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# What is your campus worth? - by Joanne Pizzo

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Joanne Pizzo

“We shape our buildings; thereafter, they shape us.” In these days of institutional angst regarding decreasing net revenue, a growing stock of deferred maintenance and redundant real estate, and uncertain, declining enrollment, that well-known Sir Winston Churchill quote still holds water, especially when considering the college campus. Few places evoke a sense of belonging like a college campus. Alumni often express nostalgic feelings for the place that served as a bridge between home and society, between childhood and adulthood, a time of unfettered learning and growing. There exists a long-term power of special, transformational – even sacred – places on campus to engage, influence, and create a lasting relationship between student and institution.

At the same time, however, the college campus is the physical manifestation of a business, a business that isn’t going so well right now.

The Campus Growth Paradox: Even before the COVID-19 pandemic emptied campuses, colleges and universities faced unprecedented changes, foundational vulnerabilities that included declining enrollments, decreased funding, changing pedagogies and increased competition, increased debt and deferred maintenance, and even opaque accounting methods. These challenges to the Higher Ed industry face nearly every college and university in the United States. Declining numbers of traditional college-age students and increased competition among colleges for those students are pressuring institutional budgets. Student preferences and attitudes toward higher education are changing. Traditional physical infrastructure and personnel processes do not always support timely responses to challenges. Ultimately, there will be too much capacity, and not enough demand. While prestigious universities such as Harvard and MIT – those with large endowments – are relatively immune, smaller colleges, state funded colleges and community colleges face imminent risk of collapse.

For years, the goal of a college education has been a goal for most Americans. While this is a laudatory pursuit that often provides upward mobility (providing benefits to society at large, as well as to the individual), it should also be recognized that the higher education system also employees a good number of people and serves as an economic powerhouse and a cultural foundation. As colleges and universities, in economic disarray, merge or close, the economic engine they provide disappears or is threatened, and cultural offerings fall by the wayside.

College and universities, flush with students and cash derived from increasing tuition and/or state budgetary largesse, have for years competed with each other by building shiny new buildings. Between 2008 and 2018, expansion on college campuses ranged from 8.5% to 19%: much of this expansion was driven by a need to replace or renovate aging infrastructure, to keep pace with programmatic changes and to meet student expectations. It cannot be ignored, however, that much of this expansion occurred at a time when serious, yet seemingly ignored, demographic and economic change was underway, and that recent events, including the COVID-19 pandemic, have exposed a shaky foundation and misplaced optimism. As decreases in funding slow or halt the great expansion, colleges and universities face a future inconsistent with further expansion. Particularly hard hit are their current physical assets. Even before the pandemic, institutions were experiencing the following:

1. Making necessary facilities investments was becoming increasingly harder: A good number of colleges and universities face a significant facilities needs backlog. Assuming improving fundamentals – enrollment, state funding, grants/other sources of capital – will be available & allow facilities to “catch-up” and eliminate the backlog is no longer a viable option. In 2018, there existed a 20% shortfall in budgeted dollars to steward and reinvest in existing facilities; below this level guarantees some demands being deferred to future year(s), furthering the degradation of important assets

2. Aging facilities were driving up costs: The two greatest surges of construction - the first wave peaked 1970 and has yet to undergo significant renovation, and the second wave peaked 2005 and is approaching first major round of lifecycle investments - will produce equipment and system lifecycles that will overlap in about ten years, imposing burdens on facilities re-investment.

3. Facilities deficiencies were making it harder to compete: In the face of increasing competition, where the best campus is thought to attract the best, or at least the most, students, maintenance-challenged or boarded-up buildings in the middle of campus can be a challenge during tours, as can being unable to afford enhanced technology, the lastest “must-haves,” or even the recent “face-lift.”

4. Shuttered buildings: The deferred maintenance backlog is leading to some campus buildings being completely shut down rather than fixed or renewed. This “Sword of Damocles” dilemma – whether to expend capital resources to maintain outdated, inefficient and half-empty buildings, or to absorb the significant costs of demolition and removal – is causing some colleges choose to simply shutter older structures and let them sit unoccupied.

How can colleges and universities pivot? What are their challenges, opportunities and alternatives? Campuses that adjust NOW will better survive and thrive. Colleges and universities must use realistic capital planning to balance facilities resources with realistic future goals and find opportunities to optimize - or minimize - facilities expenditures and footprints. Following are possible solutions and activities:

Broad Based Strategies:

1. Actionable institutional planning: Establishing priorities over a 10 to 20-year timeframe is very important. Facilities decisions must be part of broad, big picture planning: facilities decisions must be viewed as strategic, a part of institutional priorities, a piece of the institution’s strategic plan.

2. Aligning current & future priorities: Once institutional priorities have been established, alignment of tactical activities and strategic priorities must take effect. Risk assessment will determine which most critical facilities remaining operational.

To determine this, administrators must:

Distinguish between essential assets and merely useful ones/determine areas in which case for reinvestment is weak:

• Use policies and practices that scrutinize a project's validity/consider all options.

• Focus on "why" rather than "why not" - recognize from the outset of decision-making that supporting low income space is not sustainable.

• Start with the assumption that facilities have NOT demonstrated their value and adopt a rigorous process for testing their impact. Even legacy buildings should be under scrutiny: legacy buildings may have current value & usefulness in the future, but at perhaps too high a price.

Supporting long-term priorities:

• Identify & define essential programmatic, research, social and community goals with facilities implications in mind.

• Embrace physical assets that support the future strategic plan: identify which do not, and thoroughly scrutinize them for repurposing or divestment.

• Use objective criteria to evaluate the success or impact of past investments, and only then invest in physical assets that support campus's differentiation from competitors.

3. Participate In Transparent Communication: Make sure that all decision-making material is dispersed, available and understood, and that feedback is methodized and incorporated: doing so builds and maintains trust and community buy-in. Plans should live beyond leadership changes: the context for decisions should be made clear to ensure that happens.

4. Control & Optimize Facilities Expenditures: A reduction in enrollment equals the risk of carrying costly, unneeded facilities. Even with stable enrollment, facilities costs are outpacing revenue, and the best solution might be to reduce the maintained footprint. This can be done by:

- Deaccessioning, densifying or offloading campus real estate

- Developing long-term utilization or succession plans for all buildings - Replacing older existing space with newer, more efficient space

- Understanding best campus space utilization: "no new net space" might be a good place to start planning

A college's or university's real estate assets are an untapped source of potential for unlocking capital, attracting and retaining students, and supporting the academic mission. Disciplined, coordinated, far-sighted, interactive and inter-related: these characteristics describe the methods and approach colleges and universities must adopt and incorporate into their long-range planning efforts if they want to survive. Effective real estate management strategy is a transparent multi-disciplined combination of analyzing options in conjunction with the institutions strategic vision. As most colleges and universities have as their vision the education and retention of students, a comprehensive and realistic real estate plan can only enhance that goal and increase revenue at the same time.

As innovators in the field of higher education, facilities assessment, and real estate development, the Planning Plus team is known for our expertise in academic leadership, finance, and development. We formed our team specifically to meet this moment of acute crisis within the higher education sector. We find solutions with our clients and we stay with them throughout the planning and implementation stages. We believe in our concept and we are eager to partner with those willing to think outside the box

Joanne Pizzo is a co-founder of Planning Plus, Philadelphia, Penn.