THE TRUE COST OF STUDENT HOUSING

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

BRAILSFORD & DUNLAVEY
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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
Program Management Firm with In-House Planning Capabilities

- Over 500 Projects at Collegiate Institutions
- Over 250 Housing Studies
- Nearly 30 Community Colleges
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
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

Feasible Concept

- Room Rents
- Debt Service
- Operating Costs
- Construction Costs
### Financial Implications

#### Operating Proforma

<table>
<thead>
<tr>
<th>Academic Year (Fall)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
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</thead>
<tbody>
<tr>
<td><strong>Project Summary</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Beds</td>
<td>493</td>
<td>493</td>
<td>493</td>
<td>493</td>
<td>493</td>
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<tr>
<td>Revenue Generating Beds</td>
<td>482</td>
<td>482</td>
<td>482</td>
<td>482</td>
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<tr>
<td>Square Feet</td>
<td>174,081</td>
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<tr>
<td>Revenue Per Bed</td>
<td>$9,707</td>
<td>$9,997</td>
<td>$10,298</td>
<td>$10,606</td>
<td>$10,925</td>
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<td>Operating Cost Per Bed</td>
<td>$2,539</td>
<td>$2,617</td>
<td>$2,694</td>
<td>$2,775</td>
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<td>Revenue Per Square Foot</td>
<td>$27.47</td>
<td>$28.29</td>
<td>$29.14</td>
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<td>Operating Cost Per Square Foot</td>
<td>$7.19</td>
<td>$7.40</td>
<td>$7.62</td>
<td>$7.85</td>
<td>$8.09</td>
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<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Gross Academic Year Lease Revenue</td>
<td>$4,841,000</td>
<td>$4,986,000</td>
<td>$5,136,000</td>
<td>$5,290,000</td>
<td>$5,448,000</td>
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<td>Academic Year Lease Vacancy</td>
<td>-$242,000</td>
<td>-$249,000</td>
<td>-$257,000</td>
<td>-$264,000</td>
<td>-$272,000</td>
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<tr>
<td>Other Revenue</td>
<td>$183,000</td>
<td>$186,000</td>
<td>$194,000</td>
<td>$200,000</td>
<td>$206,000</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$4,782,000</td>
<td>$4,925,000</td>
<td>$5,073,000</td>
<td>$5,225,000</td>
<td>$5,382,000</td>
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<tr>
<td><strong>Operating Expense</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Personnel Expense</td>
<td>$300,000</td>
<td>$309,000</td>
<td>$318,000</td>
<td>$327,000</td>
<td>$337,000</td>
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<tr>
<td>Contract and Repair/Maint. Expense</td>
<td>$223,000</td>
<td>$229,000</td>
<td>$236,000</td>
<td>$243,000</td>
<td>$250,000</td>
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<td>Supplies and Admin. Expense</td>
<td>$57,000</td>
<td>$59,000</td>
<td>$61,000</td>
<td>$63,000</td>
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<tr>
<td>Marketing/Leasing Expense</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$6,000</td>
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<td>Utilities Expense</td>
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<td>$328,000</td>
<td>$338,000</td>
<td>$348,000</td>
<td>$368,000</td>
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<tr>
<td>Other Expense</td>
<td>$244,000</td>
<td>$252,000</td>
<td>$259,000</td>
<td>$267,000</td>
<td>$275,000</td>
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<tr>
<td>Tax Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>SUNY Canton Expense</td>
<td>$103,000</td>
<td>$106,000</td>
<td>$110,000</td>
<td>$113,000</td>
<td>$116,000</td>
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<tr>
<td><strong>Total Operating Expense</strong></td>
<td>$1,251,000</td>
<td>$1,289,000</td>
<td>$1,327,000</td>
<td>$1,367,000</td>
<td>$1,408,000</td>
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<tr>
<td><strong>Net Operating Income</strong></td>
<td>$3,531,000</td>
<td>$3,636,000</td>
<td>$3,746,000</td>
<td>$3,858,000</td>
<td>$3,974,000</td>
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<tr>
<td><strong>Non-operating Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Annual Debt Service</td>
<td>$2,979,119</td>
<td>$2,979,119</td>
<td>$2,979,119</td>
<td>$2,979,119</td>
<td>$2,979,119</td>
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<tr>
<td>Replacement Reserve</td>
<td>$130,000</td>
<td>$134,000</td>
<td>$138,000</td>
<td>$142,000</td>
<td>$147,000</td>
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<tr>
<td><strong>Total Non-operating Expense</strong></td>
<td>$3,109,119</td>
<td>$3,113,119</td>
<td>$3,117,119</td>
<td>$3,121,119</td>
<td>$3,126,119</td>
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<tr>
<td><strong>Cash Flow</strong></td>
<td>$421,881</td>
<td>$522,881</td>
<td>$628,881</td>
<td>$736,881</td>
<td>$847,881</td>
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<tr>
<td>Cumulative Cash Flow</td>
<td>$883,835</td>
<td>$1,406,717</td>
<td>$2,035,598</td>
<td>$2,772,480</td>
<td>$3,620,361</td>
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<tr>
<td>Cumulative Replacement Reserve</td>
<td>$831,918</td>
<td>$965,918</td>
<td>$1,103,918</td>
<td>$1,245,918</td>
<td>$1,392,918</td>
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<tr>
<td><strong>Debt Service Coverage Ratio</strong></td>
<td><strong>1.19</strong></td>
<td><strong>1.22</strong></td>
<td><strong>1.26</strong></td>
<td><strong>1.30</strong></td>
<td><strong>1.33</strong></td>
</tr>
</tbody>
</table>
FINANCIAL IMPLICATIONS

INDIRECT EXPENSES

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

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FINANCIAL IMPLICATIONS

- 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

#### STUDENT SUPPORT SERVICES STAFF

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

#### CONTRACTED SERVICES

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<th>Services</th>
<th>Amount</th>
<th>Cost</th>
<th>Students</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Counseling/Mental Health Services</td>
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<td></td>
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<tr>
<td>Mental Health/Threat Assessments</td>
<td>25</td>
<td>$300</td>
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<td>$7,500</td>
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<tr>
<td>Therapy</td>
<td>5</td>
<td>$125</td>
<td>25</td>
<td>$15,625</td>
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<tr>
<td>Staff Consultation and Guidance</td>
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<td>$200</td>
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<td>$5,000</td>
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<tr>
<td>Legal Services</td>
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<tr>
<td>Start-Up Consultation on Policies</td>
<td>40</td>
<td>$300</td>
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<td>$12,000</td>
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<tr>
<td>Ongoing Consultation for CARE</td>
<td>2</td>
<td>$300</td>
<td>25</td>
<td>$15,000</td>
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</table>

Subtotal Support Services Staff: $55,125

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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

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

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
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