The Rules of Attraction

Challenges and Strategies in Admissions and Retention

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Introduction

There’s a change happening across the higher education landscape: the declining population of U.S. high school graduates; changes in education delivery methods; and the prevalence of social media use by freshman candidates, their parents and administrators in the admissions exercise. These issues affect everything from recruitment to admissions to retention. That’s why some colleges and universities are rethinking their strategies to attract and retain students.

Given how much is at stake financially, more and more schools are willing to explore new tactics, whether it’s making sure incoming freshmen are prepared to handle the academic and social rigors of college life, expanding the pool of student prospects or rethinking their tuition discount strategies. Almost nothing is off the table in their efforts to tackle these admission and retention challenges—not even dining halls.

The contents of this book were adapted from my monthly insight articles on the issues and trends in higher education. The ideas presented are based on the ongoing conversations I have with top administrators at a diverse range of colleges and universities. As you read these articles, I hope they inspire you to think about how your institution will approach the evolving higher education landscape.

– Joe Derezinski
About the Author

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Colleges Navigate Enrollment Decline
According to Inside Higher Ed, about 60 percent of admissions directors said they did not meet their enrollment goals in 2013. The severity of the decline varies, but the trend is broad enough to sound alarms throughout admissions departments across the country.

The main driver in this downward trend is demographics. A Western Interstate Commission for Higher Education study found that the number of high school graduates declined in 2012, after steady annual growth beginning in 1996. WICHE predicts this trend will continue for the next several years. For many colleges, there simply aren’t enough warm bodies available to fill the classrooms.

Mining for Gold

As you’d expect, the situation has put some admissions directors on the hot seat. Every college has a different plan for dealing with this, including making financial incentives like grants and scholarships more available (an unsustainable path).

Given that tools like the Common Application have made it easier than ever for students to apply to multiple colleges (the per candidate average is eight), it’s harder for admissions officers to pinpoint the sincere candidates. That’s why the admission directors I’ve spoken with say data mining is becoming an important tool.

Colleges are leveraging information like the types of websites prospective students visit, their social media interactions and their parents’ socioeconomic status. For example, if a student frequently visits websites on climate change, solar and wind energy, and other “green” sites — and if the university has a strong environmental studies program — that candidate would be targeted as a strong prospect and vigorously pursued.

Student retention is a critical component of every college and university’s financial success. But you can’t retain what you don’t have to begin with, and many institutions are currently grappling with declining enrollment. Adding to the challenge is that the reason behind this shift is something that’s not easily reversible.
Colleges Navigate Enrollment Decline

Given the demographic challenges in certain parts of the country, many schools are looking to specific geographic pockets to try to encourage students to attend school farther from home.

That’s a difficult task — approximately 80 percent of college students attend school within 150 miles of their home. (It’s worth noting that California has the opposite problem. The state university system does not have the capacity to meet the increased demand, and schools in nearby states like Arizona, Oregon and Colorado are trying to capitalize on the opportunity.)

Another tactic is trying to attract more transfer students from community colleges, in part because these students tend to have a higher retention rate than incoming freshmen and are typically closer to “full pay.”

Obviously, for colleges dealing with admissions challenges, the stakes are high. Declining admissions means revenue losses, and that affects everything from faculty resources to student services, agency ratings and debt covenants.

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Sources
Given the demographic challenges involved in this trend, admissions directors should ask themselves the following:

- Do you have an admissions marketing plan and goals? Does your university have an identifiable brand? Are you targeting prospective students, parents, alumni, particular geographic regions?
- Are you using a third-party data mining service to target prospective students?

Finance directors should ask themselves the following:

- How are you addressing fixed expenses such as faculty salaries and programming?
- Do you have a plan in place to mothball ancillary services?
- Do you have an enrollment-based budgeting process—with faculty buy-in?
Dining Halls Aid
Retention and Recruitment
Many colleges I’ve met with have upgraded their food service programs to make the physical space both more attractive and more convenient. Gone is the long, single cafeteria line. In its place are food stations that provide more diverse dining options.

Old standbys like hamburgers and mac and cheese are available, of course, but so are extensive salad bars, international foods and locally sourced/organic offerings. Schools are also providing more flexibility in their dining plans, allowing for free repeat dining (for students who like going back for seconds) and unlimited meal plans.

Some colleges are so proud of their new dining options and facilities that they make them a focal point of admissions tours for students and their parents.

Catering to Student Demands

Student recruitment and retention are the drivers behind the new food options. With a more diverse student body, universities are offering more international cuisines. And students in general have been demanding more local and organic offerings.

As for redesigning the dining halls themselves, it’s typically part of a wider reconfiguration of other spaces, such as libraries, study halls and recreation areas to better fit student traffic patterns, as well as their study and social habits. Likewise, colleges have been consolidating their food service facilities into one location for social and efficiency purposes. All of these efforts add to the wow factor that can enhance a school’s image for prospective students.

For many colleges and universities, creating a “wow factor” for campus life is an increasingly important part of the effort to attract and retain students. That includes improving campus facilities to adapt to how students study and socialize, and—perhaps most intriguing—what they eat.
A Budget-Friendly Diet?
It’s important to note that although colleges are revamping the student dining experience, third-party food providers remain the norm. The institutions I’ve met with are encouraging their vendors to provide more locally sourced and organic offerings when possible.

Ideally, colleges have targeted between 20 and 25 percent of the food provided by third-party vendors to be locally sourced, although those figures will vary according to the season. (Location is also a factor—students in Nevada colleges aren’t likely to find locally grown foods in their dining halls.) But meeting this demand may increase a college’s food costs.
An Ominous Cloud on the Horizon
Dozens of campus food pantries have been cropping up on college campuses across the country as educators acknowledge the struggles students face in light of high tuition, textbook and room costs. An organization called College and University Food Bank Alliance represents approximately 50 college food banks across the country, most of which started in the past four or five years. There may be an additional 50 similar food pantries that do not belong to this organization.

For college administrators wrestling with their school’s dining services, it’s important to ask the following questions:

- Have you considered consolidating or enhancing your dining service facilities? Is your current facility a “food line” or a “social experience?”
- Does offering more locally sourced/organic food help your student recruitment/retention efforts?
- How is offering locally sourced food affecting your bottom line? How is it affecting contract negotiations with your third-party providers?
- Do you need to call/investigate the College and University Food Bank Alliance?
Colleges’ Newest Retention Tool: Freshman Boot Camp
Generally speaking, colleges try to achieve at least an 85 percent retention rate of their freshman class. But many institutions fall short of that goal, and for different reasons. First-generation college students are particularly difficult to retain. They don’t have family members who can share their experiences, and first-generation students often feel like outcasts on campus. According to USA Today, more than a quarter of low-income first-generation students leave after their first year, four times the rate of higher-income second-generation students.

The more elite institutions aren’t immune from retention issues, either. The administrators I’ve met with say that students who were high achievers in high school may suddenly find themselves dealing with academic failure for the first time, and that handling the tougher workload and increased competition can be a difficult transition. In any case, students who struggle during their first semester often have a hard time bouncing back.

Spotting the Warning Signs
Some schools are actively identifying incoming freshmen who may have a difficult time adjusting to college life (grade point average and SAT/ACT scores are part of the evaluation). For these students, schools have created a sort of educational boot camp that helps prepare them for the rigors of college. In some cases, students arrive two weeks ahead of the start of the fall term.

They live in the dorms and attend classes while under supervision of a mentor. The process is designed to give incoming freshmen a better sense of what to expect from the college experience. In addition to completing academic assignments, students get advice on:

- Choosing classes
- Time management/study skills
- Social/cultural adjustments
- Budgeting

All college administrators know that maintaining a low attrition rate between the freshman and sophomore years is critical for keeping students through to graduation. That’s why some institutions are becoming more proactive in their retention efforts.
These boot camps, which are often mandatory for the identified students, go beyond the typical three-day freshman orientation; they provide an immersive experience on how to be a successful college student. Students often earn an academic credit for completing the boot camp, and the university keeps track of their progress throughout the year. At Iowa State University, for example, some students are required to start school in the summer term, during which they are placed in remediation.

In January 2014, President Barack Obama held an education summit with more than 100 college leaders to expand access to higher education to low-income Americans. They agreed to take action in a number of areas. Of particular note: “Boosting remedial programs so underprepared students will still have opportunities to succeed.”

A Potential Win for Students and Schools

Along with the benefit to students who might otherwise be at risk of dropping out after a year, the stakes for colleges are obvious. Every student you retain means revenue from tuition, room and board, and other services stays as well (multiply the net tuition per student by the extra number of students retained, and you’ll have a rough baseline of your boot camp’s benefit). But there are also costs involved, such as paying faculty and other staff, and providing rooms and meals to students for an extra two weeks.

Generally speaking, colleges try to achieve at least an 85 percent retention rate of their freshman class.

Sources


And while the college administrators I’ve spoken with have all reported increased retention rates after implementing freshman boot camps, there’s the issue of whether the institutions are only picking the best of the marginal students to be part of the program, thereby skewing the results in their favor.

For many colleges, a freshman boot camp is a sound idea. But administrators should ask themselves the following questions to make sure they’re getting the most out of such a program:

• Are you targeting the right students for success?
• Have you thought about making the program available to a broader base of students?
• Do you have measurement systems in place to determine whether the benefits surpass the costs?
Common App,
Uncommon Problems
According to several news reports, students encountered some glitches on the Common App site after the company rolled out new software in August 2013. In some cases, the system wouldn’t let applicants submit their forms, upload letters of recommendation or send high school transcripts. Students also reported that the system reformatted or deleted portions of their essays, a key element of the application that prospective students often work on for months. Other widely reported hiccups include being charged twice for the same application and difficulties logging in.

Budget Repercussions
The situation is obviously frustrating for students, but it’s also worrying for college administrators. Colleges have typically relied on the number of applications they receive to predict their enrollment for the fall semester.

To be fair, Common App moved quickly to address the problems, and the process provides some clear benefits for admissions directors—the comparison of cross applications with competitors’ schools, for example. But while this is helpful in future recruitment strategies, it does little to aid current-year admissions strategies.

Admissions directors have told me that because the Common App makes it easy for students to apply to multiple schools, the application process has become less reliable as a metric for forecasting fall enrollment, and that has serious budget implications.

Colleges usually create preliminary budgets prior to the fall semester, then conduct a census two weeks after the start of the semester, which allows them to readjust budget priorities. Without a reliable predictor for enrollment, colleges can’t begin to set their budgets until students pay their initial tuition bills. That has implications for money allocated to academic departments as well as salary increases for individual professors. Salary increases used to be determined by the beginning of the fiscal year (July 1); now colleges are waiting until the census number comes in (although the raises—if there are any—are retroactive to the beginning of the fiscal year).

More than 500 colleges and universities use the site from the nonprofit organization Common Application to process student applications. The idea is simple: students can apply to multiple schools using a single form, simplifying the process for both students and college administrators. The reality, however, has been a bit more complicated.
Common App, Uncommon Problems

The situation is particularly stressful now because colleges are currently in the early admissions period. Colleges typically notify early admission applicants by mid-December of their senior year whether they have been accepted. The reported problems with the Common App site appear to have caused some schools to adjust their plans.¹

The University of North Carolina-Chapel Hill, Georgia Tech, Wellesley College and Boston University are among several schools that extended their early admission deadlines. Princeton University, meanwhile, began allowing students to use the Universal College Application, a similar service offered by a different organization.

Colleges are relying more on Common App—applications in the 2012–2013 school year increased 75 percent from the 2008–2009 year.

Source
A Backup Plan?

Colleges are relying more on Common App—applications in the 2012-2013 school year increased 75 percent from the 2008-2009 year, according to the organization’s website. But the current situation has put both colleges and their prospective students in a bind.

That’s why college admissions administrators should consider the following questions about third-party online application sites:

- Are you relying on a single source for applications?
- Do you have a contingency plan in place in the event of a system failure?
- Is your financial aid office engaged early in the application process?
- Do you have a robust plan to follow up with applicants early in the process?
Admissions Challenges, Part 1: Battling the “Discount Beast”
The National Student Clearinghouse reported that overall college enrollment dropped 1.5 percent in 2013, the second consecutive year of falling enrollment.\(^1\)

And the situation isn’t expected to get any better. The National Center for Education Statistics expects the number of high school graduates in the 2022–2023 school year to be 2 percent lower than in 2009–2010, while the population of 18- to 24-year-olds is projected to decline by 4 percent in that time frame.\(^2\)

In the Midwest the situation is exacerbated by declining numbers of high school graduates through 2016, followed by only nominal growth before a sharp decline in 2025. The situation is already taking a financial toll on colleges.

Bond-rating firm Moody’s Investors Service, which rates more than 500 public and private nonprofit colleges and universities, downgraded an average of 28 institutions per year in the five years through 2013—more than double the average in the previous five-year period. Moody’s found that expenses are outpacing revenue at 60 percent of the schools it tracks.\(^3\)

That’s in part because colleges are increasingly using discounts to lure fewer students. According to the National Association of College and University Business Officers, the average freshman tuition discount rate rose to 45 percent in 2012 from about 40 percent in 2008.\(^4\)

### Major Issues

The situation has made recruiting efforts more critical than ever. The big questions for many administrators are: How much is it costing you to recruit new students? What can you do to optimize or control discounts? That’s why some of the college administrators I’ve spoken with are determining the total discount being applied to incoming freshmen within each major the school offers, or by departments.

Here’s a sobering thought for any college admissions or finance officer: enrollment growth in U.S. colleges is expected to reverse over the next several years. Even worse, the root of the problem—fewer high school graduates—is something completely out of their control. That’s why it’s more important than ever to take a critical eye to your recruitment strategies and costs.
Admissions Challenges, Part 1: Battling the “Discount Beast”

Some universities have determined what the average discount is for each department/major (or what’s the net tuition revenue per department/major) with the resulting emphasis on those majors requiring the lower discounts. The “aftershock” of this strategy is less money going to departments with decreasing enrollments, as well as the inevitable hiring freeze, layoffs and program cuts within these departments.

(Warning: The following strategy can result in high anxiety, negative reaction and potential resistance, but that should not preclude a discussion of the topic.)

Another issue to consider is whether you’re comfortable with your institution’s academic quality and the costs required to maintain that quality in the form of higher discounts. That is, how much of a discount are you offering to get a student with an ACT score in the high 20s or low 30s? Most likely, you’re spending more to attract that student than one with a score in the low to mid 20s.

The question becomes: Is this an appropriate strategy for your institution both economically and academically? Or put another way, what is your optimum ACT score (for recruitment purposes) based on your historical discount?

The average freshman tuition discount rate rose to 45 percent in 2012 from about 40 percent in 2008.

Sources


When looking at your overall recruitment costs, admissions and finance officers should ask the following:

• How much are you spending to recruit students on a department/major basis?

• Are you maximizing the majors that produce the best net tuition revenue per student?

• Are there program reduction opportunities in departments where the net tuition revenue per student is a “negative outlier?”

• Are your institution’s academic standards consistent with what you’re spending to recruit high-achieving students?
Admissions Challenges, Part 2: Alternative Recruitment Strategies
I previously discussed the importance of controlling recruitment costs in the face of declining enrollment. But amid all the handwringing within admissions departments, some colleges and universities have implemented recruitment strategies that have enabled them to address the declining enrollment trend.

But before engaging in any strategy, it’s important to know what your school’s brand is. Whether it’s in a particular academic track, an athletic program or a school’s “culture,” a successful recruitment strategy will play off your institution’s strengths.

Community College Development
As I mentioned in my previous blog, the population of U.S. high school graduates is on the decline. That’s why some colleges are looking beyond this demographic to boost enrollment. Community college transfer students are particularly appealing for several reasons.

Colleges that are holding their own in terms of enrollment often have articulation/program agreements with community colleges. Some schools have so-called 2-Plus-2 agreements. Students connect in advance with advisers from both the four-year and community college to determine which courses to take for two years at a community college. When they transfer to a four-year institution (with most of their credits intact), they enroll in the predetermined courses they need to earn a bachelor’s degree in their chosen major.

By meeting these requirements, the students know that they haven’t wasted any courses, they’ll save money during their time at community college, and they know they’ll be accepted to the four-year institution and will graduate on time. As for the four-year college, the pipeline of students is solidified, they’ll successfully “infill” students after the inevitable freshmen year attrition, and the retention rate is much higher among community college transfers while the discount rate is much lower compared with incoming freshmen.
Admissions Challenges, Part 2: Alternative Recruitment Strategies

Thinking Globally

While the population of high school seniors is in decline in the U.S., the available pool is expanding internationally, particularly in China. According to the Institute of International Education, the number of international students at U.S. universities rose 7.2 percent in the 2012-2013 academic year to a record high of 819,644.¹

But schools also need to be aware of the challenges an international student component presents.² For most colleges, the magic number for an international student population is 10 percent. With an increase in international students, college expenses for programs such as English-language instruction and social support services increase.³ When institutions cross that 10 percent threshold, it’s tougher to efficiently maintain the financial and infrastructure support needed to serve those students. Moving past the 10 percent mark can also affect an institution’s culture.

Athletics and Facilities

Athletic programs beyond the most popular can also act as a tool to entice students. One Midwestern college that recently launched men’s and women’s lacrosse teams, for example, was able to identify about 40 prospects who enrolled at the school specifically for the sport. The school hired coaches from the East Coast, who actively recruited student-athletes from that heretofore untapped region.

Similarly, schools can determine whether they have underused facilities that can be used as a tool to attract students. I know of four schools in the Midwest that have highlighted their equestrian facilities and equestrian-focused academic programs to attract prospective students. Those schools also recruited prospects at regional equestrian competitions and state/county fairs.

Sources


Developing Brand Advocates

Just as it’s important to know your school’s brand, you’ll need people who will act as advocates for your brand. Some schools have enlisted tenured professors, department heads and current students to actively recruit prospects at targeted high schools and school districts (based on test scores, geography and other criteria). They also collaborate with high schools on events like science fairs or music performances in which professors and undergraduates work with the high school students on instruction, mentoring and judging competitions.

Traditionally, colleges have long hosted summer athletic camps to recruit students. Now, more schools are hosting academic camps and workshops on their campuses for subjects such as science, engineering, visual arts and creative writing.

Schools can also leverage their alumni as brand advocates by having them call prospects or identify potential candidates for admission. When that student visits the school, the college can offer a nominal scholarship in the alumnus’ name. That way, the student knows the alumnus was part of the recruiting process—reinforcing the brand advocacy. It also encourages alumni to be an active part of the recruitment process and beyond. By following a student’s progress, alumni can also assist in retention.

Despite the demographic shifts taking place, there are opportunities for admissions directors to enhance their enrollment. If you’re facing an enrollment challenge, ask yourself the following about your recruitment strategy:

- Are you enlisting—and insisting upon—faculty and department head participation in the recruitment process?
- Do you have articulation agreements and specific programs in place with community colleges?
- Do you have a strategy for international student recruitment? Have you identified your optimal percentage?
- Are all your facilities being utilized for recruitment purposes? Are you emphasizing academic programs that fit into the most attractive facilities you have available?

According to the Institute of International Education, the number of international students at U.S. universities rose 7.2% in the 2012-2013 academic year to a record high of 819,644.1
Admissions Challenges, Part 3: Do You Know What Your Brand Is?
Given the admissions challenges that many colleges and universities face, it’s wise to examine complementary strategies for attracting prospective students. That includes something familiar to the business world: branding. Whether you know it or not, your school has a brand, and it’s a tool you can use to attract new students.

In a July 2014 Special Comment, Moody’s Investors Service noted that “demand for in-person education will continue even as online enrollment increases.” However, Moody’s cautioned that those universities “without strong brands face the greatest threat that their courses and degrees will be commoditized, reducing pricing power.”

It helps to know what your brand is, however, and that means knowing who you are as a school. Sometimes it’s obvious. One university I work with knows that its strength is its large population of first-generation college students in the Midwest, and it actively promotes itself that way to student candidates. Other institutions, however, often wrestle with the concept of their brand.

**Who Are You?**

Of course, there’s no sense in using branding as a recruitment tool if you don’t know what your brand is. Also, in the face of declining enrollments, many schools are actively questioning who they are as an institution. That often leads colleges into trying to recreate their identity.

That can be a good thing—your brand can change over time for a variety of reasons, both in and out of your control. Another university I’m familiar with has a growing percentage of Hispanic students due to population shifts. The school embraced this change by hiring more Hispanic professors (giving student candidates the sense that the faculty “looks like me”), tweaking its brand to take advantage of this demographic trend. But there’s a danger in pursuing strategies that can inadvertently change your brand.

For example, I’ve previously mentioned that with the population of U.S. high school graduates on the decline, some schools are targeting international students. But if you try to force that type of demographic shift, do you risk devaluing your core brand, as well as introducing a financial and cultural burden that you may not be able to support?

So what do you do when you don’t know who you are? How do you identify/create your brand?
Making the Case

One of the things schools should consider when they think about their positioning in the marketplace is what makes them different. Is there something you offer that your competition doesn’t? Simply promoting your brand as, say, a good engineering school might not be enough if several other colleges in the region can say the same. There may be another aspect that you can communicate without diminishing your core brand, such as your affordability, a robust and (quantifiably) successful study abroad program, or a diverse student body.

On the other hand, you might have to be mindful that your brand isn’t too narrow. Students may be aware of your reputation as a school with a good music program, but does that message shortchange another department in which you equally excel: a management fellows or business leadership program, for example? Similarly, is your brand aligned with the majors that bring in the highest net tuition revenue (as discussed in my “Discount Beast” article)? Or are you hurting yourself by promoting a track in which you offer the highest discounts?

Making the Connection

For recruitment purposes, the key is implementing tactics consistent with your brand to attract your target audience. Maybe your brand relates to a particular academic field, such as science. That could mean having professors actively participating in high school science fairs as judges and mentors to promote your science department.

Increasingly, leveraging your brand means going where your prospective students are: online. Websites such as Zinch¹ and College Prowler² allow colleges to target students specifically suited to their institutions. Schools can create profiles with their brand messaging, social media information and other data.

Students can search these sites based on specific criteria (such as distance from home, diversity, weather and campus dining) to find the schools that best match what they’re looking for. Schools can then send targeted emails or use other marketing tactics to reach students with profiles that meet their criteria for a good fit.

Sources

¹ Zinch, http://www.zinch.com/
² College Prowler, https://colleges.niche.com/
If you know what your brand is, it’s a good time to step up your efforts to target the right prospects. If you don’t know your brand, it’s a good time to find out what it is. And once you decide to leverage your brand, make sure your tactics always serve to enhance it.

“Everything you do and every external message you send either adds equity to your brand or takes away from it,” says Justine Fedak, senior vice president and head of brand, advertising and sponsorships at BMO Financial Group. “Your brand is a promise, and it’s important to keep that promise all the time.”

If you’re thinking about using your brand as a recruitment tool, consider the following questions:

• Do you know who you are as a university? Do you have a comprehensive, practical and executable “action plan” to promote your brand?

• Who is your primary brand ambassador? The admissions department? Marketing/community affairs? Faculty? Are they the “right” ambassador?

• Are you consistent in how you promote your brand? Are all the key stakeholders—ambassadors—in alignment with how they present the school’s brand?

• Are you engaging in activities that could dilute your brand? Conversely, is your brand too limiting?
Taking Student Housing Off the Books
It’s probably safe to assume that when you went away to college, the off-campus housing didn’t feature premium amenities such as custom cabinetry, flat screen TVs and a steam room. It’s also a safe bet that your on-campus residence hall wasn’t owned by a private third party. But that’s happening with some frequency on and around college campuses—mostly, but not always, to the school’s financial benefit.

Let’s look at off-campus housing first. While many universities have some residency requirement, many students depart for off-campus housing as soon as they’re eligible (this is more prevalent at larger, public universities). John Petrovski, BMO Harris Bank’s Head of Commercial Real Estate, notes that the new breed of off-campus housing could be taken out of a high-end design catalog.

Each unit in a 961-bedroom development near the University of Wisconsin campus will feature individually keyed bedrooms, a flat-screen TV, walk-in closets and private balconies—some with a private hot tub. Scheduled to open in August 2015, common elements of the building will include a “resort-style” rooftop pool, a sand volleyball court, a 20-foot LED outdoor TV screen and a performance space.¹

Debt Management

Obviously, the sophomores, upperclassmen and graduate students who live in such high-end communities don’t mind. But it’s a win for the universities too. Leaving these projects to private commercial real estate developers allows them to use the money to improve on-campus housing and other campus infrastructure.

In some cases, though, the school will maintain a certain level of control over privately developed off-campus housing. One major institution recently opened a “university-related” graduate student apartment complex developed by a commercial real estate firm. Because the school owned the underlying land, it was able to exert significant influence over many of the building’s features and occupancy requirements. Conversely, while providing marketing and student life services, the school does not accept the financing or construction risks.
Back on campus, some universities are opting to sell some or all of their residence halls to real estate investment trusts (REITs). The school then rents the property back with an option to buy it back at the end of the lease. The benefits include: an infusion of cash, transferring maintenance costs and responsibilities, and removing the debt off the university’s balance sheet (of course, if you sell the property to a for-profit corporation, you have to pay off any remaining debt).

Not Always an Easy Sell

But selling residence halls to REITs is not for everyone, and there are pitfalls.

• Ratings agencies are also wary of how many residence halls a university sells. The more buildings are sold, the less likely the agency will consider the debt off the balance sheet (the agencies use the same optional end-of-lease buyback argument identified above).

• REITs will typically require 12-month leases, but most universities will only enforce nine-month leases. That could lead to financing/return issues in any deal.

There are other considerations that universities need to take into account. Does the institution require students to live on campus beyond their freshman year? (Sale to a REIT may involve an expanded residency requirement.) If so, is the building under consideration part of or outside the residency requirements? If it’s not, developers will find the building less desirable without a guaranteed steady flow of income.

Source

1 Core Campus press release, http://www.prweb.com/releases/2014/03/prweb11668117.htm
Market conditions can also play a role. REITs typically include a walk-away clause in the contract if certain financial goals aren’t met, enabling them to exit the deal at the end of a specified period and potentially sell it to an unidentified third party if the university does not exercise its buyback option. Another factor may be the availability of private apartments in the area surrounding the university. With that, urban campuses may be less desirable than rural or suburban campuses.

If you’re thinking about a third-party sale and lease of your on-campus housing or a developer-owned off-campus student housing project, you should consider the following:

- What is the university’s objective regarding the future of student housing? Can it be accomplished/enhanced through a sale-and-leaseback or partnering with a private developer?

- Is your student residential housing stock attractive to a potential REIT investor? (Factors include location of the residence halls on campus, occupancy rates and private competition surrounding the university.)

- For both sale-and-leaseback and private developer options, how much control are you willing to cede?

- Can you satisfy the ratings agencies’ requirements for off balance sheet treatment?

- Will potential “tiered pricing” affect the occupancy rates of your university-owned housing?
At Some Schools, It’s Satisfaction Guaranteed
The implicit promise of college is that after you graduate, you’ll get a job in your field of study. For many students, the reality is much different—especially in the wake of the recession. But some schools are doing everything they can to make that promise a reality, and the results are distinguishing them from the pack from both a student and administrative perspective.

One school I recently visited guarantees that students who meet its academic and social expectations will graduate in four years. The school also guarantees that at some time over those four years, students who meet those requirements will have at least one internship, research opportunity or study abroad program. If a student can’t secure any of these components within four consecutive years, the school will provide up to an additional year of study tuition free.

Also, the school boasts that within 10 months of graduation, more than 90 percent of its graduates either have a job in their field of study or are enrolled in graduate school. I know of a few other schools that market the fact that students who remain in good academic standing will graduate in four years, and that their career development offices will help students find a job in their field. You can imagine how attractive that is to prospective students—and their parents. These types of guarantees and accolades can act as a tiebreaker when deciding which school to attend.

Doing the Hard Work

For the colleges that follow through on these guarantees, the end result is strong enrollment and retention numbers. The college I previously mentioned has a 90 percent freshman retention rate, which is incredible when you bear in mind that 85 percent is considered the gold standard.

What’s their secret? For one, the schools stay on top of students. Academic advisers provide consistent, proactive guidance about which courses students need to take. Additionally, these schools cultivate connections with businesses to make student internships available. Such connections also help make their students attractive to potential employers after they graduate.

This requires a lot of hard work. The career development office has to be aggressive in getting companies on board to interview their students. But this isn’t an approach that’s limited to schools of a certain size or geographic location. It all comes down to the personnel in place.
The schools that hire staffs dedicated to accomplishing this goal, the ones that secure internships and research grants—those are the schools that are successful in making such guarantees. It can be a matter of approaching your food service vendor, for example, about hiring a nutrition major as an intern. Similarly, you can approach your bank about committing to on-campus interviews for its credit training program or your IT provider about offering internships.

Even the office layout comes into play. I know of two schools that have reconfigured their offices so that the admissions department is next to the career development office. There’s a psychological effect at work: When parents join their kids on college tours and visit the admissions office, right next door they’re seeing the end result of four years spent at the school. And when you visit these schools’ websites, you’ll find success stories of their recent graduates. The implicit message is that after you leave, the school will help you use your degree for something other than working as a barista.

What About the “Who?”

The only thing preventing other colleges from doing the same thing is the will to do it. But it’s not a quick fix. Even if you put together what you believe is a great career development department, it takes at least two years for it to start hitting on all cylinders and cultivating the business and alumni connections.

Schools also need an alumni base that’s willing to participate in the process, and that will be tough if not impossible for a lot of schools. Take a Midwestern school that specializes in education and social work. Realistically speaking, those alumni have nothing to do with hiring decisions, given that those jobs can be concentrated in government-type positions.
The bottom line is that delivering on such guarantees requires a deep commitment across several departments and among faculty and alumni. Under this new paradigm, academic reputation alone isn’t enough to get a student’s foot in the door.

We all know the old saying about getting ahead: It’s not what you know, it’s who you know. Every college takes care of the “what,” but some are also providing the “who” to help their students succeed after they graduate. Their efforts are paying dividends for both the schools and their students.
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