

THE TRUE COST OF STUDENT HOUSING

TUESDAY, OCTOBER 2ND, 2012
COMMUNITY COLLEGE BUSINESS OFFICERS
ANNUAL CONFERENCE - ORLANDO, FL



BRAILSFORD & DUNLAVEY

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PRESENTATION OUTLINE

- ◆ Introduction
- ◆ Presentation Objectives
- ◆ Trends
- ◆ Impacts of Housing
- ◆ Discussion

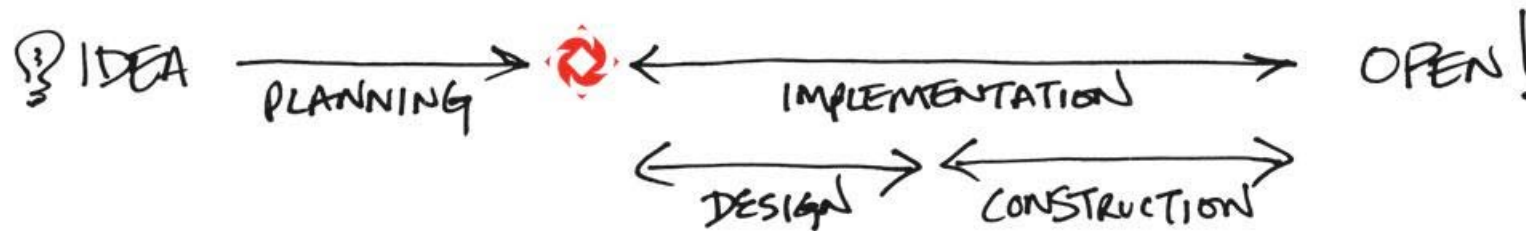


This project helped to identify our department as a catalyst for progressive thinking within our campus community. Thank you for providing us with thoroughly detailed analysis, spirited discourse, and lively presentations. I am using the information and supporting documentation practically daily as we develop our financial strategies.

-Mr. Tim Chapman
Associate Director for Facilities / Western Carolina University

INTRODUCTION

BRAILS FORD & DUNLAVEY



- ◆ Program Management Firm with In-House Planning Capabilities
- ◆ Over 500 Projects at Collegiate Institutions
- ◆ Over 250 Housing Studies
 - ◆ Nearly 30 Community Colleges

PRESENTATION OBJECTIVES

- 1) Understand the strategic value of adding housing to your campus
- 2) Provide an overview of direct and indirect costs associated with student housing
- 3) Examine development options associated with building student housing and the associated risk and benefits

NATIONAL TRENDS

- ◆ Economy has impacted enrollment at several institutions
- ◆ Budget Cuts on Main 4-yr Institutions
- ◆ Changing Demographics
- ◆ Shifting Expectations

WHY HOUSING

Opportunities:

- ◆ Create greater campus community to improve retention and graduation rates
- ◆ Foster student development – and involvement in campus activities
- ◆ Increase usage of facilities (library, recreation center, dining, student center)
- ◆ Manage parking demand
- ◆ Recruit
 - International Students
 - Student Athletes
 - Non-county residents
 - County residents desiring full college experience

WHY HOUSING

Risks:

- ◆ Need for / cost of additional support services and resources
 - Security
 - Dining
 - Student Services and Support
 - Campus Infrastructure
- ◆ Legal and public relations
- ◆ Inability to recapture seed money due to lack of developer interest
- ◆ Financial (occupancy risks)

WHY HOUSING

Strategic Value of Adding Housing

- ◆ Educational Outcomes
- ◆ Enrollment Management
- ◆ Campus Community
- ◆ Financial Performance



WHY HOUSING

Colorado Mountain College

- ◆ 20,000 Students Across 11 Campuses
- ◆ 3 Campuses with Housing
- ◆ Strategic Drivers: Recruitment, Academic Success, & Acclimation
- ◆ All Financed as One Project & One Overall Pro Forma
- ◆ Additional Housing Wouldn't Be Self-Sustaining

WHY HOUSING

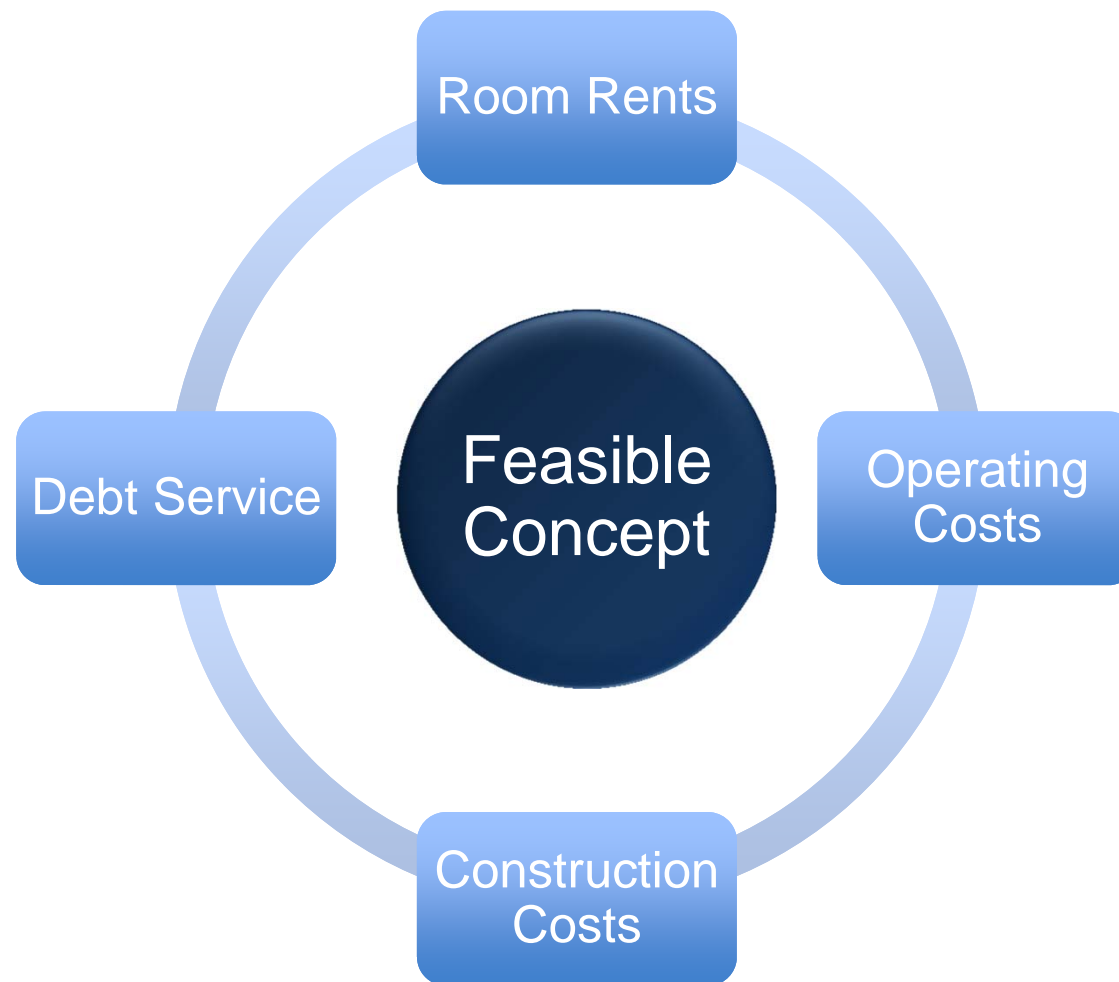
Broome Community College

- ◆ Greater sense of community on the part of students
- ◆ Enhance the quality of campus life
- ◆ Enhance the academic experience
- ◆ Increase retention – related to those outside commuting area
- ◆ Provide access for students who want a resident life experience, mitigating large county chargebacks
- ◆ Increase in enrollment

FINANCIAL IMPLICATIONS

- ◆ **Direct Costs vs. Indirect Cost**
 - ◆ Direct Costs –Associated with the direct operations related to owning and operation student housing
 - ◆ Indirect Costs – Associated with services that are critical in supporting student housing

FINANCIAL IMPLICATIONS



FINANCIAL IMPLICATIONS

OPERATING PROFORMA					
Academic Year (fall)	Year 1	Year 2	Year 3	Year 4	Year 5
Project Summary					
Number of Beds	493	493	493	493	493
Revenue Generating Beds	482	482	482	482	482
Square Feet	174,081	174,081	174,081	174,081	174,081
Revenue Per Bed	\$9,707	\$9,997	\$10,298	\$10,606	\$10,925
Operating Cost Per Bed	\$2,539	\$2,617	\$2,694	\$2,775	\$2,858
Revenue Per Square Foot	\$27.47	\$28.29	\$29.14	\$30.01	\$30.92
Operating Cost Per Square Foot	\$7.19	\$7.40	\$7.62	\$7.85	\$8.09
Operating Revenue					
Gross Academic Year Lease Revenue	\$4,841,000	\$4,986,000	\$5,136,000	\$5,290,000	\$5,448,000
Academic Year Lease Vacancy	-\$242,000	-\$249,000	-\$257,000	-\$264,000	-\$272,000
Other Revenue	\$183,000	\$188,000	\$194,000	\$200,000	\$206,000
Total Revenue	\$4,782,000	\$4,925,000	\$5,073,000	\$5,225,000	\$5,382,000
Operating Expense					
Personnel Expense	\$300,000	\$309,000	\$318,000	\$327,000	\$337,000
Contract and Repair/Maint. Expense	\$223,000	\$229,000	\$236,000	\$243,000	\$250,000
Supplies and Admin. Expense	\$57,000	\$59,000	\$61,000	\$63,000	\$65,000
Marketing/Leasing Expense	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Utilities Expense	\$318,000	\$328,000	\$338,000	\$348,000	\$358,000
Other Expense	\$244,000	\$252,000	\$259,000	\$267,000	\$275,000
Tax Expense	\$0	\$0	\$0	\$0	\$0
SUNY Canton Expense	\$103,000	\$106,000	\$110,000	\$113,000	\$116,000
Total Operating Expense	\$1,251,000	\$1,289,000	\$1,327,000	\$1,367,000	\$1,408,000
Net Operating Income	\$3,531,000	\$3,636,000	\$3,746,000	\$3,858,000	\$3,974,000
Non-operating Expense					
Annual Debt Service	\$2,979,119	\$2,979,119	\$2,979,119	\$2,979,119	\$2,979,119
Replacement Reserve	\$130,000	\$134,000	\$138,000	\$142,000	\$147,000
Total Non-operating Expense	\$3,109,119	\$3,113,119	\$3,117,119	\$3,121,119	\$3,126,119
Cash Flow	\$421,881	\$522,881	\$628,881	\$736,881	\$847,881
Cumulative Cash Flow	\$883,835	\$1,406,717	\$2,035,598	\$2,772,480	\$3,620,361
Cumulative Replacement Reserve	\$831,918	\$965,918	\$1,103,918	\$1,245,918	\$1,392,918
Debt Service Coverage Ratio	1.19	1.22	1.26	1.30	1.33

- ◆ Personnel Expenses
 - ◆ Repair/Maintenance
 - ◆ Supplies
 - ◆ Administrative Expenses
 - ◆ Utilities
-
- ◆ Debt Service
 - ◆ Replacement Reserve

FINANCIAL IMPLICATIONS

INDIRECT EXPENSES

- ◆ Campus Dining
- ◆ Student Union
- ◆ Recreation Facilities
- ◆ Health Center
- ◆ Counseling
- ◆ Parking
- ◆ Security/Safety
- ◆ Risk Management
- ◆ Debt Capacity



FINANCIAL IMPLICATIONS

INDIRECT EXPENSES

◆ Food Service

- Apartment-style units will mitigate need for a full service operation
- Traditional / Suite Style will require expanded dining services
- Additional expenses associated with expansion services should be supported by increase usage / revenue

◆ Security

- Safety and security are critical issues
- Need to provide security specially trained to deal with residential life issues

◆ Residential Services

- Create residential life component under Student Development
- RA's – RD's

FINANCIAL IMPLICATIONS

INDIRECT EXPENSES

- ◆ Counseling
 - Counseling can be supported by trained RA's and RD, as well as existing services provided by College
- ◆ Student Activities
 - Extend weeknight and weekend activities
 - Expanded to support additional recreation and fitness opportunities
- ◆ Health Services
 - Expanded health services should be considered which may include integration with local health services
- ◆ Parking
 - New housing should alleviate existing parking issues on campus

FINANCIAL IMPLICATIONS

INDIRECT EXPENSES

STUDENT SUPPORT SERVICES STAFF										
Additional HCC Staff	Category	Staff Req.	Annual Comp.	Hourly Rate	Hours/Day	Total Days	Total Hours	Weeks	Benefits	Total Comp.
Disability Support/Advising	Full-Time	1	\$45,000	-	-	-	-	-	\$15,000	\$60,000
International Student Support	Full-Time	1	\$40,000	-	-	-	-	-	\$13,000	\$53,000
Tutoring/Testing	Part-Time	2	-	\$12	2	5	20	30	\$550	\$7,750
Library	Part-Time	2	-	\$12	2	7	28	30	\$550	\$10,630
Recreation Center	Part-Time	1	-	\$12	3	5	15	30	\$415	\$5,815
Fitness Center	Part-Time	1	-	\$20	2	5	10	30	\$460	\$6,460
Educational/Health/Wellness/Enrichment Programming	Part-Time	1	-	\$17	2	5	10	30	\$390	\$5,490
Student Judicial Services	Part-Time	1	-	\$17	4	5	20	30	\$780	\$10,980
Subtotal Support Services Staff										\$160,125

CONTRACTED SERVICES				
Services	Amount	Cost	Students	Total
Counseling/Mental Health Services				
Mental Health/Threat Assessments	25	\$300	-	\$7,500
Therapy	5	\$125	25	\$15,625
Staff Consultation and Guidance	25	\$200	-	\$5,000
Legal Services				
Start-Up Consultation on Policies	40	\$300	-	\$12,000
Ongoing Consultation for CARE	2	\$300	25	\$15,000
Subtotal Support Services Staff				\$55,125

FINANCIAL IMPLICATIONS

DEVELOPMENT OPTIONS

Traditional Approach

- College Financed with Tax-exempt Bonds Through Auxiliary System
- Student Rents or Fees Used to Retire Debt

Affiliated Non-Profit Sponsored Development

- College Partners with Associated 501(c)3 Organization
- Project Backed with/without a Master Lease from the College

Private Development/Unaffiliated

- No Other College Involvement
- Master Lease

FINANCIAL IMPLICATIONS

DEVELOPMENT OPTIONS

	College	Affiliated	Private Developer
Cost of Capital	Lowest	Middle	Highest
Speed of Delivery	Slowest	Closer to Private Developer	Fastest
College Control Program, Operations, Tenants, etc.	Greatest	Need for control; manage the developer	Least
College Risk Construction, Financing, Lease-up, etc.	Greatest Exposure	Some Exposure	Least Exposure
College Financial Impact / Debt Capacity	Greatest Exposure / Opportunity	Some Impact	Least Exposure / Opportunity

FINANCIAL IMPLICATIONS

DEVELOPMENT OPTIONS

DEVELOPMENT LESSONS LEARNED

- ◆ Understand your Financing Limitations
 - Access to 501(c)3 or Development Agencies
- ◆ Know Your Break-Even Point
 - Critical Mass for Capital Costs
 - Possible Use of Residential Fees to Offset Operations
- ◆ Plan for Reserves
 - Mitigate Deferred Maintenance
 - Pros and Cons of Subordinated Expenses
- ◆ Public Land Use / Site Acquisition
 - Land can be Viewed as a Public Subsidy

DISCUSSION



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