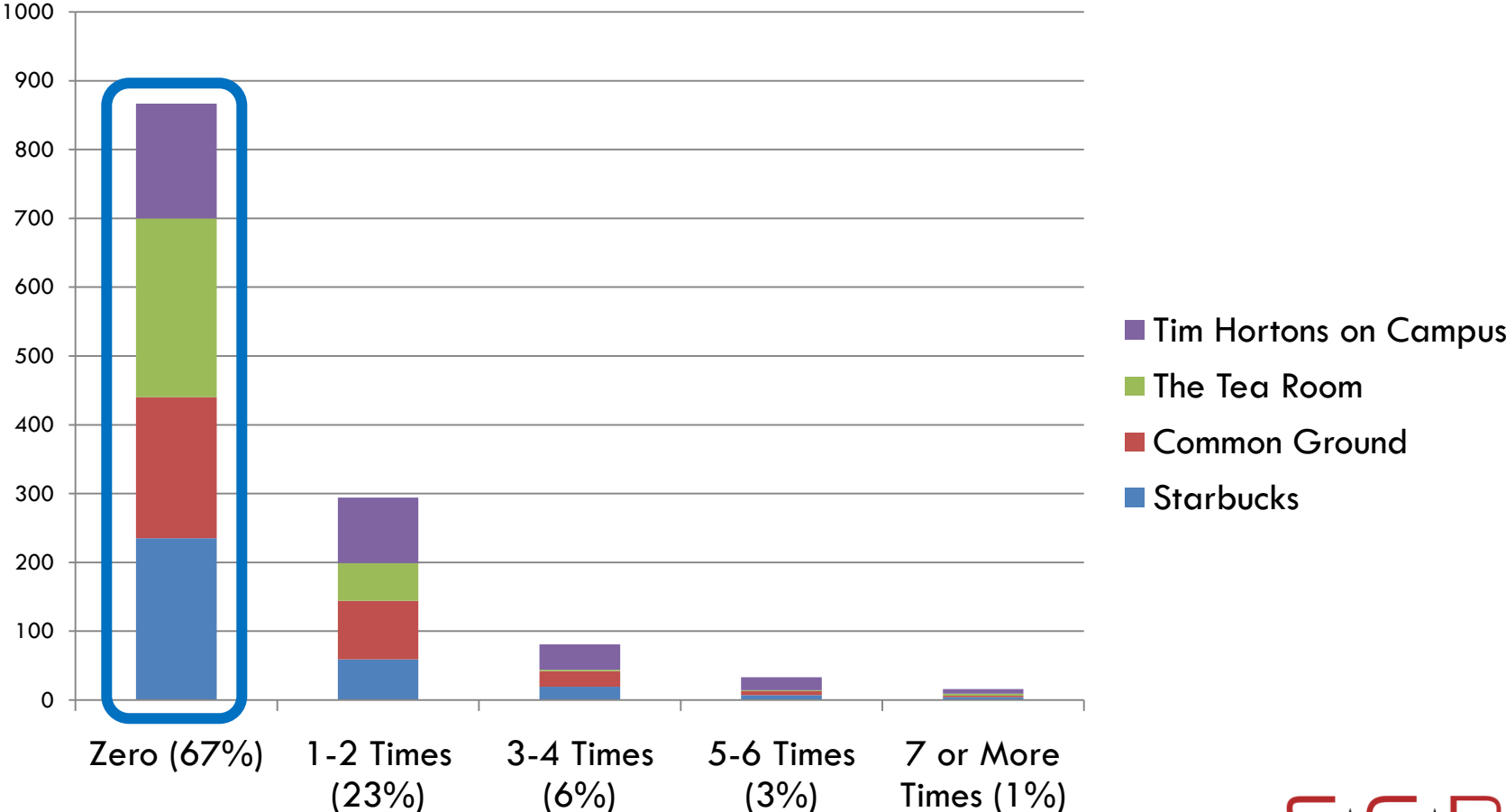
MEMBERS IMPACTED: CAFE

Frequency of Going to Cafes



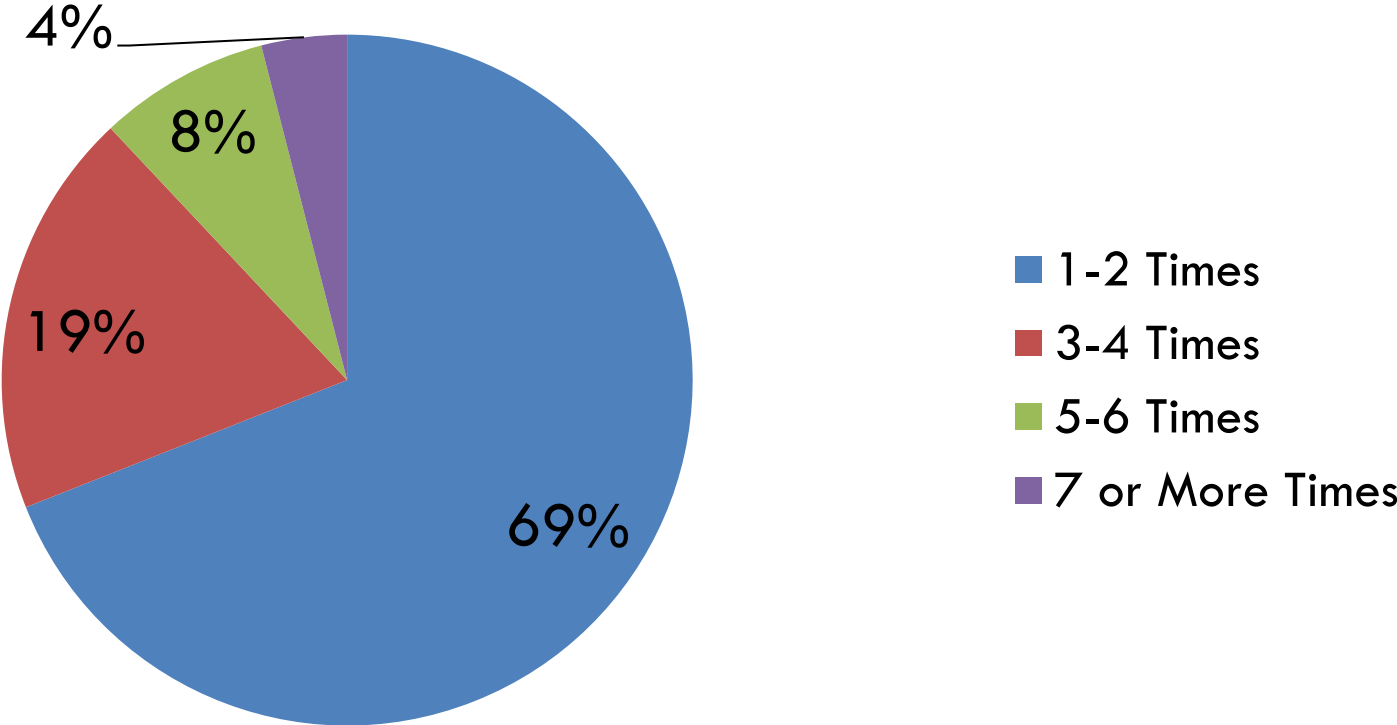
MEMBERS IMPACTED: CAFE

Frequency of Going to Cafes



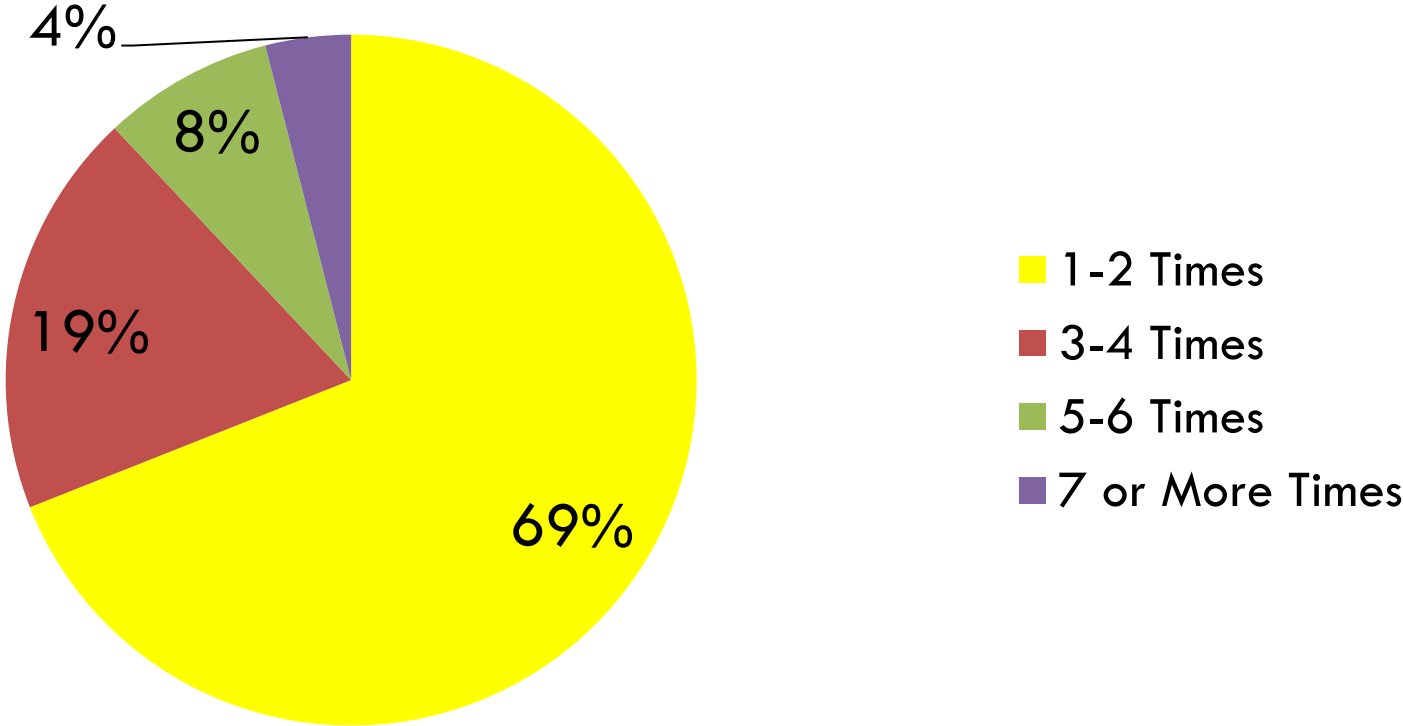
MEMBERS IMPACTED: CAFE

Frequency of the People that Go



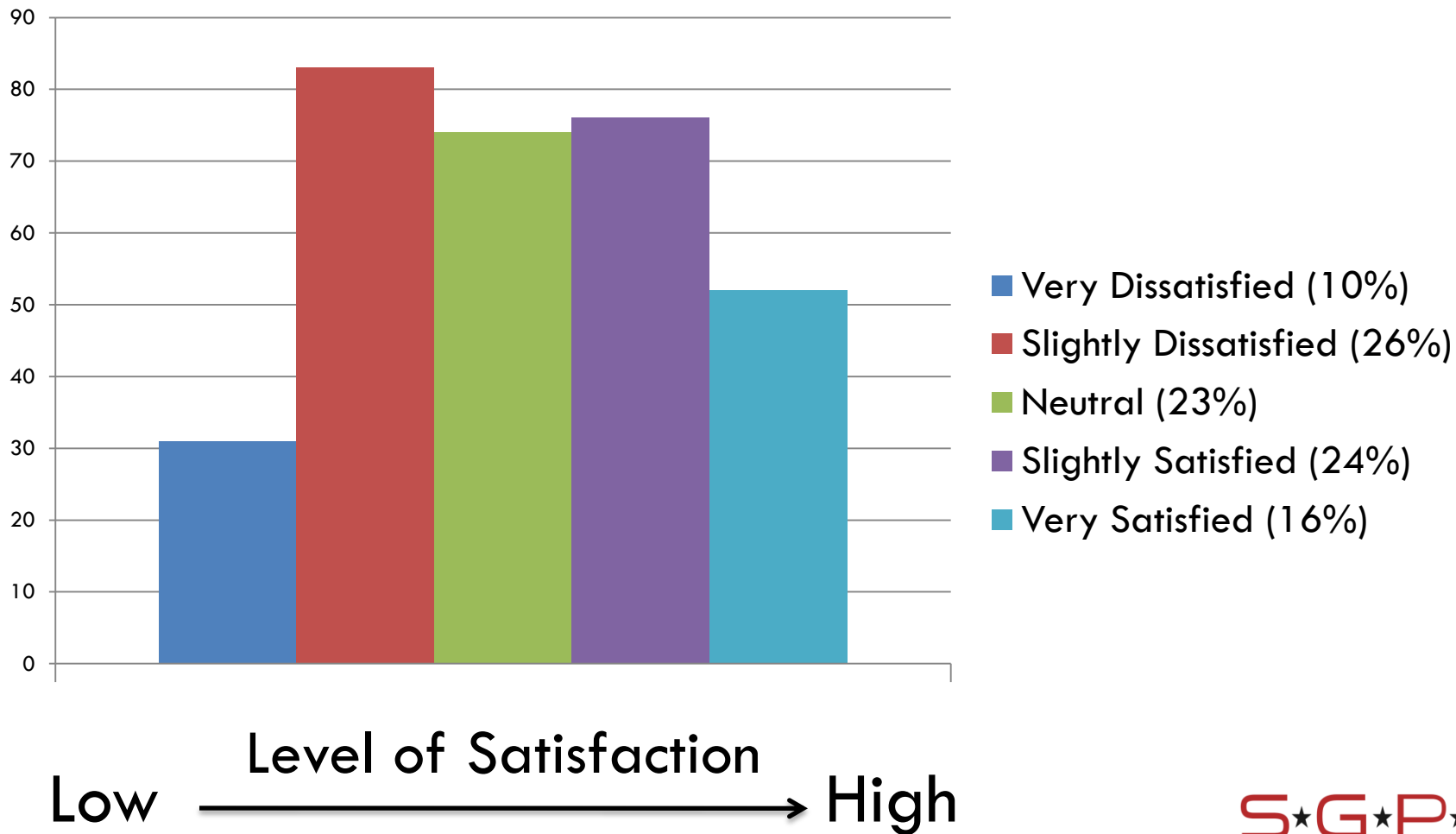
MEMBERS IMPACTED: CAFE

Frequency of the People that Go



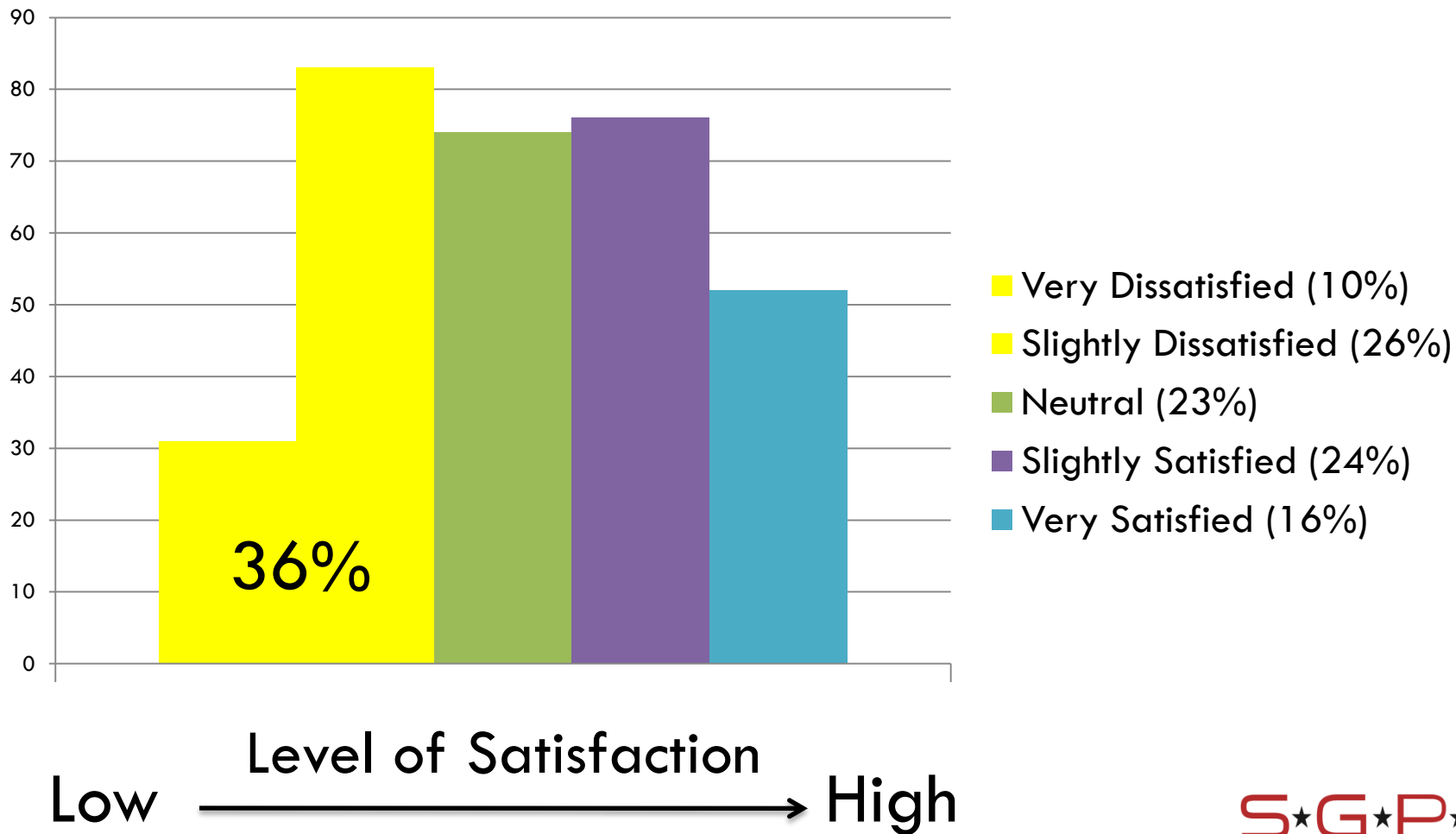
MEMBERS IMPACTED: HOUSING

Satisfaction with Time Spent on Housing Search



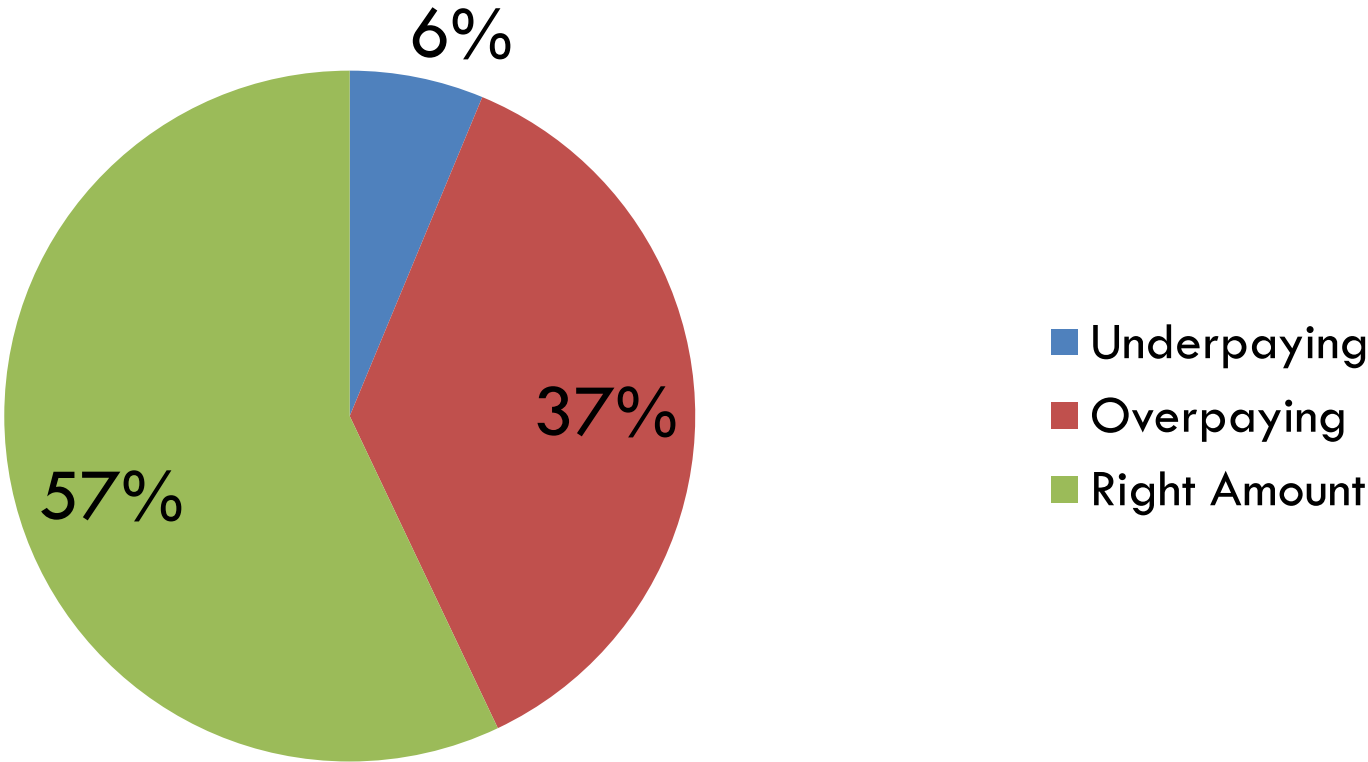
MEMBERS IMPACTED: HOUSING

Satisfaction with Time Spent on Housing Search



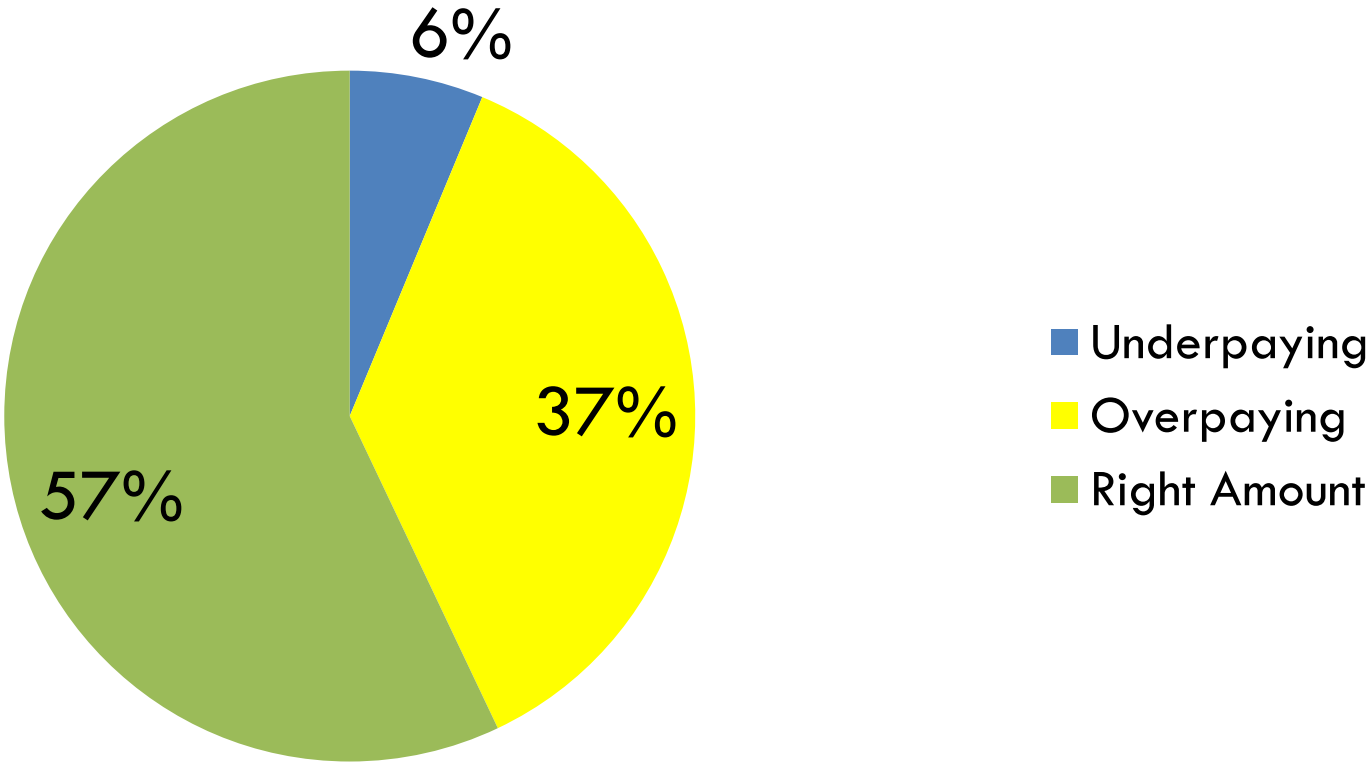
MEMBERS IMPACTED: HOUSING

Feelings Towards Amount Paid



MEMBERS IMPACTED: HOUSING

Feelings Towards Amount Paid

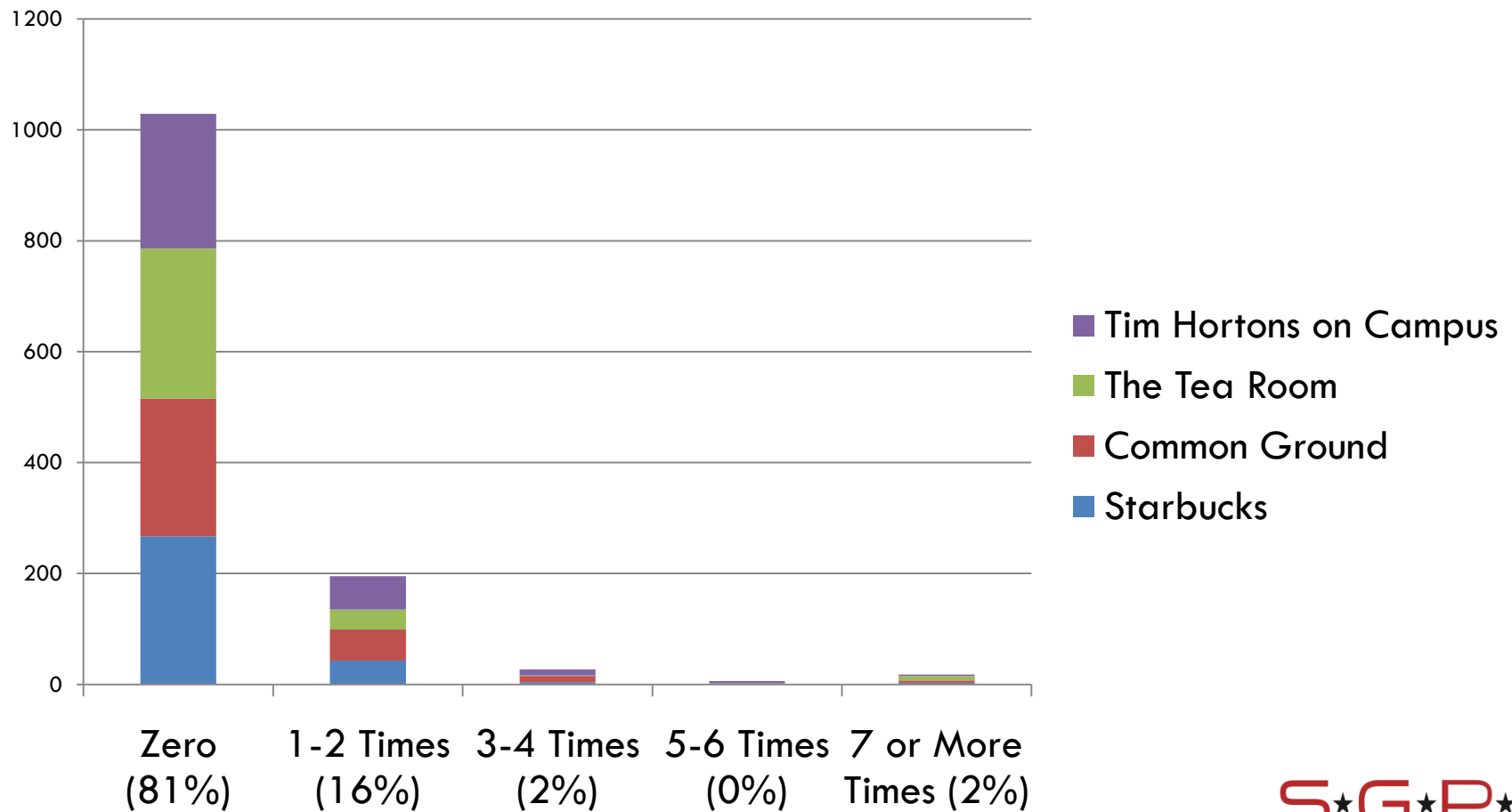


MEMBERS IMPACTED: RESULT

- Roughly 1 in 3 SGPS members would use the SGPS Cafe or the Housing Authority
 - Cafe has the ability to satisfy the demand
 - Housing can only satisfy the demand of roughly 8 people
- Strongly leaning toward Cafe based on total numbers

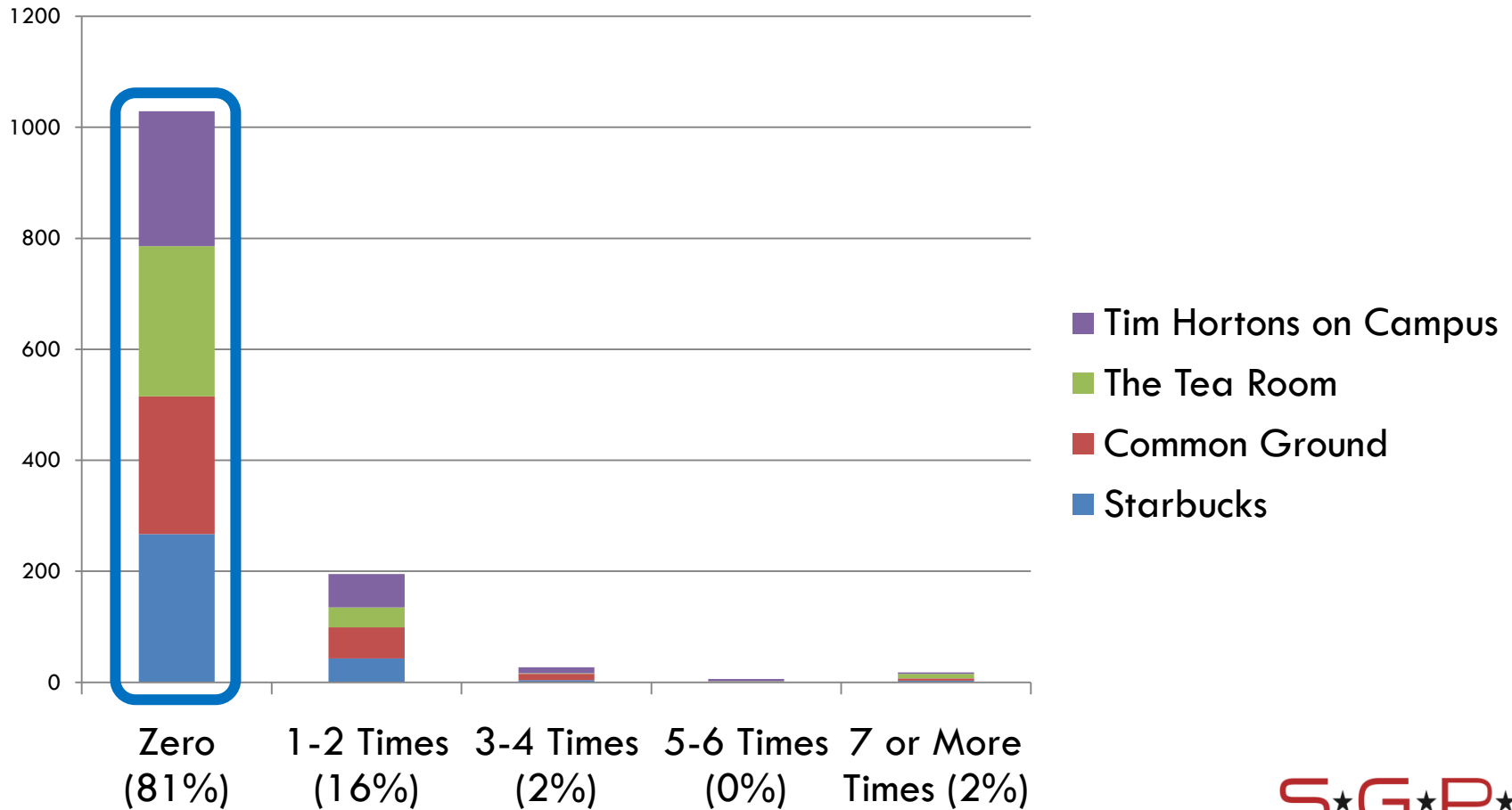
NETWORKING & COMMUNITY: CAFE

Time Spent with Other SGPS Members at Cafes



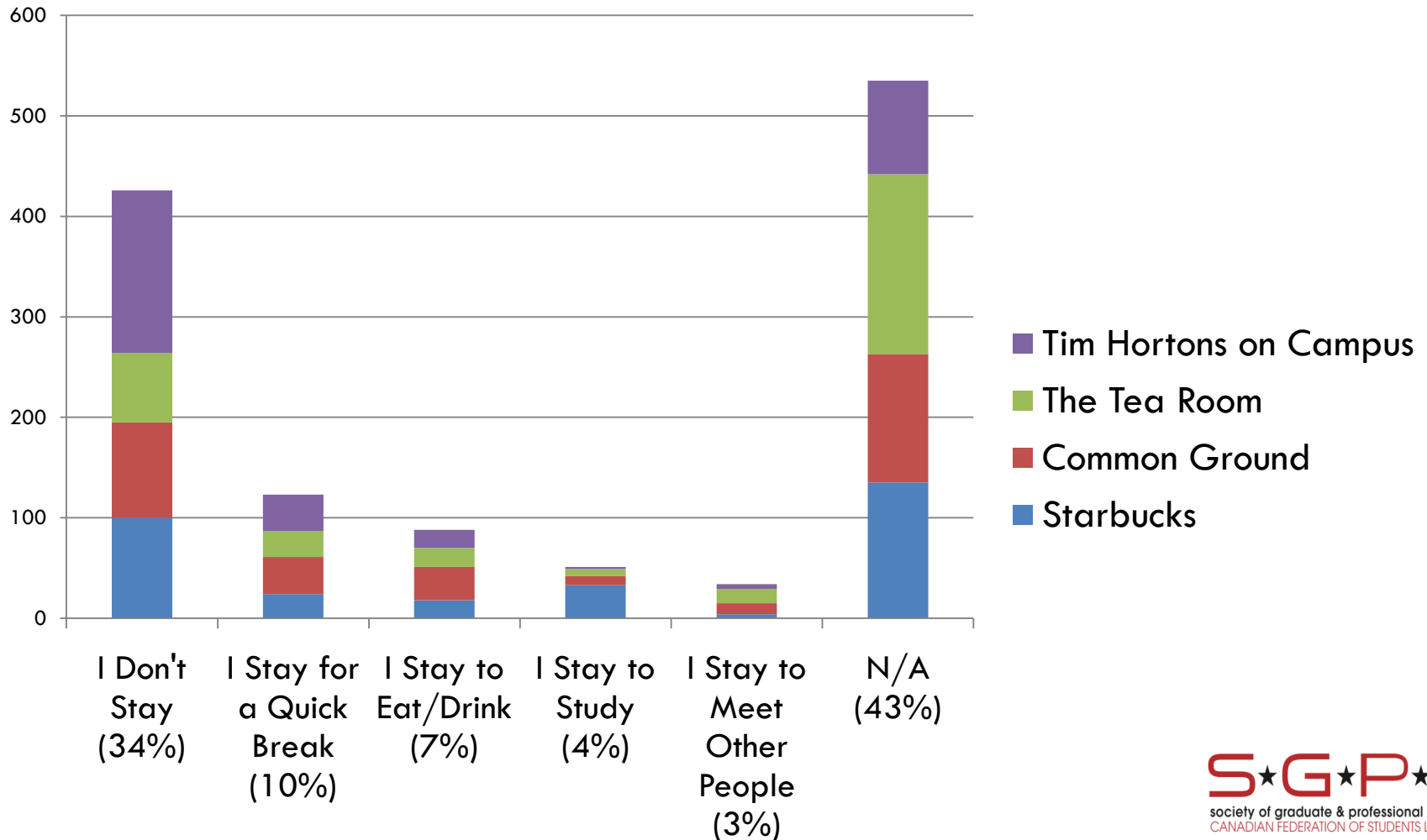
NETWORKING & COMMUNITY: CAFE

Time Spent with Other SGPS Members at Cafes



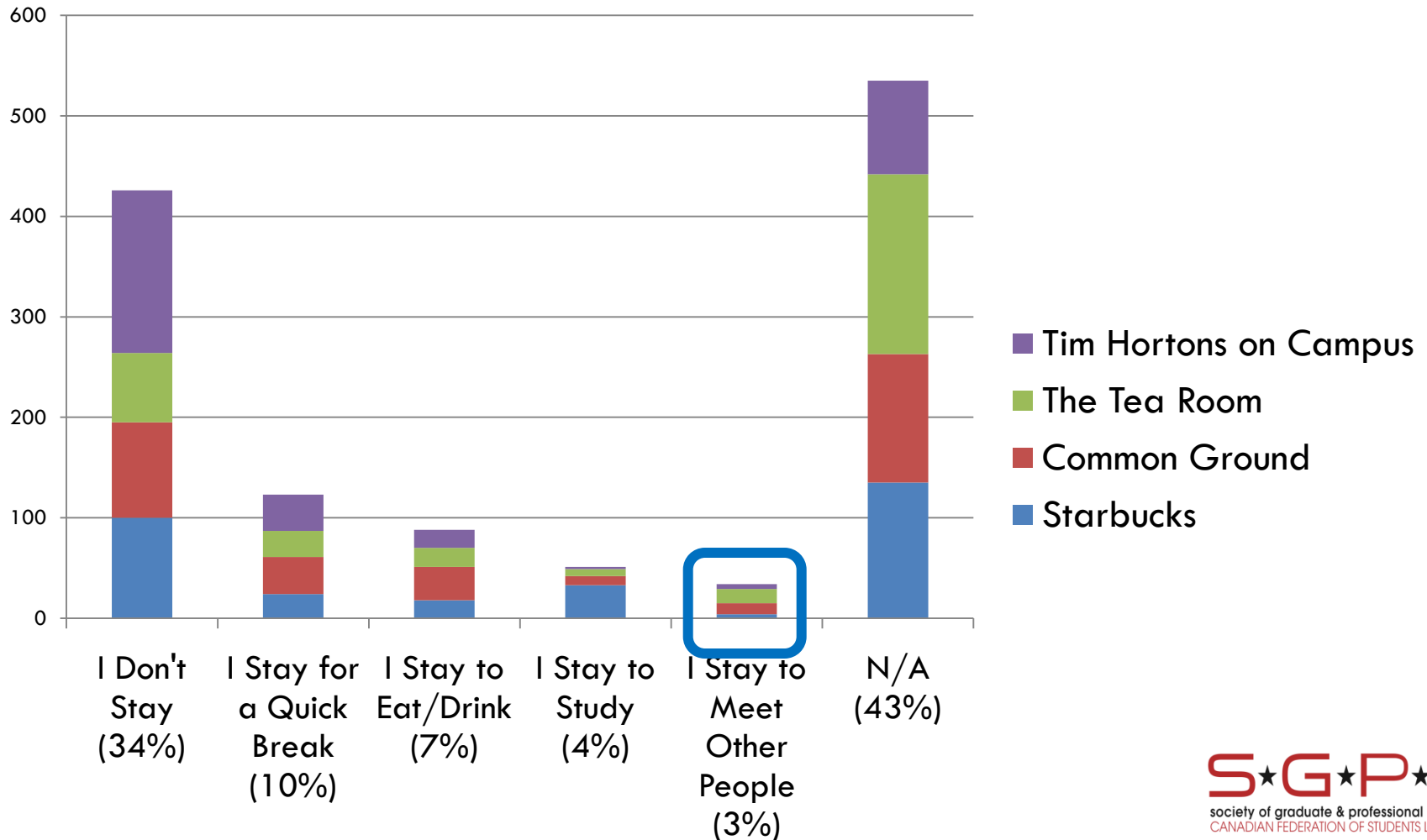
NETWORKING & COMMUNITY: CAFE

Behaviour when Visiting Cafes



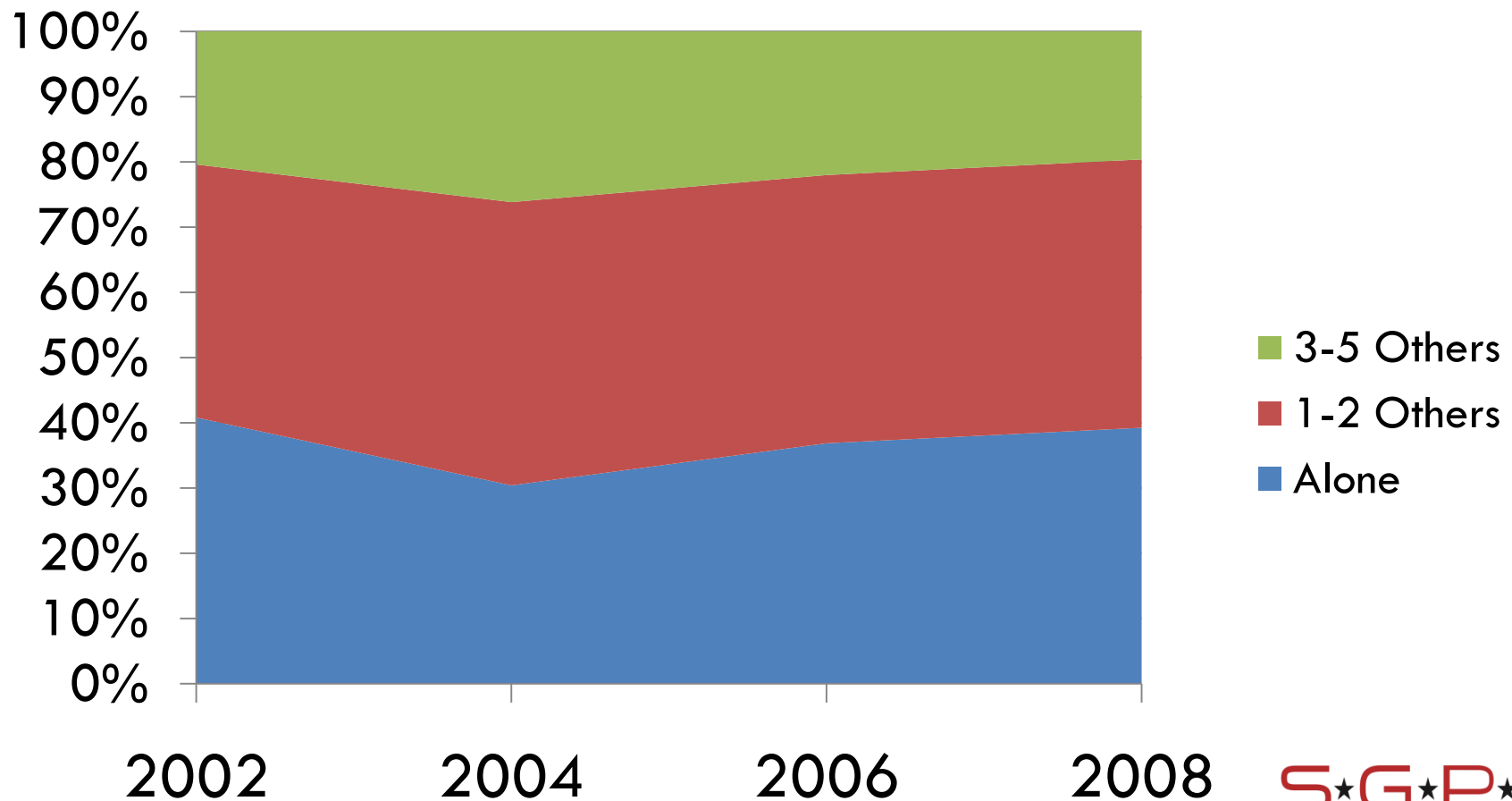
NETWORKING & COMMUNITY: CAFE

Behaviour when Visiting Cafes



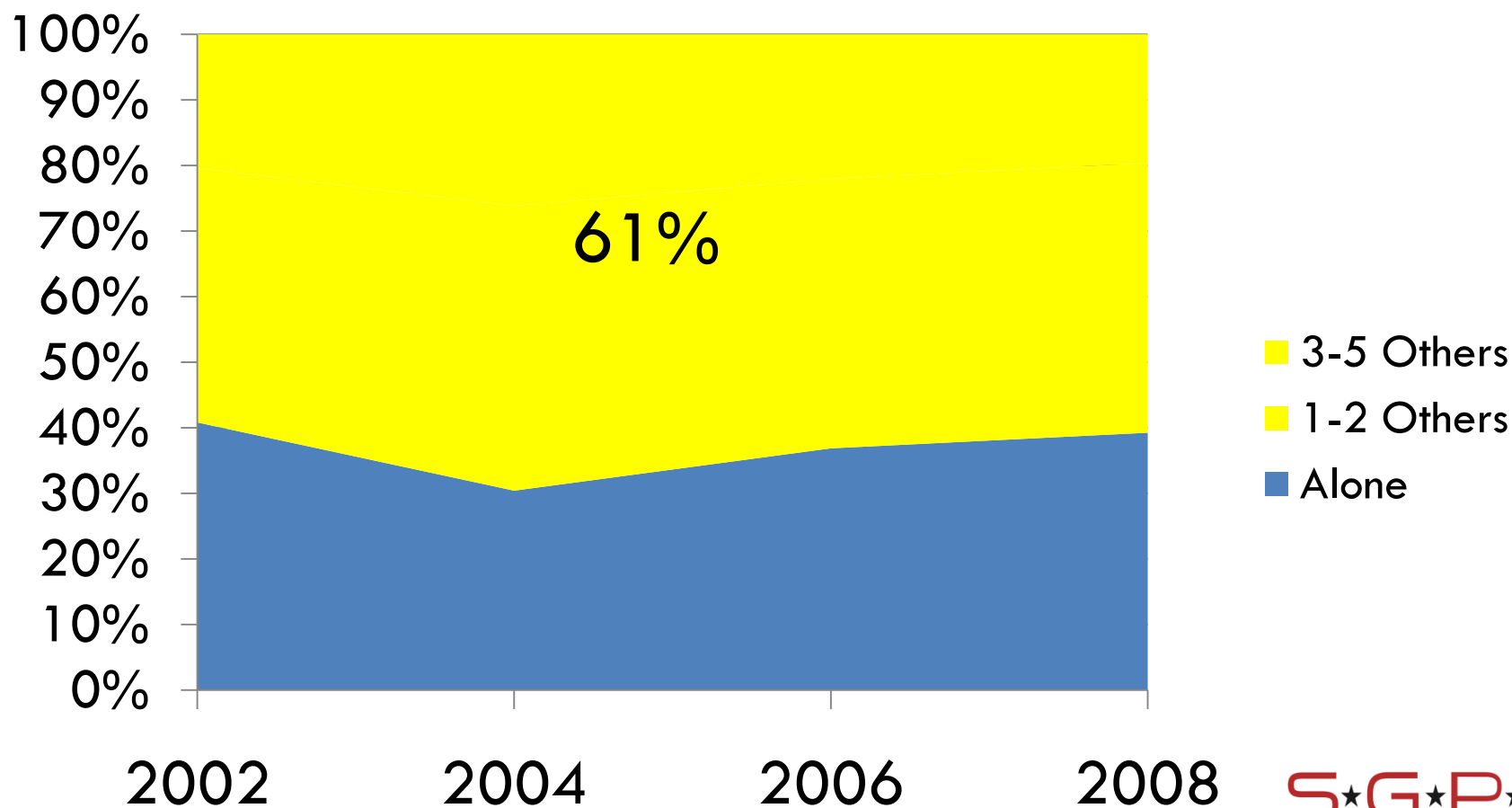
NETWORKING & COMMUNITY: HOUSING

Housemate Preferences



NETWORKING & COMMUNITY: HOUSING

Housemate Preferences



NETWORKING & COMMUNITY: RESULT

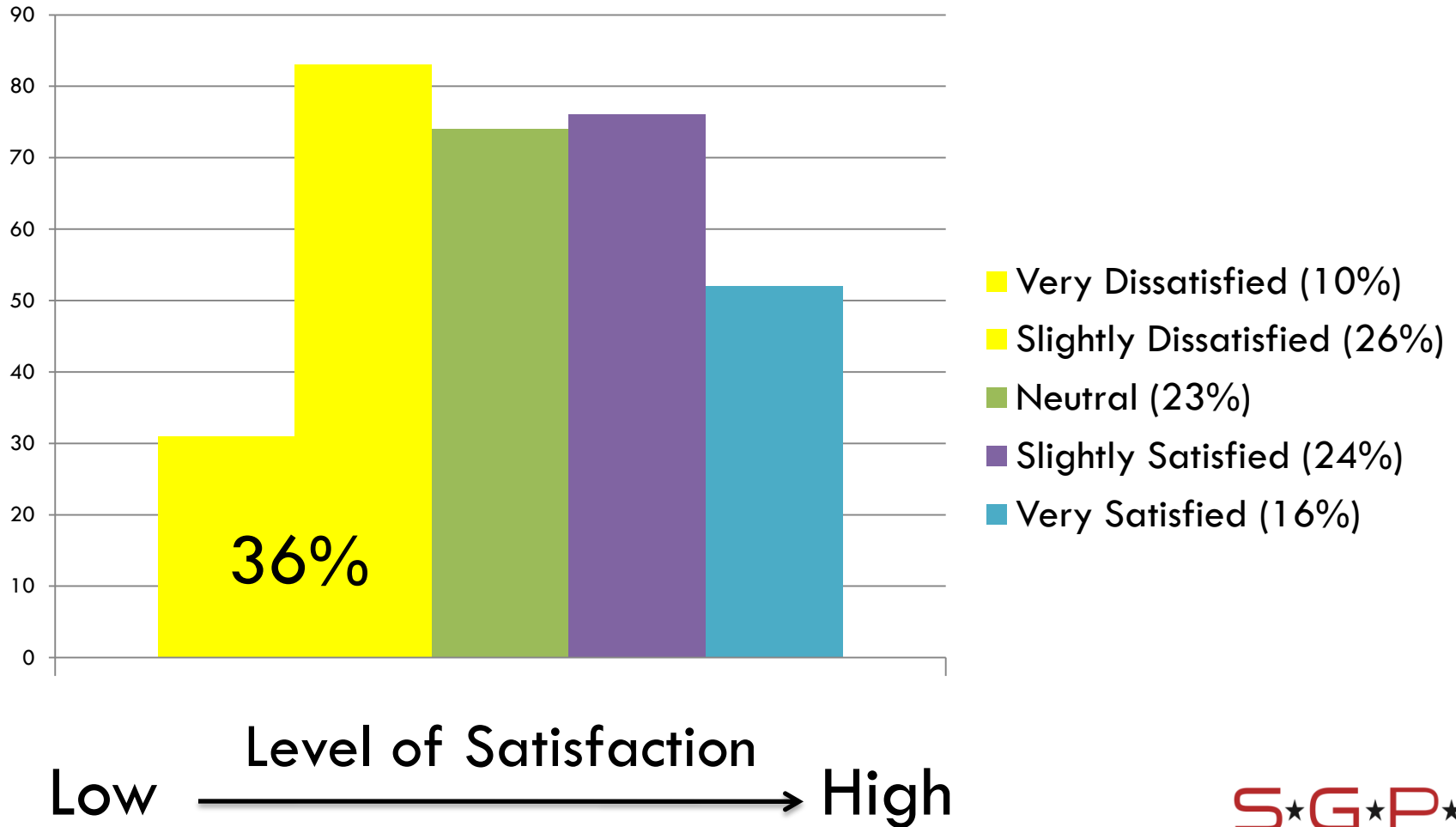
- Not many members use cafes to network
- Majority of members do not wish to live alone
- Strongly favours Housing Authority

CONVENIENCE: CAFE

- Many cafes are readily accessible on campus
 - Tim Hortons, Queen's Centre, Starbucks
- An SGPS Cafe on campus would likely not increase convenience

CONVENIENCE: HOUSING

Satisfaction with Time Spent on Housing Search



CONVENIENCE: HOUSING

- Many cafes already very convenient on campus, especially around the Common Ground location
- 36% of members are dissatisfied with their time spent on searching for housing
- The convenience criteria favours Housing

COMPARISON MATRIX

Recommendation (%Captured)	W.	S. Cafe (100%)	M. Cafe (50%)	N. (0%)	M. Housing (50%)	S. Housing (100%)
SGPS Members Impacted	5	X				
Amount of Impact	3				X	
Quality of Options	1	X				
Quality of Service / Product	3			X		
SGPS Brand Awareness	3	X				
Network/Community Building	5					X
Convenience	5					X
Employment Opportunities	1	X				
Money Saved	3					X
Total Weighted Points		10	0	0	0.5(3) = 1.5	13
Cafe Total	10					
Housing Total	14.5					

RECOMMENDATIONS

HOUSING AUTHORITY IS BEST OF TWO OPTIONS

Financial Analysis	
Cafe Total	0.5
Housing Total	20.5

Serviceability Analysis	
Cafe Total	10
Housing Total	14.5

- In comparison, the Housing Authority is clearly the best of both options for both the financial and serviceability criteria
- However, it is also important to look at the Housing Authority on its own

FEASIBILITY OF HOUSING AUTHORITY

- Housing Authority will only service 8 people
 - SGPS would invest in the Housing Authority mainly for profitability reasons
- Positive and steady net income every year
 - However, it would take 17 years for net income to reach the size of the large initial investment of \$250,000+
 - With current independent approach, represents a risky venture for a project that services only 8 people

FINAL RECOMMENDATION

- Look further into a third-party partnership for the Housing Authority to mitigate risk while taking advantage of recurring net income
- QBC has established initial contact two organizations
 - Queen's Community Housing
 - Student Housing Cooperative
- Partnership could potentially increase number of units SGPS can rent out

S★G★P★S

society of graduate & professional students
CANADIAN FEDERATION OF STUDENTS LOCAL 27

QUESTIONS?