

# OUTSOURCING STRATEGIES



Why Make it Happen?  
How to Make it Happen!

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NACUBO 2006

Public-Private Partnerships for Higher Education



# Presentation Outline

- Why Outsource?
- Selection Process Overview
- Planning Challenges (Need & Strategies)
- Buy it the Right Way
- Summary of Key Points



# Why Outsource?

## Common Views on Outsourcing

1. Outsourcing typically provides significant benefits / advantages.
2. Outsourcing rarely provides significant benefits or advantages.



# Why Outsource?

## Is It Just About the Money?

1. Private Companies Produce More Value
  - better economies of scale
  - Competition yields efficiencies
  
2. Private Companies Cost More
  - Investor returns
  - taxes



# Why Outsource?

## How Do We Make Personal Outsourcing Decisions?

Educating  
our  
Children

Home  
School /  
Public  
School /  
Private  
School



Circumstances  
Values  
Capacity



# Why Outsource?

## How Do We Make Personal Outsourcing Decisions?

Feeding  
the  
Family

Home  
Cooking /  
Fast Food  
/ Fine  
Dining



Circumstances  
Values  
Capacity





# Why Outsource?

## How Do We Make Personal Outsourcing Decisions?

The  
Family  
Car

Home  
Repairs /  
Fast Food  
/ Fine  
Dining



Circumstances

Values

Capacity



# Why Outsource?

## Views on Outsourcing

1. Outsourcing typically provides significant benefits / advantages.
2. Outsourcing rarely provides significant benefits or advantages.
3. The benefits and advantages of outsourcing depend on institutional values, capabilities and circumstances.





# Why Outsource?



*We mean business in higher education*



# Why Outsource?

- “After Re-Engineering Comes Re- Sourcing”
  - By: Fred Turk
  - Provides A Rational Guide For University Contracting
  - NACUBO’s Business Officer Magazine
  - 8/98 Issue
  - Provides A Rational Guide For Schools To Follow
- Key Differences Identified Included:
  - Creating Value Replaces Cost Cutting
  - Search For Partners That Understand Unique Mission
- Schools Should Also Consider Importance of Core & Non-core Activities For The Success of The Institution



# Why Outsource?

## *Decision Matrix*

*Mission Central*

<ol style="list-style-type: none"><li><i>1. Possible Re-Source</i></li><li><i>2. Quality - Primary</i></li><li><i>3. Cost - Secondary</i></li></ol>	<i>Definitely In-Source</i>
<i>Definitely Re-Source</i>	<ol style="list-style-type: none"><li><i>1. Possible Re-Source</i></li><li><i>2. Cost - Primary</i></li><li><i>3. Quality - Secondary</i></li></ol>

*Mission Irrelevant*  
*Poor Performance*

*Excellent*



# Why Outsource?

“Dare to be ignorant of many things to be knowledgeable in a few.”



# Why Outsource?

“Half of being smart is knowing what you’re dumb at.”

*Solomon Short*



# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill





# Why Outsource?

## Potential Institutional Needs

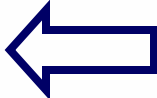
- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill

*Understand the extent of your performance capacity shortfalls, prioritize them and determine what trade-offs would be acceptable to the institution.*



# Why Outsource?

## Potential Institutional Needs

- Project Development  ► **Skill:** unique or basic? / project quality & complexity
  - Financial Capacity
  - Operating Risk
  - Ownership
  - Management Skill
- **Capacity:** for what functions & at what skill level?
  - **Flexibility:** do you have the strategy developed?
  - **Speed:** how fast is fast & what are you willing to give up to get it?

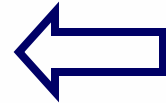




# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill



▶ **Creating Capacity:**  
seed money or debt?

▶ **Preserving Capacity:**  
seed money or debt?

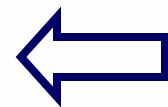
▶ **Generating Cash Flow:**  
for investment purposes  
and cross-subsidy of  
other projects



# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill



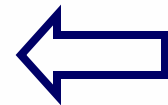
- ▶ Short-term / Long-term
- ▶ Market demand
- ▶ Economies of scale



# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill



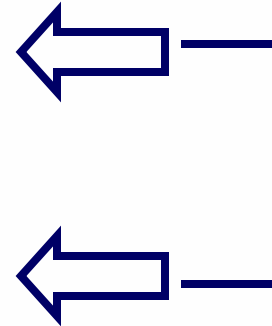
- ▶ **Risk:** capital & construction, lease-up & operating
- ▶ **Control:** product & operation
- ▶ **Net Cost / value**



# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill



Balance Sheet  
Treatment  
&  
Control  
Reconciliation



# Why Outsource?

## Potential Institutional Needs

- Project Development
- Financial Capacity
- Operating Risk
- Ownership
- Management Skill

←▶ **Property Management:**  
don't forget marketing

- ▶ **Student Life**
- ▶ **Curriculum Integration  
/ Learning Outcomes**



# Selection Process Overview



*We mean business in higher education*



# Selection Process Overview

## Develop a Procurement Strategy

- Selection Tools
- Pre-Selection Planning
- Information Sharing

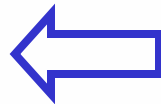
**Understand your institutional objectives, but be sensitive to the developers' perspectives as well.**



# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews
- Design Competition
- Site Visits



### Institution

- 1) Confirm interest in project concept & relationship structure
- 2) Low cost / no commitment
- 3) Minimal project planning required
  - ▶ Strategy & concept only

### Developer

- 1) Low cost response
- 2) Opportunity for advanced research and relationship building

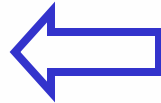




# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews
- Design Competition
- Site Visits



### Institution

- 1) Limit number of proposals to be reviewed
- 2) Can replace detailed proposals if negotiated procurement is appropriate
- 3) Minimal project planning required
- 4) Reference checks can be conducted

### Developer

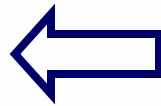
- 1) Low cost response
- 2) Willing to compete in a crowded race
- 3) Opportunity for advanced research and relationship building if RFP is next step



# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews
- Design Competition
- Site Visits



### Institution

- 1) Detailed information about qualifications and specific deliverables with prices / costs
- 2) Must be a carefully developed document
- 3) Completed planning must be appropriate for the request

### Developer

- 1) Potentially costly response
- 2) Willingness to compete depends upon response cost, number of proposals solicited and project scale
- 3) Quality of RFP is key



# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews 
- Design Competition
- Site Visits

### Institution

- 1) Can occur after RFQ or RFP
- 2) Opportunity to clarify proposals
- 3) Opportunity to test key intangibles
- 4) Opportunity to further limit field for a design competition

### Developer

- 1) Potentially costly to participate
- 2) Willingness to compete depends on required deliverables, number of firms competing and project scale
- 3) Clarity of project parameters and institutional objectives is key



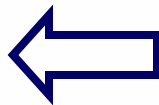
# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews
- Design Competition
- Site Visits

### Institution

- 1) Can replace internal planning
- 2) Substantial institutional time commitment required
- 3) Requires substantial review and interaction with developers



### Developer

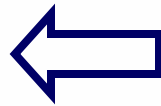
- 1) Very expensive process that requires 3<sup>rd</sup> party commitments
- 2) Very risky if quality of information is poor or criteria & project objectives are fluid / proprietary ideas
- 3) Limited field and partial compensation will increase interest



# Selection Process Overview

## Selection Tools

- RFI
- RFQ
- RFP
- Interviews
- Design Competition
- Site Visits



### Institution

- 1) The ultimate reference check!
- 2) Pick the projects to visit
- 3) If management services are being requested, observe the operation.
- 4) Expensive & time consuming

### Developer

- 1) Successful projects speak for themselves
- 2) Opportunity to showcase a healthy client relationship



# Selection Process Overview

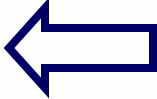
## Pre-selection Planning

- Strategy
  - Demand
  - Program & Financial
  - Preliminary Design
- ← Specific, and well understood, institutional objectives, can serve as both a driver and a filter



# Selection Process Overview

## Pre-selection Planning

- Strategy
- Demand  Must be completed before final commitments
- Program & Financial
  - ▶ Occupancy risk?
  - ▶ Impact on performance of existing housing?
  - ▶ Price & access strategy?
- Preliminary Design
  - Access to students required



# Selection Process Overview

“Facts do not cease to exist  
because they are ignored.”

*Aldous Huxley*





# Selection Process Overview

## Pre-selection Planning

- Strategy
  - Demand
  - Program & Financial
  - Preliminary Design
- Critical to the Value Equation
- ▶ Occupancy risk of specific project and rent level?
  - ▶ What is the quality level for (X)\$'s per bed?
  - ▶ Performance sustainability?

Can be completed in partnership with a developer



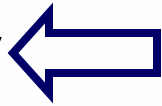
# Selection Process Overview

## Pre-selection Planning

- Strategy
- Demand
- Program & Financial
- Preliminary Design

### A Problem Solving Process

▶ Timing and control issues will emerge from what you decide to buy and under what ownership structure





# Planning Challenges



*We mean business in higher education*

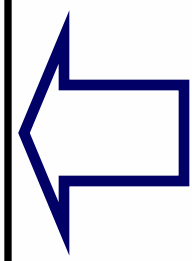


# Planning Challenges

## Key Issues

- Students Have Choices
- Off-Campus Alternatives
- Enterprise Requirements
  - Capital Costs
  - Operating Costs
- Strategic Asset Value

*Student  
Demand is  
Key*



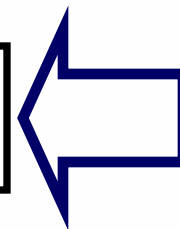


# Planning Challenges

## Key Issues

- Students Have Choices
- Off-Campus Alternatives
- Enterprise Requirements
  - Capital Costs
  - Operating Costs

■ Strategic Asset Value



*Institutional  
Mission is  
Key*



# Planning Challenges

- Developing Strategy – “Creating The Filter”
  - Educational Outcomes *How important are these outcomes?*
  - Enrollment Management *How effective are existing facilities?*
  - Campus Community



# Planning Challenges

## Institutional Risk & Funding Strategies

- Debt Underwriting
  - Debt Coverage Ratio & Collateral
  - Debt Term & Instrument

**250 Beds; NOI = \$1,000,000 ; Int. Rate = 5.5%**

### Case #1

Debt Term = 20 yrs.

DCR = 1.25:1

Debt Capacity = \$8,800,000

Debt Per Bed = \$35,000

### Case #2

Debt Term = 30 yrs.

DCR = 1.10:1

Debt Capacity = \$13,200,000

Debt Per Bed = \$53,000



# Planning Challenges

Building System	Cost Level 1	Cost Level 2	Cost Level 3
1. Foundation System (Base Line)	Spread Footings	Spread Footings	Spread Footings
2. Structural Frame a. Framing b. Floor Support	Wood Frame Wood Truss	Light Gauge Mtl. Frame Metal Joists	Masonry Bearing Hollow Core Plank
3. Roofing a. Flat b. Sloped	N / A Asphalt Shingle	Built-up Standing Seam Metal	Membrane Tile or Slate
4. Exterior Walls	Siding or EIFS	Masonry	Stone or Precast
5. Interior Finishes	Wood Frame w/ GWB	Limited Masonry w/ GWB	Limited Masonry w/ARD
6. Plumbing	Tank Toilet, Fiberglass Shower	Wall-Hung Toilet, Terrazo Pan Shower	Wall-Mounted Toilet, Full Tile Shower
7. Floor Covering	Carpet / Sheet Vinyl	Carpet / Limited Tile	Carpet / Tile
8. Mechanical	Split system w/ Condensers	Vertical Fan Coil Units	Variable Air Volume
9. Electrical	Residential grade	Institutional Grade	Institutional Grade
Building Only Targets \$/ GSF	\$85 to \$104	\$105 to \$125	\$125 to \$150+

*Courtesy of Hanbury Evans*





# Planning Challenges

- Developing Strategy – – “Creating The Filter”

Category

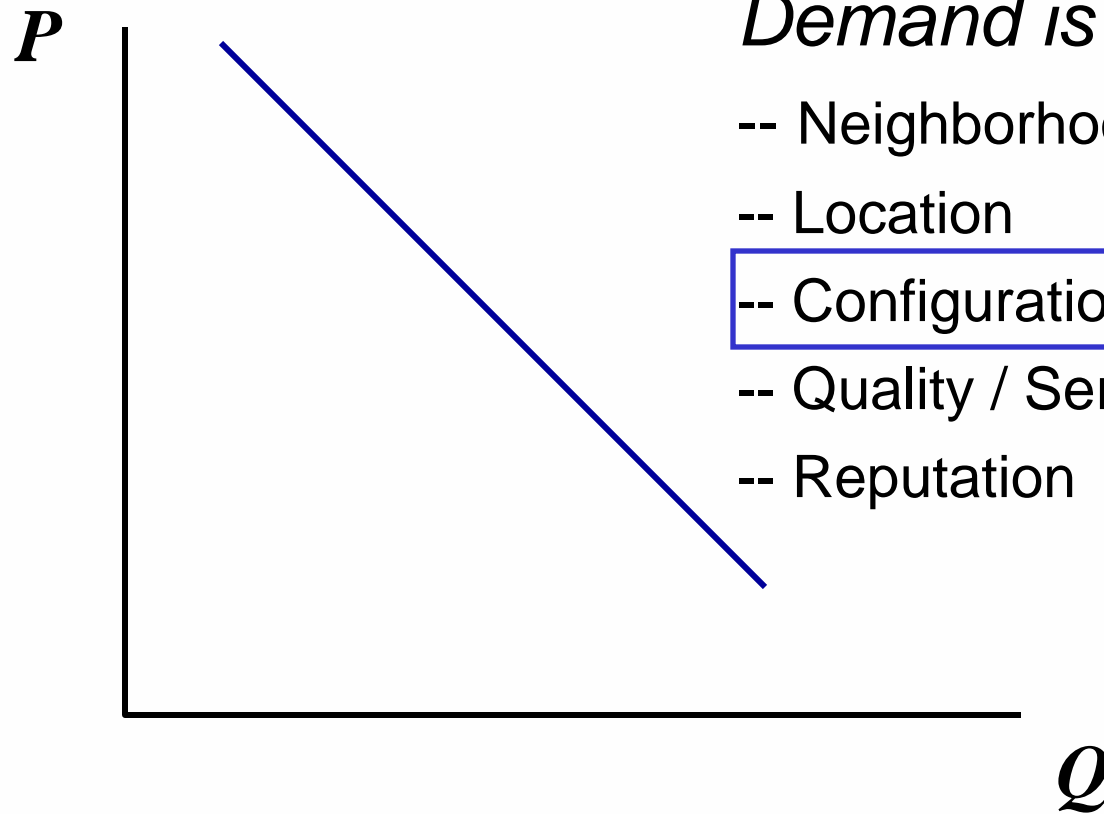
Targeted Strategic Value

	High	Moderate	Low
<b>I. Educational Outcomes</b>			
Supervision Through Maturity (Fresh / Soph)			
Proximity to Educational Resources (All Students)			
Personal Development (freshman programs)			
Direct Curriculum Enhancement (Fresh / Soph)			
Development Continuum (juniors / Seniors)			
<b>II. Enrollment Management</b>			
Housing Market Supplement (Variable)			
Competitive Amenity (Variable)			
<b>III. Campus / University Community</b>			
“Residential Campus” Designation (Critical Mass)			
Out-of-class Activity (Critical Mass)			
Neighborhood Creation (Critical Mass)			



# Planning Challenges

## About Market Demand



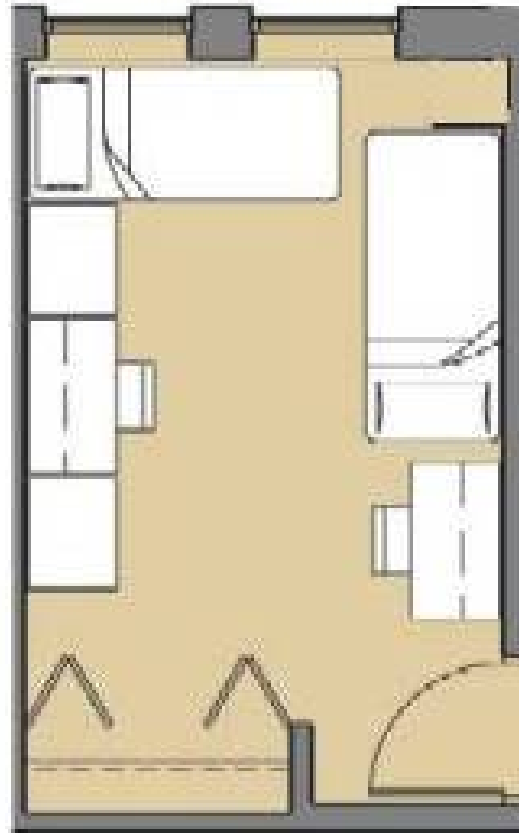
### *Demand is Product Specific*

- Neighborhood Attributes
- Location
- Configuration / Features / Amenities
- Quality / Services
- Reputation



# Planning Challenges

Traditional “Dorm” Room – double occupancy





# Planning Challenges

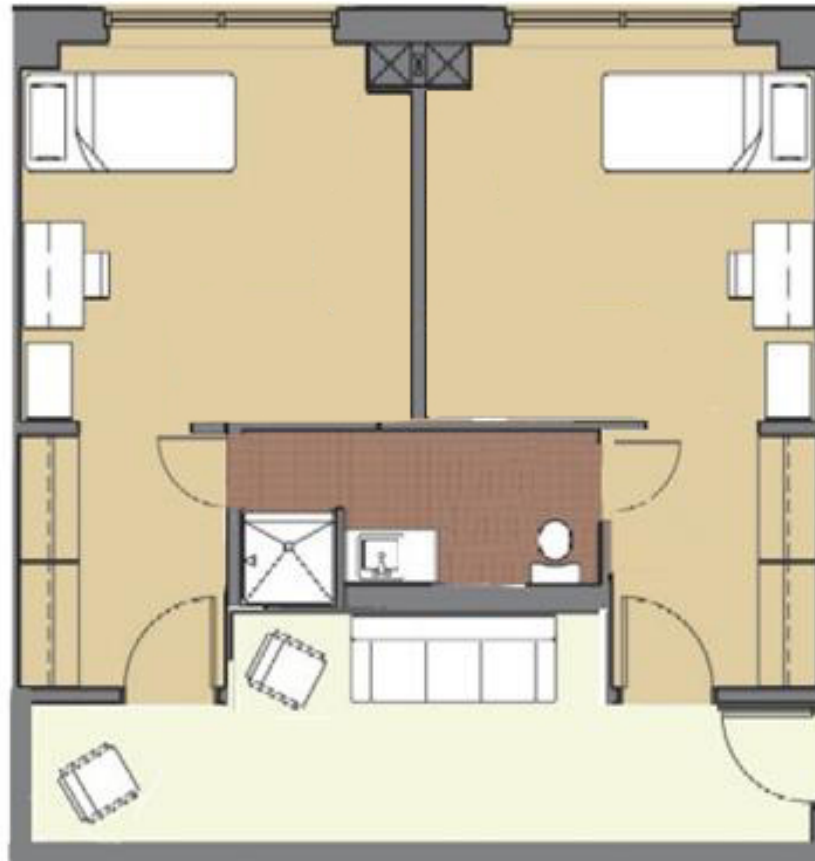
## Junior Suite





# Planning Challenges

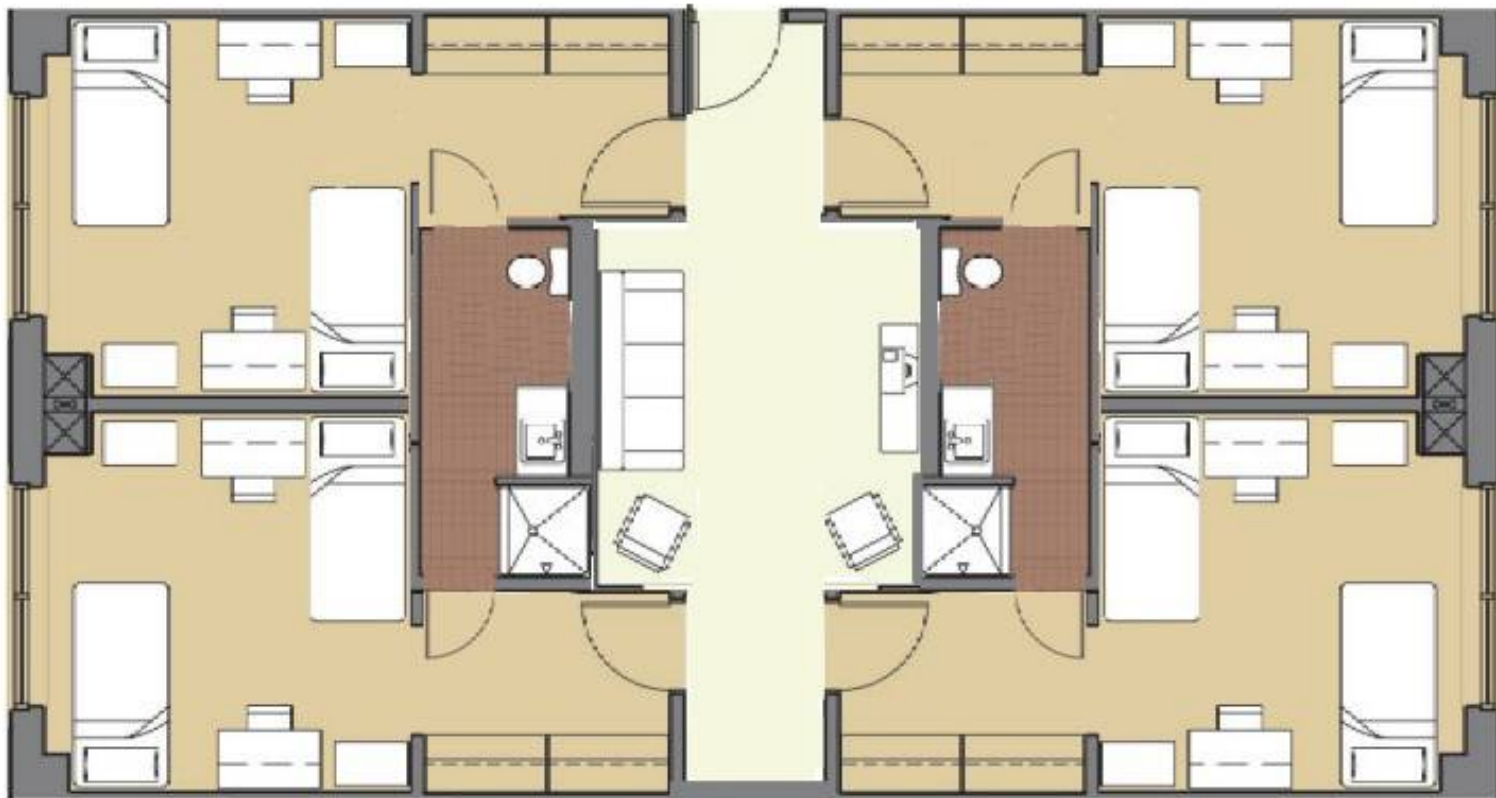
## Full Suite – single rooms





# Planning Challenges

## Full Suite – double occupancy rooms





# Planning Challenges

## Apartment – 2 bedrooms





# Planning Challenges

## Apartment – 4 bedrooms

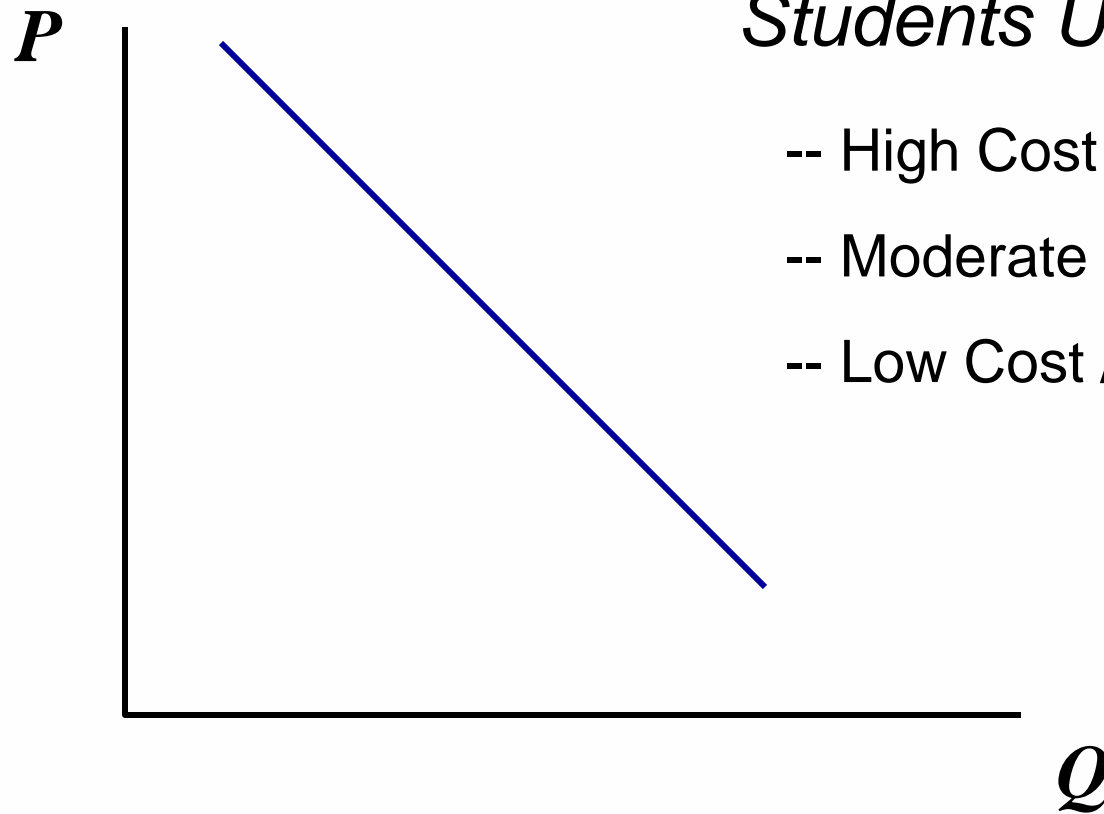






# Planning Challenges

## About Market Demand



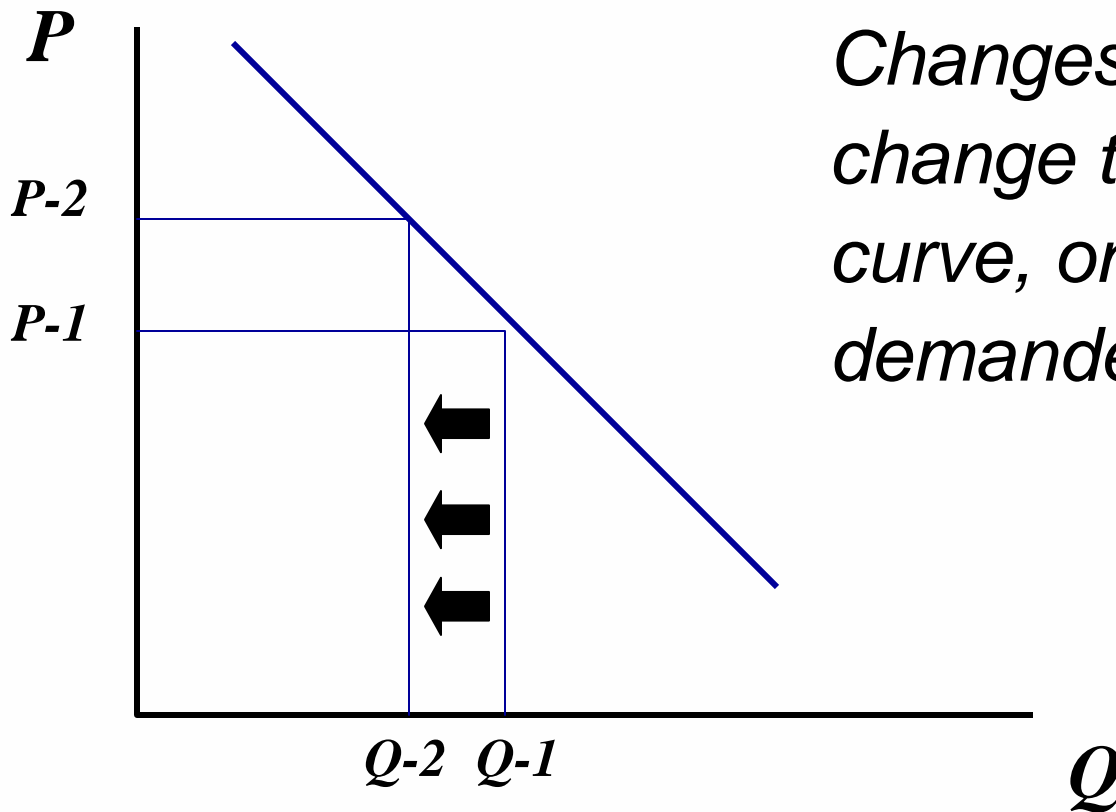
*Students Understand Value!*

- High Cost / High Value
- Moderate Cost / Moderate Value
- Low Cost / Low Value



# Planning Challenges

## About Market Demand

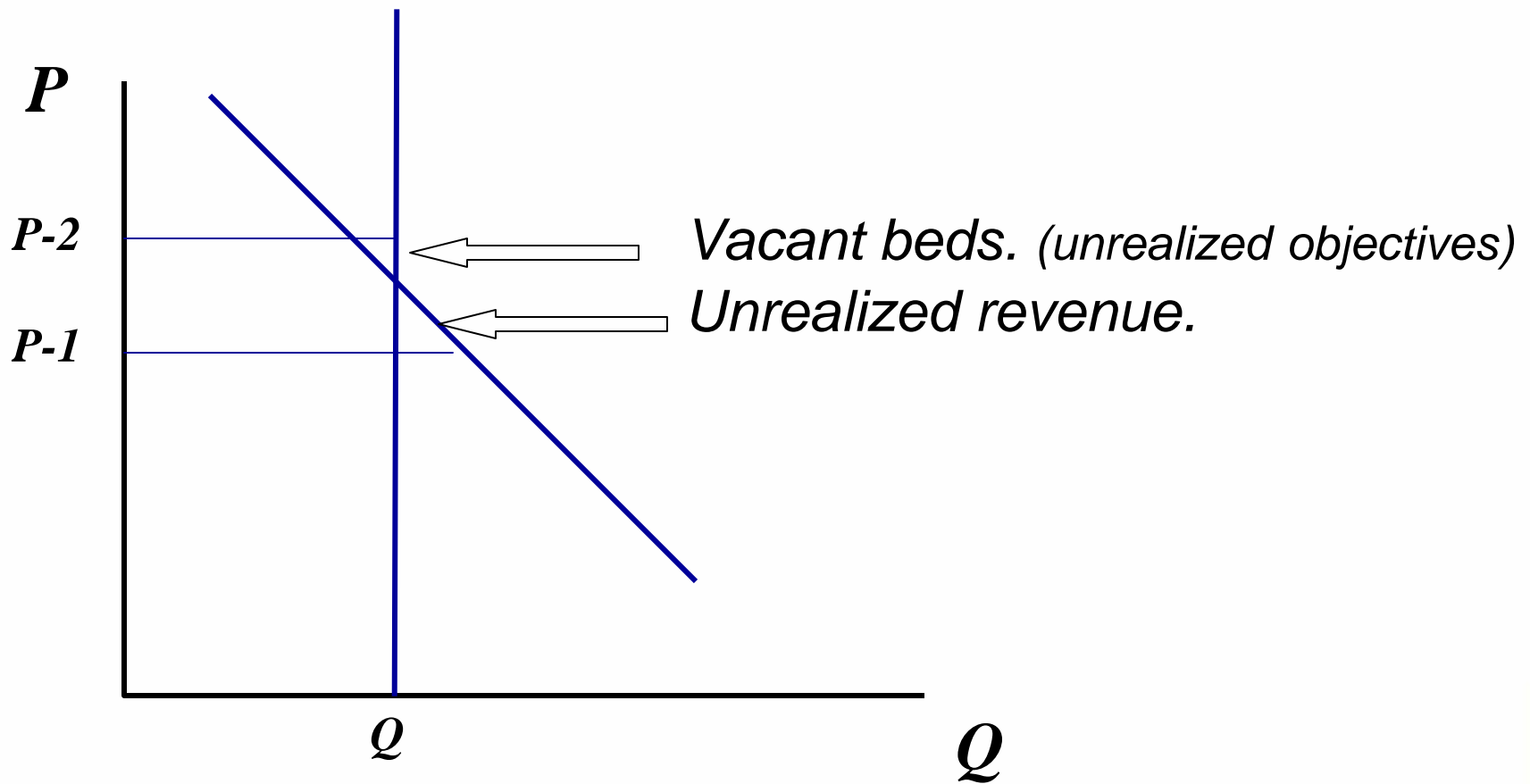


*Changes in price do not change the demand curve, only the quantity demanded.*



# Planning Challenges

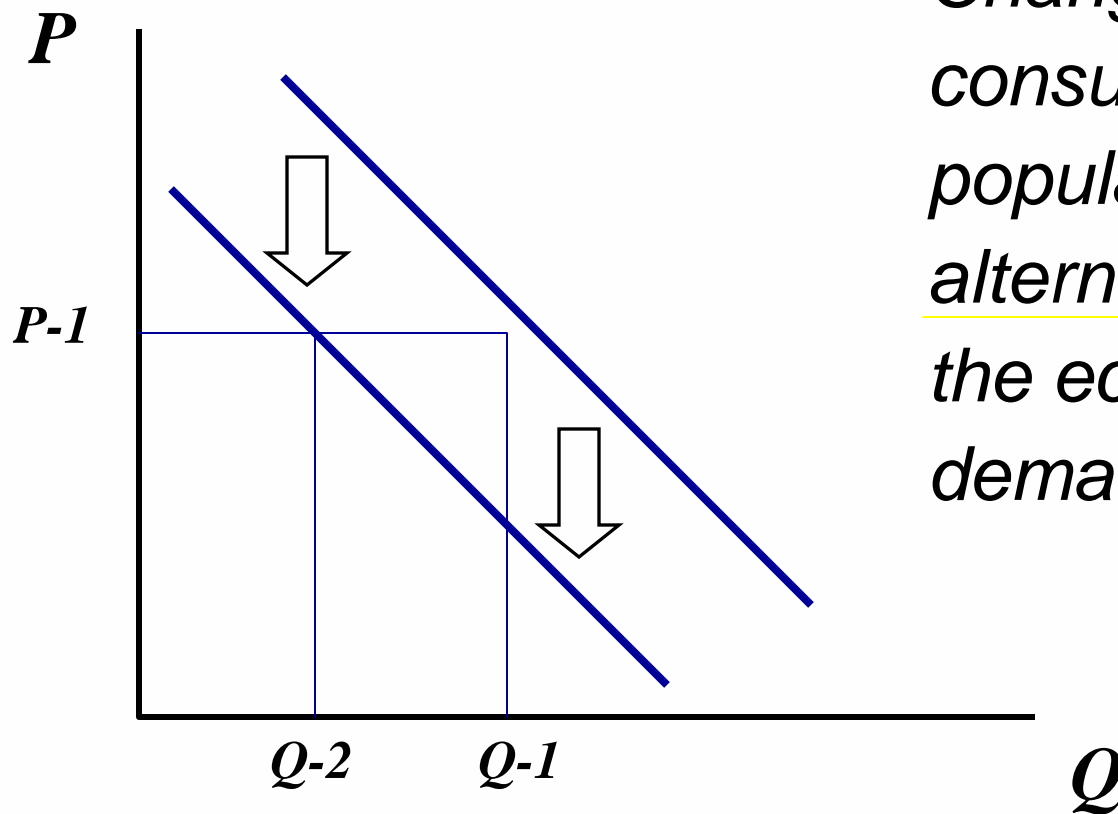
## About Market Demand





# Planning Challenges

## About Market Demand



*Changes in population, consumer tastes, popular culture, alternative products and the economy shift the demand curve.*



# Planning Challenges

The greatest impediment to progress  
is not ignorance,  
but the illusion of knowledge



# Planning Challenges

## Market Analysis Techniques / Tools

1. Demographic Analysis
2. Intercept Interviews
3. Focus Group Interviews
4. Off-Campus Market Analysis
5. Competitive Context Analysis
6. Economic Trend Analysis
7. Student Survey



# Planning Challenges

## Market Analysis Techniques / Tools

### 1. Demographic Analysis

- a. Measure market size by category
  - i. class / age / enrollment status / gender, etc.
  - ii. permanent address / current address
  - iii. school / field of study
  - iv. financial capacity
- b. Consider the dynamics
  - i. external or macro shifts and changes
  - ii. initiatives of other institutions
  - iii. managed or planned changes in composition



# Planning Challenges

## Market Analysis Techniques / Tools

### 2. Intercept Interviews

- a. One-on-one conversations
  - i. various campus locations
  - ii. selected off-campus locations
  - iii. profile for diversity
- b. Targeted information
  - i. profile confirmation
  - ii. housing markets & specific properties by reputation
  - iii. student housing selection process
  - iv. issues of campus culture





# Planning Challenges

## Market Analysis Techniques / Tools

### 3. Focus Groups

- a. Information goal is qualitative
  - i. what students care about (identify issues)
  - ii. why they care about it
  - iii. how much they care about it
- b. Format & Process
  - i. groups of eight to twelve
  - ii. planned strategy (macro => micro)
  - iii. test prevailing wisdom, intercept information & concepts



# Planning Challenges

## Market Analysis Techniques / Tools

### 4. Off-Campus Housing Market

- a. What's the market (student perspective)
  - i. rent rates / occupancy performance
  - ii. market focus & services
  - iii. measure impact of location, product type, condition, amenities on prices & occupancy
- b. Consider the dynamics
  - i. demand shifts (student & non-student)
  - ii. projected & potential additions to supply (reductions?)
  - iii. impact of zoning & land-use policy
  - iv. market concentrations



# Planning Challenges

## Market Analysis Techniques / Tools

### 5. Competitive Context

- a. What's a competitor (why do we want to know?)
  - i. peers
  - ii. benchmarks
  - iii. targets & models
- b. Levels of Research
  - i. third party & web page research
  - ii. interviews & materials
  - iii. site visits



# Planning Challenges

## Market Analysis Techniques / Tools

### 6. Economic Trend Analysis

- a. How are things likely to change
  - i. demand drivers
    - ▷ size of the market
    - ▷ student financial conditions
  - ii. Supply drivers
    - ▷ likely new student focused development
    - ▷ other development activity
    - ▷ increases or decreases in secondary rental markets



# Planning Challenges

## Market Analysis Techniques / Tools

### 7. Student Survey

- a. Quantitative measure
  - i. current housing choices
  - ii. views of existing housing operations
  - iii. preferred housing options (price, unit type & location)
  - iv. demographics
- b. Data analysis
  - i. sample size & integrity
  - ii. cross-tabs
  - iii. demand modeling



# Planning Challenges

“If a man will begin with certainties, he will end in doubts; but if he will be content to begin with doubts, he will end in certainties .”

*Francis Bacon*



# Planning Challenges

## Market Analysis Techniques / Tools

1. Demographic Analysis
2. Intercept Interviews
3. Focus Group Interviews  Use at least twice!
4. Off-Campus Market Analysis
5. Competitive Context Analysis
6. Economic Trend Analysis
7. Student Survey  Survey Again to Confirm Plan



# Planning Challenges

<b>Students</b>	<b>Dormitories</b>	<b>Suites</b>	<b>Apartments</b>	<b>Total</b>
<b>Freshmen</b>				
<b>Sophomores</b>				
<b>Juniors</b>				
<b>Seniors</b>				
<b>Grads / Profs</b>				
<b>Total Demand</b>				
<b>Total Supply</b>				
<b>Differential</b>				





# Planning Challenges

## Target Market Demand

<b>Students</b>	<b>Traditional</b>	<b>Suites</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>	<b>Total</b>
<b>Freshmen</b>	<b>2,619</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>2,689</b>
<b>Sophomores</b>	<b>247</b>	<b>345</b>	<b>440</b>	<b>166</b>	<b>1,198</b>
<b>Juniors</b>	<b>208</b>	<b>278</b>	<b>406</b>	<b>145</b>	<b>1,037</b>
<b>Seniors</b>	<b>138</b>	<b>398</b>	<b>719</b>	<b>262</b>	<b>1,517</b>
<b>Grads / Profs</b>	<b>132</b>	<b>131</b>	<b>342</b>	<b>452</b>	<b>1,057</b>
<b>Total Demand</b>	<b>3,344</b>	<b>1,152</b>	<b>1,907</b>	<b>1,095</b>	<b>7,498</b>
<b>Total Supply</b>	<b>3,736</b>	<b>207</b>	<b>75</b>	<b>427</b>	<b>4,445</b>
<b>Differential</b>	<b>392</b>	<b>(945)</b>	<b>(1,832)</b>	<b>(668)</b>	<b>(3,053)</b>



# Planning Challenges

- Strategic Asset Value #1

**Category** **Strategic Asset Value**

	High	Moderate	Low
<b>I. Educational Outcomes</b>			
Supervision Through Maturity (Fresh / Soph)		X X	
Proximity to Educational Resources (All Students)		X X	
Personal Development (Freshman Programs)	X X		
Direct Curriculum Enhancement (Fresh / Soph)	X X		
Development Continuum (Juniors +)	X		X
<b>II. Enrollment Management</b>			
Housing Market Supplement (Variable)		X X	
Competitive Amenity (Variable)	X	X	
<b>III. Campus / University Community</b>			
“Residential Campus” Designation (Critical Mass)		X X	
Out-of-class Activity (Critical Mass)	X X		
Neighborhood Creation (Critical Mass)	X X		



# Planning Challenges

## Demand Allocation Strategy - SAV #1

<b>Class</b>	<b>Total</b>	<b>First Filter</b>	<b>Second Filter</b>	<b>Trad'l Beds</b>	<b>Suite</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>
<b>Freshmen</b>	<b>4,474</b>	<b>3,003</b>	<b>1,473</b>	<b>1st</b>	<b>Excl'd</b>	<b>Excl'd</b>	<b>Special</b>
<b>Sophomores</b>	<b>3,788</b>	<b>2,317</b>	<b>1,203</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Juniors</b>	<b>3,639</b>	<b>2,423</b>	<b>1,214</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Seniors</b>	<b>5,325</b>	<b>3,381</b>	<b>1,800</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Grads / Profs</b>	<b>2,824</b>	<b>1,956</b>	<b>1,383</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Total</b>	<b>20,050</b>	<b>13,080</b>	<b>7,073</b>				



# Planning Challenges

## Target Market Demand – SAV #1

<b>Students</b>	<b>Traditional</b>	<b>Suites</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>	<b>Total</b>
<b>Freshmen</b>	<b>2,619</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>2,689</b>
<b>Sophomores</b>	<b>247</b>	<b>345</b>	<b>440</b>	<b>166</b>	<b>1,198</b>
<b>Juniors</b>	<b>208</b>	<b>278</b>	<b>406</b>	<b>145</b>	<b>1,037</b>
<b>Seniors</b>	<b>138</b>	<b>398</b>	<b>719</b>	<b>262</b>	<b>1,517</b>
<b>Grads / Profs</b>	<b>132</b>	<b>131</b>	<b>342</b>	<b>452</b>	<b>1,057</b>
<b>Total Demand</b>	<b>3,344</b>	<b>1,152</b>	<b>1,907</b>	<b>1,095</b>	<b>7,498</b>
<b>Current Supply</b>	<b>3,736</b>	<b>207</b>	<b>75</b>	<b>427</b>	<b>4,445</b>
<b>Differential</b>	<b>392</b>	<b>(945)</b>	<b>(1,832)</b>	<b>(668)</b>	<b>(3,053)</b>
<b>2010 Supply</b>	<b>2,910</b>	<b>720</b>	<b>1,470</b>	<b>300</b>	<b>5,400</b>
<b>Differential</b>	<b>(434)</b>	<b>(432)</b>	<b>(437)</b>	<b>(795)</b>	<b>(2,098)</b>



# Planning Challenges

- Strategic Asset Value #2

**Category** **Strategic Asset Value**

	High	Moderate	Low
<b>I. Educational Outcomes</b>			
Supervision Through Maturity (Fresh / Soph)	X	X	
Proximity to Educational Resources (All Students)		X X	
Personal Development (Freshman Programs)	X X		
Direct Curriculum Enhancement (Fresh / Soph)	X X		
Development Continuum (Juniors +)	X		X
<b>II. Enrollment Management</b>			
Housing Market Supplement (Variable)			X X
Competitive Amenity (Variable)	X		X
<b>III. Campus / University Community</b>			
“Residential Campus” Designation (Critical Mass)		X X	
Out-of-class Activity (Critical Mass)	X X		
Neighborhood Creation (Critical Mass)	X X		



# Planning Challenges

## Demand Allocation Strategy - SAV #2

<b>Class</b>	<b>Total</b>	<b>First Filter</b>	<b>Second Filter</b>	<b>Trad'l Beds</b>	<b>Suite</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>
<b>Freshmen</b>	<b>4,474</b>	<b>3,803</b>	<b>3,803</b>	<b>1st</b>	<b>Excl'd</b>	<b>Excl'd</b>	<b>Special</b>
<b>Sophomores</b>	<b>3,788</b>	<b>2,317</b>	<b>1,203</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Juniors</b>	<b>3,639</b>	<b>2,423</b>	<b>1,214</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Seniors</b>	<b>5,325</b>	<b>3,381</b>	<b>1,800</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Grads / Profs</b>	<b>2,824</b>	<b>1,956</b>	<b>1,383</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Total</b>	<b>20,050</b>	<b>13,880</b>	<b>9,403</b>				



# Planning Challenges

## Target Market Demand – SAV #2

<b>Students</b>	<b>Traditional</b>	<b>Suites</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>	<b>Total</b>
<b>Freshmen</b>	<b>3,803</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>2,689</b>
<b>Sophomores</b>	<b>247</b>	<b>345</b>	<b>440</b>	<b>166</b>	<b>1,198</b>
<b>Juniors</b>	<b>208</b>	<b>278</b>	<b>406</b>	<b>145</b>	<b>1,037</b>
<b>Seniors</b>	<b>138</b>	<b>398</b>	<b>719</b>	<b>262</b>	<b>1,517</b>
<b>Grads / Profs</b>	<b>132</b>	<b>131</b>	<b>342</b>	<b>452</b>	<b>1,057</b>
<b>Total Demand</b>	<b>4,528</b>	<b>1,152</b>	<b>1,907</b>	<b>1,095</b>	<b>8,682</b>
<b>Current Supply</b>	<b>3,736</b>	<b>207</b>	<b>75</b>	<b>427</b>	<b>4,445</b>
<b>Differential</b>	<b>(792)</b>	<b>(945)</b>	<b>(1,832)</b>	<b>(668)</b>	<b>(4,237)</b>
<b>2010 Supply</b>	<b>4,500</b>	<b>720</b>	<b>1,470</b>	<b>300</b>	<b>6,990</b>
<b>Differential</b>	<b>(28)</b>	<b>(432)</b>	<b>(437)</b>	<b>(795)</b>	<b>(1,692)</b>



# Planning Challenges

- Strategic Asset Value #3

**Category** **Strategic Asset Value**

	High	Moderate	Low
<b>I. Educational Outcomes</b>			
Supervision Through Maturity (Fresh / Soph)	X	X	
Proximity to Educational Resources (All Students)	X X		
Personal Development (Freshman Programs)	X X		
Direct Curriculum Enhancement (Fresh / Soph)	X X		
Development Continuum (Juniors +)	X	X	
<b>II. Enrollment Management</b>			
Housing Market Supplement (Variable)	X	X	
Competitive Amenity (Variable)	X	X	
<b>III. Campus / University Community</b>			
“Residential Campus” Designation (Critical Mass)		X X	
Out-of-class Activity (Critical Mass)	X X		
Neighborhood Creation (Critical Mass)	X X		





# Planning Challenges

## Demand Allocation Strategy - SAV #3

<b>Class</b>	<b>Total</b>	<b>First Filter</b>	<b>Second Filter</b>	<b>Trad'l Beds</b>	<b>Suite</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>
<b>Freshmen</b>	<b>4,474</b>	<b>3,003</b>	<b>1,473</b>	<b>1st</b>	<b>Excl'd</b>	<b>Excl'd</b>	<b>Special</b>
<b>Sophomores</b>	<b>3,788</b>	<b>2,317</b>	<b>1,203</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Juniors</b>	<b>3,639</b>	<b>2,423</b>	<b>1,214</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Seniors</b>	<b>5,325</b>	<b>3,381</b>	<b>1,800</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Grads / Profs</b>	<b>2,824</b>	<b>1,956</b>	<b>1,383</b>	<b>2nd</b>	<b>1st</b>	<b>1st</b>	<b>Special</b>
<b>Total</b>	<b>20,050</b>	<b>13,080</b>	<b>7,073</b>				



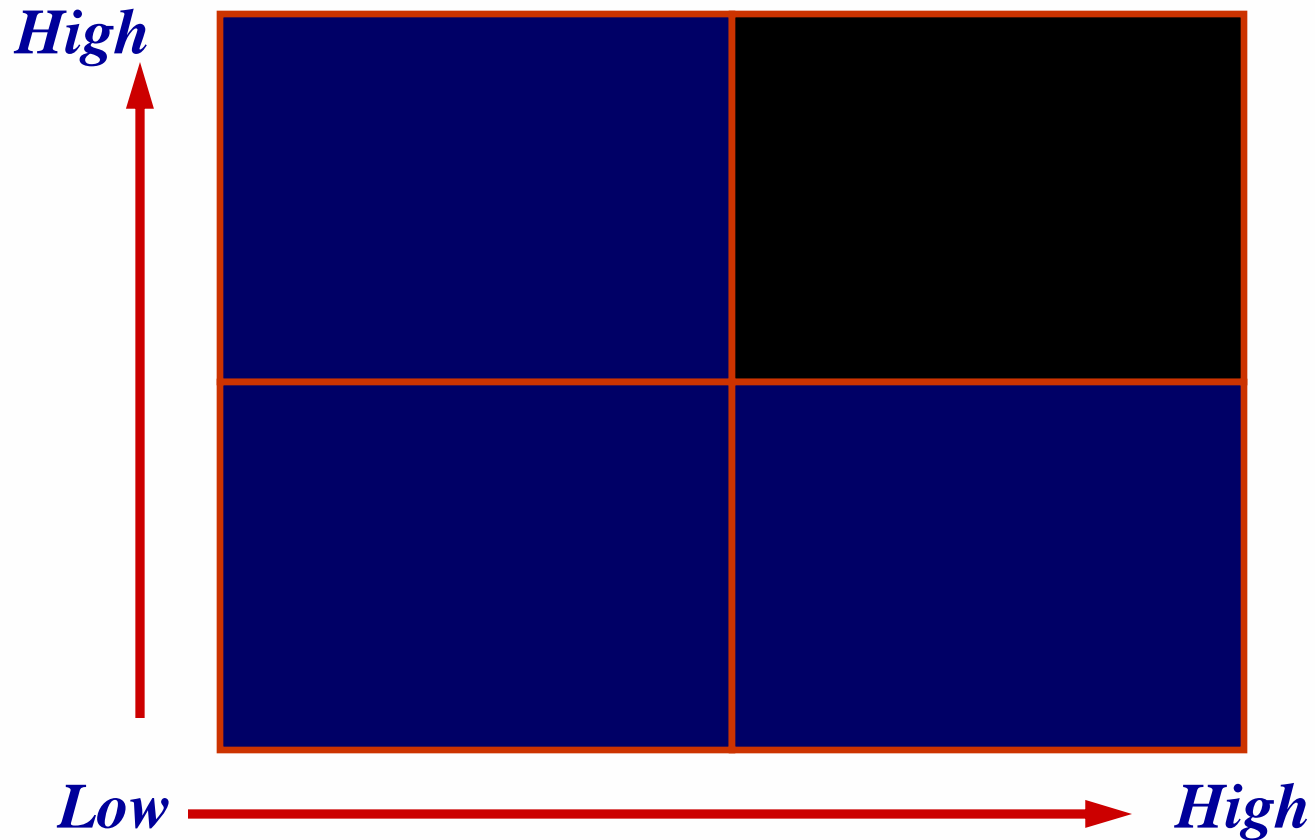
# Planning Challenges

## Target Market Demand – SAV #3

<b>Students</b>	<b>Traditional</b>	<b>Suites</b>	<b>Single Apts.</b>	<b>Fam. Apts.</b>	<b>Total</b>
<b>Freshmen</b>	<b>2,619</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>2,689</b>
<b>Sophomores</b>	<b>247</b>	<b>345</b>	<b>440</b>	<b>166</b>	<b>1,198</b>
<b>Juniors</b>	<b>208</b>	<b>278</b>	<b>406</b>	<b>145</b>	<b>1,037</b>
<b>Seniors</b>	<b>138</b>	<b>398</b>	<b>719</b>	<b>262</b>	<b>1,517</b>
<b>Grads / Profs</b>	<b>132</b>	<b>131</b>	<b>342</b>	<b>452</b>	<b>1,057</b>
<b>Total Demand</b>	<b>3,344</b>	<b>1,152</b>	<b>1,907</b>	<b>1,095</b>	<b>7,498</b>
<b>Current Supply</b>	<b>3,736</b>	<b>207</b>	<b>75</b>	<b>427</b>	<b>4,445</b>
<b>Differential</b>	<b>392</b>	<b>(945)</b>	<b>(1,832)</b>	<b>(668)</b>	<b>(3,053)</b>
<b>2010 Supply</b>	<b>3,200</b>	<b>1,000</b>	<b>1,800</b>	<b>900</b>	<b>6,900</b>
<b>Differential</b>	<b>(144)</b>	<b>(142)</b>	<b>(107)</b>	<b>(195)</b>	<b>(588)</b>



# Buying it the Right Way





# Buying it the Right Way

## Decision Matrix

*Mission Central*

*Limited advanced planning, select based on credentials first & require involvement in the design process*

*Detailed advanced planning, select based on credentials & retain control by accepting some risk*

*Limited advanced strategic planning then bid with flexible requirements to max financial performance*

*Moderately detailed advanced planning, establish clear requirements, bid to maximize financial performance*

*Mission Irrelevant*

*Financial Capacity*

*Excellent*



# Buying it the Right Way

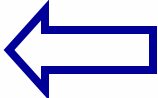
## Understanding Price & Cost

- **Costs Within the Developer's Control**
  - Base development fees
  - Performance incentives
  - Management fees
  - Risk premiums & return on equity
- **External Cost Factors that are Projected Based on Imperfect Information**
  - Interest rates & Transaction Costs
  - Construction markets – labor and materials
  - Utilities and other third party operating costs



# Buying it the Right Way

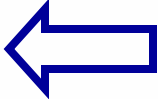
## Information Sharing

- Within Solicitation Documents
  - Bidder Conferences
  - Informal & One-on-One Conversations
- 
- 1) Housing Strategy
  - 2) All planning completed to date
  - 3) Selection criteria in priority order
  - 4) Specific project requirements expressed in both positive and negative terms



# Buying it the Right Way

## Information Sharing

- Within Solicitation Documents
  - Bidder Conferences
  - Informal & One-on-One Conversations
- 
- 1) Site & campus tour
  - 2) Presentation of planning and response requirements
  - 3) Q&A opportunity
    - a. One group
    - b. Individual sessions



# Buying it the Right Way

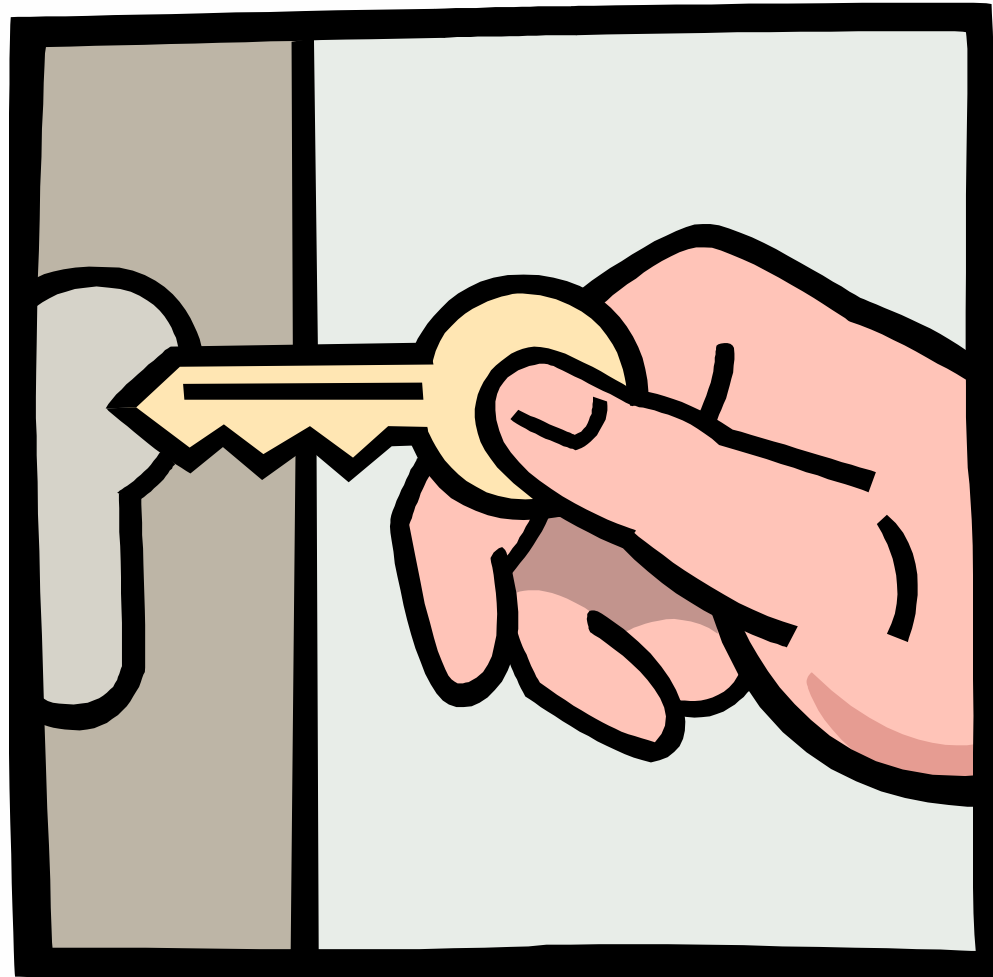
## Information Sharing

- Within Solicitation Documents
  - Bidder Conferences
  - Informal & One-on-One Conversations ←
- 1) Opportunity to learn quality of thought
  - 2) Opportunity to gauge how well they listen
  - 3) Issues of uneven opportunity must be addressed
  - 4) Activity must be contained by dates and points of contact





# Review of Key Points





## Review of Key Points

“If you don’t know where you’re going, you might end up someplace else.”

*Casey Stengel*



# Review of Key Points

- Develop a clear understanding of your institutional needs
- Tailor the procurement process in response to your objectives and circumstances
- Know your subject by completing an appropriate amount of planning in advance
- Be sensitive to the developer perspective
- There is more than one way to structure an arrangement with a developer – don't be afraid to be creative in order to maximize your results