

Approved at the meeting of the Council 13/2016

# Property policy

## I The purpose of the paper

This document describes permanent principles relating to the maintenance, care, finance and alterations of the property assets of the Student Union.

The property assets of AYY consist of ideological property assets and property assets aimed at seeking profit. Ideological property assets include the office and conference premises in the use of the ideological operations of the Student Union and student accommodation properties, which make up most of AYY's property assets. Sites that are defined as being residential properties and premises aimed at seeking profit are those from which the primary purpose is to make a profit for the Student Union. These include, for example, business and office premises owned by AYY and rented out to outside parties. A residential property may be defined as profit-seeking through the process described in this document.

This document primarily deals with properties and premises where their ownership has an ideological purpose. Principles relating to profit-seeking properties are described in a separate chapter.

In addition to the property policy, the accommodation and property operations of AYY are directed by:

- The finance and asset management policy
- The property strategy
- The housing policy paper
- The housing guidelines
- The housing management guidelines
- Environmental policy

As an attachment to the property policy, a summary of the property assets of the Student Union will be drawn up, which will be updated to correspond to the situation at any given time.

Approved at the meeting of the Council XX/2016

## 2 The basic principles of property operations

*For the members and under the terms of the membership:* The objective of the property operations of AYY is to serve the membership and meet the needs of the members. With its property operations, AYY is not seeking profit except for through properties and premises that are marked out as profit-seeking. The property assets of AYY are for the membership, and for that reason users are guaranteed as large a right as possible to influence the use of the assets.

*Under loan from coming generations:* The property assets of the Student Union are not only for one student generation, but instead it is the responsibility of each generation to ensure that coming generations get the assets in even better condition. For that reason, the property assets are managed in a way that guarantees the preservation or growth of their value over time. The property assets are maintained systematically, and in all decisions their long-term financial effects are taken into account.

*The realisation of the purpose of the Student Union and its ideological objectives:* Property operations are a part of the operations of AYY and a way to achieve the purpose of the Student Union. In the property operations, the values and principles of the Student Union, as well as the objectives that the Student Union has set for itself, are followed in issues such as environmental ones. Offering reasonably-priced premises is a core way to make a diverse range of student activity possible for the membership of AYY. The property operations of AYY are carried out in a way that promotes the achievement of AYY's ideological aims.

## 3 Maintenance, condition, repairs and construction

### *Condition*

AYY maintains the property stock that it owns in a way that ensures the preservation of its value over time, and so that the level meets the needs of the users. The condition of accommodation sites corresponds to the requirement level of the residents of each site, taking readiness to pay rent into account, but in any case so that the condition of all flats at least corresponds to the generally-assumed minimum level for living. Residents have the possibility to affect the condition through feedback, surveys and resident action. The condition of other premises and properties in use is maintained so that its condition meets the needs of the users, taking the cost level into account. The condition will be maintained at least at a level which ensures the usage value of the premises over time.

AYY does not assume responsibility for the maintenance of alteration work done by the tenant themselves in the association and storage premises that it rents out.

The condition of the properties of AYY is monitored and maintained in a planned way. The condition of the properties owned by AYY is monitored through regular condition inspections and the continuous monitoring of consumption and costs. The coming repairs of the properties of AYY are assessed in property-specific long-term plans (PTS), which are drawn up on the basis of property-specific condition assessments and condition investigations.

### *Construction and maintenance*

The maintenance of the properties will primarily be taken care of as a purchased service, by outside service providers. The procurement of services will be put out to tender at regular intervals, implementing the principle of fitness for purpose, and while also taking local

Approved at the meeting of the Council XX/2016

operators into account. Annual contracts will be made for the annual repairs of the properties, with several different repair and service field suppliers. Being on call around the clock will also be included in some of the contracts.

Complete overhaul projects and the construction of new sites will be put out to tender on a case-by-case basis. Overall consideration will be applied to evaluation of the tenders, where quality factors are taken into account in addition to the costs.

The residents of the flats of AYY may make small superficial renovations to their flats, in accordance with separate guidelines. Alteration work can be done to the association premises rented out by AYY can be done with separate permission from AYY. In the case of small alterations, permission is given by the employee of AYY responsible for properties, and for significant alteration work, permission must be sought in writing from the Board of AYY. At the least, all measures that require a building permit are seen as significant alteration work.

*The responsibility of property operations*

The environmental objectives of AYY will be taken into account in the planning of new sites, complete overhauls and the maintenance of properties. In all property operations, the aim is to achieve energy efficiency with overall responsibility. In the maintenance of residential properties, living comfort, cost-effectiveness and environmental friendliness are taken into account in a balanced way. In conjunction with the repairs of properties, the aim is to improve energy efficiency when, and in the ways that, it is justified, taking costs and the energy savings obtained into account. In the sites owned by AYY, electricity produced in an environmentally-friendly way is used.

As a constructor, AYY invests in the long-term duration of the buildings, including in material choices and the quality of construction, which contributes to both the reasonableness of lifespan costs and environmental friendliness. In its property operations, AYY has a positive attitude towards new environmentally-friendly technologies and solutions.

Cultural values are taken into account in the development and upkeep of the property stock of AYY. Many of the properties of AYY are in the Otaniemi campus area, which is listed as one of the nationally significant constructed cultural environments (RKY). In construction, AYY takes building protection principles into account, in a way that makes use of the sites and areas by AYY in accordance with its aims possible and avoids causing users unreasonable additional costs.

#### **4 Changes in the accommodation and property stock**

The objective is to own flats that meet the requirements of the market and the demand established on the part of students. AYY seeks to own an amount of ideological properties and premises other than flats that makes it possible to achieve its ideological goals. The criteria for the housing stock of AYY are defined in the housing policy paper and the aims for changes to the property stock are stated in the property strategy.

*Procurement and construction*

AYY primarily expands its residential property stock in a way that is the most economical overall and in terms of its lifespan and management costs, risks and the usage value of the sites procured. AYY can obtain new residential sites by having them built itself or with co-operative partners, buying residential properties or individual flats, or by carrying out alterations to the purpose of use for the sites that it has acquired. Primarily, AYY has new

Approved at the meeting of the Council XX/2016

sites built with a long subsidised loan guaranteed by the state and with production support aimed at student accommodation, such as investment aid to special groups. AYY can also have accommodation sites built with other financing, if it is more economical in terms of overall costs.

AYY primarily realises other premises than flats that support ideological operations by having them built in conjunction with residential sites, as a part of the spaces that are for living purposes. The construction of ideological premises that are separate from residential sites will always be dealt with as a special issue, in which the effects of the project on the finances of the ideological activity of AYY are taken into account.

The core objective of the accommodation operations of AYY is to offer flats clearly more affordably than the market price. This entails a high usage rate of the flats, space-efficient construction and economical building costs. For that reason, AYY has the kinds of flats, and the premises conjoining them, to be built that there is certain demand for in the area in question and AYY seeks to maximise the amount of rentable floor area from the building area unless there is clear demand for common areas. AYY avoids risks that could increase construction costs in construction projects. The construction of premises that are for other purposes than to serve living in accommodation sites supported by ARA (The Housing Finance and Development Centre of Finland) requires separate lending, which increases the risk caused by them to the finances of AYY. Therefore, AYY avoids building business premises in residential properties, but can have them built if it is a requirement for the realisation of the accommodation project and if the risk caused by the business premises is small in relation to the importance of the residential site.

A document of the objectives for the mix of accommodation sought, approved by the Council, will be drawn up and maintained, in which the target floor areas of the accommodation types and an area-specific objective for the mix of accommodation types will be defined. The Board will decide separately on the desired mix of accommodation of each new residential site and the amount of common areas sought before beginning planning.

AYY seeks to acquire plots in connection with new construction with subsidised lending from ARA. Otherwise, the acquisition of plots will be considered on a case-by-case basis and carried out when it is the most economical for AYY in the long term and the most preferable solution in terms of securing the property stock. Alternatively, AYY will seek to make long land rental contracts with landowners, which can be extended with the same terms once the rental period comes to an end and in which reasonable principles for increases in rent have been agreed. If plots are acquired with revenues obtained from residential operations, the possible risks associated with the procurement will be kept within residential operations. If investment capital is used to acquire plots, the same kind of long-term returns are expected from the funds invested in the plots as from other investment capital.

#### *Parting with properties*

AYY can divest itself of a residential property or suite, that it owns in part or wholly, that does not correspond to the criteria presented for AYY's housing stock in the accommodation policy paper. With regard to ideological properties other than residential properties, divestment is possible when they are no longer needed for the execution of AYY's ideological objectives. When a residential site no longer fulfils the criteria set in the

Approved at the meeting of the Council XX/2016

accommodation policy paper, AYY must decide whether to continue ownership of the site, to sell the site or whether it will be changed into a profit-seeking one.

Divestment of a property is always a financially significant decision in accordance with Section 38 of AYY's rules. Preparation for the divestment of a property can be begun with the decision of the Board in a situation where the residential property does not meet the criteria set for residential properties in the accommodation policy paper. In other cases, the decision to begin preparation is made by the Council.

AYY sells residential properties and other ideological properties when owning them is no longer necessary from the point of view of the ideological objectives of AYY. For that reason, AYY always seeks to obtain maximum profit from the sites that it sells. Student accommodation sites are sold in a way that is the most financially profitable for AYY, taking the possible restrictions of ARA into account.

The Council may decide that a residential site will be changed into a profit-seeking one, provided that the restrictions of ARA do not prevent that and that it no longer meets the criteria defined for the housing stock in AYY's accommodation policy paper. Ideological properties other than residential properties can be changed into profit-seeking ones through the decision of the Council when they are no longer required for the ideological operations of the Student Union. Changing them to profit-seeking ones means that a market level of rent is charged for the site, and that its role is to produce returns for AYY in the manner of other investment capital.

## 5. The finances of residential and property operations

The finances of AYY's residential and property operations are taken care of in a way that:

- Secures the property and the retention of its value for coming student generations.
- Facilitates the use of the property assets of AYY for operations in accordance with AYY's ideological objectives, with reasonable expenses.
- Keeps the rents of the residents of AYY clearly below market rents.
- Avoids increases in the membership fee of the Student Union caused by the expenses of the properties and premises used for ideological operations.

The student accommodation operations of AYY are a core member service through which members are offered the possibility to live more cheaply than what the market price offers. The cost price principle of rents isn't just a necessity dictated by ARA restrictions for AYY, but an ideological starting point of the accommodation operations.

AYY does not seek to make a profit through its accommodation operations or other ideological property operations. The possible interest of student accommodation sites payable to equity is kept within the accommodation operations and used for the financing of new accommodation sites or complete overhauls or other expenses related to the accommodation operations. The revenue obtained from the sale of accommodation sites is used on the accommodation operations of AYY unless the Council decides otherwise on a case-by-case basis.

AYY complies with the rent determination guidelines of ARA and the legislation relating to the definition of cost price rent.

Approved at the meeting of the Council XX/2016

*Expenses*

Expenses are budgeted on a property-specific level, except for sites where the management or capital expenses cannot be itemised on a property-specific level.

The management and capital expenses relating to the residential spaces and the spaces associated with living are counted in the expenses of the residential properties. Spaces that are counted as residential spaces and the spaces associated with living are those that the Accommodation Financing and Development Centre or its predecessor has approved as such a space, or a space that is comparable to these.

The costs of the one-off rental premises and association premises in the residential properties are covered from the budget of the property. The personnel expenses arising from their renting and management are also counted as their costs. The expenses of one-off rental premises and association premises that are elsewhere than in residential properties are covered from the budget of ideological operations.

In budgeting, coming repairs are prepared for by setting aside a property-specific repair allowance. Large overhauls are financed through loan financing; cashflow financing can be used on a case-by-case basis for small overhauls.

*Income*

By the income of accommodation and property operations, what is meant is the income received from the renting out of flats, one-off rental premises, association premises and other premises in comparable ideological use. The earnings from properties that are purely in investment use are dealt with as with other investment capital.

The objective of AYY is that the rental income from the flats covers the property's capital and management costs and that rents remain reasonable and correspond to the perceived usage value of the flats.

AYY will set the rent per square metre of the residential properties on a property-specific level so that the rent covers the management and capital costs of the property after other revenues. The Board will draw up a rent calculation guideline to support the rent decisions after having heard the Council. Proposals for property-specific rents will be prepared on the basis of the rent calculation guideline. Proposals for the rents of residential properties that are directly on the balance sheet of the Student Union will be decided on by the board of the Student Union. Proposals for the rents of residential properties of property companies will be decided on by the board of the property company in question, on the basis of the direction of the Board of the Student Union. A statement by the co-operative accommodation association will be requested regarding rents. The Council will confirm the rents in conjunction with the processing of the budgetary estimate of the Student Union.

AYY will collect interest on equity invested in student accommodation sites at the maximum rate permitted by legislation and ARA (4% in 2017). The maximum rate permitted by legislation and ARA will be charged each month for preparing for repairs (in 2017, €1/m<sup>2</sup> per month at sites where there is less than 20 years since the taking out of the subsidised loan, and a maximum of €2/m<sup>2</sup> at other sites). AYY can carry out rent equalisations between properties so that the rents of flats stay reasonable and correspond to usage values. Possible rent equalisations are done by evening out capital costs.

Approved at the meeting of the Council XX/2016

The rental income from one-off rental premises and association premises in residential properties is budgeted for in the budget of the property. The rental income from one-off rental premises and association premises elsewhere than in residential properties is budgeted for in the budgetary estimate of ideological operations. Proposals for the rent of the premises are made by the Board of the Student Union or the board of the property company in question in accordance with the instructions of the Board of the Student Union. The Council will confirm the rents in conjunction with the processing of the budgetary estimate of the Student Union.

Maximal long-term rental income will be sought to be obtained from premises in residential properties or other ideological properties which are not residential premises or other premises serving the ideological objectives of AYY. Premises like these are, for example, business premises in residential properties. An exception can be made to this if it is seen as being justified on the basis of the benefit of AYY and the residents, for example when by compromising on rental revenue, it can be made possible to provide the services that they need for the residents or membership in the area.

## 6. Management

AYY manages the property assets in a way which is the most economical from an overall financial perspective and makes flexible use of the assets possible. Some of the residential assets of AYY are directly on the balance sheet of the Student Union and some in separate property companies. AYY will not seek to standardise the form of ownership of all properties, unless it can be done without significant tax consequences and is economically profitable to AYY. New accommodation sites are made into separate property companies in accordance with plot boundaries. AYY manages its accommodation sites in a way that makes rent equalisations possible.

AYY primarily seeks to own the property companies in their entirety. If this is not possible, AYY seeks to own a sufficient majority of the property company.

The Board of the Student Union appoints the representatives of AYY on the boards of property companies wholly or partially owned by AYY and the members of AYY appointed work under the guidance of the board of the Student Union.

The purpose of use of the ideological premises of AYY will be decided by the Board. With the decision of the Board, premises can be designated as association premises, one-off rental premises or for AYY's own use.

## 7. Profit-seeking properties and premises

The purpose of profit-seeking properties and premises is to make a profit for the Student Union. These include business and office premises rented to outside parties and residential properties that have been defined as being profit-seeking. The ownership of profit-seeking properties is not a part of the core operations of AYY, but instead they will be divested if it is sensible for the Student Union from an overall financial point of view. The decision on the sale of profit-seeking properties and premises will be made by the Council and the preparation can be commenced with the decision of the Board.

AYY seeks to obtain the best possible long-term profit from profit-seeking properties and premises.



Approved at the meeting of the Council XX/2016

**8. Beginning of validity and changes**

Changes to this property policy will be made by the Council. Changes come into effect at once, unless it is stated otherwise in the decision.

This property policy will come into effect on 1.1.2017.

This property policy was approved on XX.XX.2016 at the meeting of the Council X/2016.