

Assessing the True Cost of Student Housing for Community Colleges

by Craig Levin and Matt Bohannon

A campus housing project can only truly be successful if it is in line with the strategic mission of the institution.

FLUCTUATING ECONOMIC CONDITIONS, ongoing state budget cuts, increasing tuition rates, changing demographics, and shifting expectations continue to change the landscape of higher education. Universities and colleges across the country are addressing the impact of both the recession and shifting demographics on recruitment and retention. Enrollment at some four-year institutions has followed a downward trend; for example, the California State University system enrolled 24,000 fewer students in 2010 than in 2007, while tuition increased 53 percent (The California State University 2013). A report from Moody’s published in January 2013 discusses how the economy is affecting enrollment and tuition revenue at U.S. colleges and universities (Moody’s Investors Service 2013). The report attributes declining enrollment to decreases in the perceived value of higher education by students and increases in tuition prices over the last decade. While traditionally many students sought to attain a degree or go back to school for additional training during tough economic times, the report suggests that students today are seeking more affordable options (community college), choosing to study part time, or electing to bypass college and enter the workforce.

Decreased enrollment, enrollment caps, and the growing cost of tuition at public four-year institutions have increased pressure on private schools and community colleges to support the education of more students. According to the American Association of Community Colleges (2013), enrollment at community colleges reached its highest level in 2010. Although enrollment decreased slightly in 2011, it remains up 21.8 percent since the fall of 2007. Further, student demographics at community colleges are changing. Greater numbers of traditionally-aged students (18–24 years)

are enrolling at community colleges because of access and affordability, and non-traditional students are returning for job retraining or through the GI Bill. The median age of a community college student continues to decrease, and more students are enrolling on a full-time basis (American Association of Community Colleges 2013). Figure 1 shows the increase in enrollment and the higher percentage of students enrolling on a full-time basis over the last decade.

Figure 1 **Community College Enrollment 1996–2010**

Year	[In thousands]			
	Two-Year Enrollment	Full Time	Part Time	
	Total	% Change	% of Total	
Actual				
1996	5,563	N/A	37%	63%
1997	5,606	0.8%	37%	63%
1998	5,489	-2.1%	38%	62%
1999	5,654	3.0%	38%	62%
2000	5,948	5.2%	37%	63%
2001	6,251	5.1%	38%	62%
2002	6,529	4.5%	39%	61%
2003	6,494	-0.5%	41%	59%
2004	6,546	0.8%	41%	59%
2005	6,488	-0.9%	41%	59%
2006	6,519	0.5%	41%	59%
2007	6,618	1.5%	41%	59%
2008	6,971	5.3%	41%	59%
2009	7,521	7.9%	43%	57%
2010	7,681	2.1%	44%	56%

Source: Fall Enrollment Survey (IPEDS-EF: 96–99); IPEDS Spring 2001 through Spring 2011, Enrollment Component; and Enrollment in Degree-Granting Institutions Model, 1980–2010. U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). This table was prepared January 2012.

ESTABLISHING A COMPELLING VISION FOR COMMUNITY COLLEGE STUDENT HOUSING

Nationwide, colleges and universities recognize the important role that student housing plays in meeting institutional goals and enhancing campus life. Historically, providing on-campus housing has not been part of the community or technical college fabric, although increasing demand and shifting demographics have made a number of institutions reconsider providing this strategic service. Deciding to get into the world of student housing should not be taken lightly and requires careful planning. There are several options for developing student housing, and each state has different regulations that dictate how housing can be developed and financed.

A campus housing project can only truly be successful if it is in line with the strategic mission of the institution. Housing can assist in the recruitment of international students, student athletes, and out-of-district residents. Surveys across college campuses have found that these students are more likely to live in campus housing. These students may also provide the institution with additional tuition income. A residential complex will also help strengthen the campus community by establishing a 24–7 presence that requires the development of programming, activities, and campus connections. Numerous studies and analyses, including *How College Affects Students* by Pascarella and Terenzini (2005), note that students living on campus consistently matriculate and graduate at higher rates. The addition of a 24–7 population will also increase the demand for facilities like student unions, libraries, and fitness centers across all hours of operation. Further, many campuses have found that the addition of campus residences provides an opportunity to better manage parking demand as fewer trips to campus occur.

While the main market for student housing remains traditionally-aged students transitioning from high school to higher education, the issues involved are the same whether the housing is at a two-year or four-year institution—recruitment, student life programming, judicial affairs, and

food service, to name a few. However, there are two key differences between community and four-year colleges when it comes to student housing. First, community colleges enroll students across a much wider age spectrum, thus expanding market potential and influencing the type of units to be built. Second, four-year institutions are more likely to have established infrastructure related to housing and student life, which reduces the overall cost of any improvements.

The following is a list of benefits of developing campus housing (see figures 2 and 3) specific to a community college in New York:

- » Greater sense of community on the part of students
- » Enhanced quality of campus life
- » Enhanced academic experience
- » Increased retention, particularly of those outside commuting area
- » Greater appeal to students who want a residential life experience
- » Increased enrollment

The financial impact of campus housing must also be addressed in concert with institutional strategic drivers. Simply building housing, or master-leasing a nearby apartment complex, may not provide enough revenue to justify the expense. To maximize the return on investment, colleges must address those areas across campus that interface with housing. All of the direct and indirect costs involved must be assessed prior to moving forward with a student housing development. The direct costs are all the expenses related to owning and operating the housing, while the indirect costs are those expenses associated with the services critical in supporting the housing.

Figure 2 **Broome Community College Housing Development: Rear Façade**



DIRECT COSTS

Housing, like other auxiliary operations, is typically self-sustaining, whereby the revenue generated through room rents covers the operation and associated debt of the project. In developing a housing financial model, the direct costs are typically fairly straightforward and cover the following areas:

- » SALARIES AND BENEFITS OF FULL-TIME STAFF. Positions typically include a residence hall director, program coordinator, and/or administrative staff.
- » PART-TIME WAGES. Students are often employed as front desk staff and resident hall/community advisors, which must be budgeted in any pro forma.
- » ANNUAL BUILDING UPKEEP. Budgets for annual repairs include painting, maintenance and testing of equipment such as HVAC, custodial services for public spaces and possibly in-unit restrooms, and administrative supplies. A major decision must be made as to whether this service can be supported in-house or should be contracted through a third party.
- » UTILITIES FOR THE BUILDING including electricity, gas, cable television, Internet, sewage, and trash removal. The cost of utilities will vary by campus and project. Including student housing in any campus utility loops will reduce the overall burden on the project. In speaking with a campus that recently added housing,

Figure 3 **Broome Community College Housing Development: Front Entry**



the one expense that was not properly budgeted was trash hauling, which can be significant.

- » ADMINISTRATIVE EXPENSES AND CAMPUS OVERHEAD. These budget items include allocations for student programs and activities, liability insurance, property insurance, professional staff associations and conference travel, and any chargebacks to the individual campus or system.
- » DEBT SERVICE OR LEASE PAYMENTS. There are different levels of construction quality that need to be carefully analyzed when developing any project budget because they can have a significant impact on rent levels. Developing an “institutional quality” facility can push rent levels to those beyond the means of students.
- » REPLACEMENT RESERVES for major capital projects or furniture, fixture, and equipment renewal. The amount allocated for this is typically calculated by the cost per square foot of construction times the number of beds.

Figure 4 shows the direct operations costs and debt service for the recently planned residence hall facilities at six institutions. It is important to note that there is a wide spectrum of costs associated with housing developments. Three key factors that drive cost-per-bed metrics include

location of the project, quality of construction, and level of operations and programming. Construction cost per square foot will vary by state and region, with California and New York seeing some of the highest premiums. Projects built on college-owned land may require prevailing wages while off-campus developer projects may not. Looking at the six institutions included in figure 4, the average annual costs are approximately \$2,480 for operations and \$5,200 for debt service, per bed.

Figure 4 **Annual Cost of Direct Operations and Debt Service Per Bed for Student Housing at Six Institutions**

Annual Costs	\$ Per Bed Operations	\$ Per Bed Debt Service	Number of Beds
Institution A	\$2,540	\$6,000	490
Institution B	\$3,190	\$3,100	380
Institution C	\$2,120	\$3,300	440
Institution D	\$2,310	\$4,600	330
Institution E	\$2,950	\$6,800	100
Institution F	\$3,950	\$7,600	520
Average:	\$2,843	\$5,233	377

INDIRECT COSTS

Whereas determining direct costs is straightforward, projecting indirect costs requires additional assessment and strategic thinking on a more global level. Introducing housing to a community college campus will affect several areas of campus life including dining, security, recreation, transportation, staffing and hours of operation, and student programming. Unlike traditional four-year institutions, community colleges and technical schools have limited activity after a certain hour and limited resources to “entertain” and keep students engaged. Additional programs and services will be needed to support a 24-hour operation, which will affect the overall operating costs of the college. The types of units developed (e.g., suites vs. apartments) will also affect the services required. The following areas will be affected by the addition of on-campus housing:

- » **FOOD SERVICE.** Developing apartment-style units will mitigate the need for a full-service food operation, although hours may need to be extended at existing facilities to support late-night dining. If the college develops units without kitchens, then dining services may need to be expanded or created to offer full or partial meal plans. In both cases, additional expenses associated with expanded or extended services should be covered by increased usage. Keep in mind that communal dining is a crucial part of building a sense of community, which is one of the main objectives in building campus housing. While having kitchens lessens the demand for dining, the college needs to consider this broader social objective.
- » **SECURITY.** Safety and security are critical issues for most students, so providing security personnel who are specifically trained to deal with residential life issues is important.
- » **RESIDENTIAL SERVICES.** Creating a residential life component is important to support a variety of activities and services specific to housing. This includes staffing resident advisor (RA) and director (RD) positions that provide specific programs aimed at integrating students into campus life. It should be noted that several third-party operators have integrated this component into their core services.
- » **COUNSELING.** National trends indicate that the prevalence and severity of mental health issues among college students are increasing. Providing counseling services in a confidential and professional manner is an important consideration.
- » **HEALTH SERVICES.** Health services should be considered in order to support residents. This may include integration with local health services.
- » **PARKING.** New housing is expected to include dedicated parking for residents, which is an attribute that students rank as important.

- » STAFFING/HOURS OF OPERATION. The operation of existing facilities such as the library and student recreation building as well as other services will need to be extended to provide availability for students during evenings and weekends.
- » ACADEMIC INTEGRATION. Several schools are exploring opportunities to integrate the academic and residential experience through living/learning communities.

To determine the true cost of these areas, an institution must understand what resources are currently in place and what gaps exist. Once these gaps are identified, consideration should be given as to whether these areas will be handled in-house or contracted to a third party, which may minimize some of the costs and risks to the institution. Unlike direct costs, which will be covered by revenue, the indirect costs recovery model is unique to each institution. One of the strategic objectives involved when considering housing is the positive impact it can have on recruitment and retention. As a result, many institutions anticipate that indirect costs will be covered by increased tuition revenue from new students.

CONCLUSION

Student housing can have a wide-ranging impact on a college campus, and properly planning a potential development is critical to its success. The benefits of student housing will be maximized only when the planning and decision-making process involves departments across campus. Planning efforts should address the quantitative and qualitative needs of the campus in order to establish the feasibility of and support for future student housing developments.

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