

New and Vintage Appeal

Today's campuses seek affordability and placemaking in new developments, while balancing the upkeep and care of legacy stock.

By Lynn Peisner

On-campus housing says more about a university's educational identity and reputation today than ever before. "Gen Z is more focused on academic success and achievement versus their immediate predecessors," says Jay Pearlman, senior vice president, advisory services, with The Scion Group. "As a result, housing is viewed more and more as an extension of the academic experience."

That's a high expectation as most large institutions carry deferred maintenance sometimes into the billions of dollars on 1960s-era dorms and housing even older than that. Pearlman says the average reinvestment backlog is nearly \$100 per square foot, according to The State of Facilities in Higher Education. When the cost becomes untenable, universities often look to the private sector.

"The Scion Group is frequently involved in strategic planning initiatives that look at a school's entire housing portfolio in order to make the decision to repair or replace."

Deciding what to update, when to update, and, more importantly, how to update, are decisions that are very carefully vetted by universities. And it can be a long, slow uphill haul against a seemingly endless mountain of deferred maintenance and required channels of approvals. Still, universities throughout the country continue to deliver and plan for high-quality on-campus housing.

Campuses Weigh Options

At the University of Illinois at Urbana-Champaign, a renovation and new construction project

is underway that will update the 53-year-old Illinois Street Residence (ISR) Hall and increase dining capacity from 750 seats to 1,385. The two phases will both be complete by August 2021.

"Conversations about this project started in 2011," says Alma Sealine, director of university housing at the University of Illinois at Urbana-Champaign. "We did not start construction until last summer. It was a long process of making sure that our colleagues and stakeholders were onboard and understood the need for our project. We also had to make sure that we had the funding necessary to be able to invest in that project."

Housing officials knew it was time for a replacement when leaks started causing flooding in student rooms. "When we investigated, we found several pin-hole leaks that were contributing to the flooding. This then resulted in a feasibility study, during which pipes were coming off when we peeled back the insulation. Every year, the number of gallons that we were losing due to leaks was multiplying by at least five times."

The university houses 11,000 students on campus in 26 residence halls and three apartment complexes totaling approximately 3.75 million square feet. Its oldest residence hall is 100 years old. According to a long-range facility master plan from 2011, the university carried \$1.2 billion in deferred maintenance. That figure has likely shifted some as the university has opened three new residence halls since then. Approximately \$6 million per year is spent to address ongoing main-

tenance and renovation projects.

The university is currently working with a consultant to determine the feasibility of using a P3 model — the current project did not engage a private partner. Sealine says the most important required outcome with any potential P3 is not having to raise rates for students. "We are very conscientious about the covenants we have in our existing debt," she says. "We have buildings that the debt has been paid off, and those balances that have been paid off allow us to keep our rates lower in our new construction so that we don't have a perception of haves and have-nots in the inventory we provide."

Sealine says mechanical, electrical and plumbing systems are top of mind when prioritizing the moving pieces of addressing deferred maintenance. According to Jeff Turner, who leads Brailsford & Dunlavey's Higher Education Practice Group, many universities face problems far more serious than leaky pipes, keeping deferred maintenance needs in the red zone for older housing stock.

"For the most part, the majority of P3s these days are for new construction," says Turner, "which still leaves a school with a huge amount of deferred maintenance on their older buildings. We are seeing schools focus on smaller renovations that address cosmetic items like paint, carpet and new furniture, but they are still pushing the larger items, such as HVAC, into the future. This past fall, mold forced a few schools to close residence halls. This is now a hot topic among student housing directors and the entire industry."

Julie Skolnicki, executive vice president of university partnerships for Greystar, which has \$1.7 billion of awarded and under-development projects on campuses, says universities are just beginning to consider using the private sector to alleviate deferred maintenance in a number of new and interesting ways.

"Transferring that deferred maintenance risk onto an experienced student housing operating and facility management partner is a conversa-



JAY PEARLMAN
Senior Vice President,
Advisory Services,
The Scion Group



Greystar is developing and will manage SouthSide Commons at Lehigh University in Bethlehem, Pennsylvania. The 428-bed community will open in August.

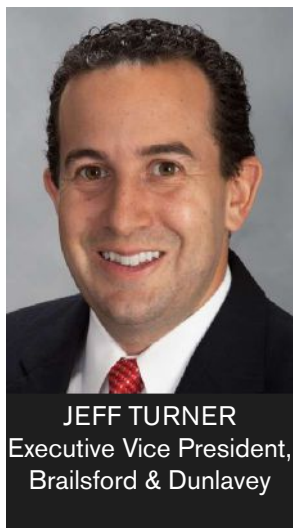
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tion we're having with a number of campuses," she says. "There are several RFPs on the street right now exploring these options." Removing risk could occur through building replacement or an acquisition followed by a full facilities renovation and maintenance program — the possibilities are almost endless. "I think universities are really maturing in their thinking about credit and balance sheet treatment," Skolnicki says. "And one way to improve an institution's credit is to actually pull liabilities like deferred maintenance off of the balance sheet. Taking the long-term operating cost off of the balance sheet can be really credit-positive for an institution."

P3 priorities tend to depend on the school and the type of work they're looking to do on their campus grounds. Pearlman says that, overall, universities that are adding first-time housing, such as community colleges, tend to benefit from the private sector building and managing housing, while universities with established housing programs are primarily concerned with low impact on debt capacity or decreased operating

costs. But universities know P3's most famously for speed of delivery.

"It's very clear that a P3 can get a product to market so much faster than the process that we have to use here at the university," says Sealine. "For example, for us to get to the place of starting the renovation at ISR, where we're doing the dining and the residence halls, it took four years. Whereas if it were with a P3 partner they could get that to market probably in 18 months. That is very attractive."



JEFF TURNER
Executive Vice President,
Brailsford & Dunlavey

Top On-Campus Managers

Rank	Company Name	Headquarters	Number of on-campus properties managed	Number of beds managed on campus
1	American Campus Communities	Austin, TX	73	54,971
2	COCM (Capstone On Campus Management)	Vestavia Hills, AL	62	35,850
3	Corvias	East Greenwich, RI	12	18,064
4	Greystar	Charleston, SC	31	17,694
5	Campus Living Villages	Houston	19	12,053
6	RISE: A Real Estate Company	Valdosta, GA	6	6,671
7	Servitas	Irving, TX	3	4,280
8	Peak Campus	Atlanta	7	3,725
9	Campus Apartments	Philadelphia	5	3,212
10	The Scion Group LLC	Chicago	5	1,800

Source: Student Housing Business Research

Controlling Cost

Keeping housing costs reasonable for students is the number-one concern for most universities moving forward. "Students consistently report that affordability is a key determining factor in their housing decision," says James Wilhelm, executive vice president, public private transactions, with American Campus Communities. ACC currently has 13 phases of development in progress, totaling about 16,600 beds. Eight phases are utilizing the equity or ACE model, while five projects are being third-party developed.

"The [affordability] market dynamic continues to drive much of the decision making in today's development environment," says Wilhelm. "Students, parents and universities are very focused on ensuring affordable student rental rates. Our current on-campus developments emphasize very efficient units, generous fitness facilities, sustainable building features and academically oriented amenities such as group and individual study spaces."

For example, working in partnership with the University of California, Berkeley, ACC delivered a resi-



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dence hall in fall 2018 where affordability was a priority. Wilhelm says the community recasts the approach to traditional residence halls by delivering affordable shared accommodations in an academic-supportive design. The 781-bed residence hall for first year students is organized into a series of pods made up of double-occupancy rooms and gender-inclusive bathrooms.

“The focus on affordability is something that we’re seeing more and more, especially as the off-campus communities have gotten more amenitized and expensive,” says Skolnicki. “So a lot of our efforts with universities are focused on delivering great institutional quality buildings in the most affordable way.”

Skolnicki says there are a number of ways to support delivering a development that students will be able to afford. To begin with, it’s important to put together a financial and ground lease structure at good rates in spite of construction costs and other market challenges. Also, locating buildings near campus amenities can save costs as well as utilizing modular construction and incorporating sustainability features to reduce utility costs.

“Some schools are saving money by abandoning bulk cable TV or not installing coaxial cable in student rooms at all,” Pearlman adds.

Edge of Town and Gown

Many universities are building projects that provide a gateway, or a

sense of place with a wow factor that lets visitors know they’ve left the city and arrived at a campus that’s teeming with life.

An early gateway project that set a precedent for such developments was Storrs Center at the University of Connecticut. EdR’s \$169 million project, which was started in 2004 and opened in 2012, has been reviewed and toured frequently over the years by other universities looking to develop something similar.

“It created a campus edge and a college town where there wasn’t one,” says Skolnicki. “That was one of the most prominent gateway projects. It’s pretty compelling in terms of placemaking and enhancing the brand of the campus.” Greystar is currently working on gateway projects at Sacramento State University and Salisbury University.

“These projects are targeted to upper classmen in strategic locations for the university from a real estate perspective,” says Skolnicki. “They extend the campus land a little bit further into the community.”

The Nicholson Gateway project at Louisiana State University, which opened in August 2018, transformed what had been the back of the campus into a new gateway district.

“The entrance to campus on this particular tract of land was not well defined,” says Patrick Martin, assistant vice president of real estate, public partnerships and compliance with Louisiana State University. “We had these gates, these former old brick columns on either side of the road,

Top Third-Party On-Campus Managers

Rank	Company Name	Headquarters	Number of beds managed third-party on campus
1	COCM (Capstone On Campus Management)	Vestavia Hills, AL	35,850
2	American Campus Communities	Austin, TX	24,027
3	RISE: A Real Estate Company	Valdosta, GA	6,671
4	Greystar	Charleston, SC	6,125
5	NB Private Capital	Aliso Viejo, CA	5,400
6	Servitas	Irving, TX	4,280
7	Peak Campus	Atlanta	3,725
8	Campus Living Villages	Houston	3,436
9	Campus Apartments	Philadelphia	2,364
10	The Scion Group	Chicago	1,800

Source: Student Housing Business Research

but the reality is they didn’t distinguish us from the neighborhood next door.”

Martin says LSU opted for a P3, utilizing the services of Brailsford & Dunlavey along with developer RISE: A Real Estate Company, for speed of delivery. The Nicholson Gateway development includes 763 units of apartment-style housing for more than 1,500 students, with associated residential support spaces, such as lounge spaces, study areas, community gathering places and 50,500 square feet of retailers including anchor tenant Matherne’s Market, Frutta Bowls, The Simple Greek, Wendy’s, Private Stock Apparel and a Baton Rouge General Express Care clinic. Phase two will address some deferred maintenance with gut remodels of two older residence halls, Evangeline and Highland Halls. Martin says the university’s goal is to have the capacity to house 85 percent of first-year students on campus.

LSU wanted to maintain a good deal of control over the resulting products of the development, so the university essentially leased the beds back. “It’s ultimately our financial risk,” says Martin. “We guarantee repayment of the bonds very directly through a facilities lease so that we get some efficiencies of the private sector but we don’t give up control of the quality of life in the buildings to the private sector. Providing a high-quality residential life experience is part of our core educational mission, and we wanted to maintain responsibility for that aspect of the new housing.”

Another new gateway project that recently opened is the Capstone Development Partners Harrison Street project The Village at the University of South Florida in Tampa. According to Capstone, the development includes 2,171 beds in five new residence halls, 19,000 square feet of dining commons and a 20,000-square-foot wellness/recreation center all constructed in two phases delivered August 2017 and August 2018. The project provides a combination of semi-suite and traditional style units, a health and wellness facility, outdoor pool, dining facility and retail spaces. The new village is located on the north portion of campus, replacing an older, 1960s-era housing complex.

“The village has been well received by students and the campus as a whole,” says Ana Hernandez, assistant vice president, housing and residential education, with the University of South Florida. “Along with the addition of a Publix grocery store and new roadways adjacent to The Village, the north side of campus has been transformed as we continue to focus on student success in all that we do.” **SHB**

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