





In the face of increasing talk about higher ed affordability, housing programs work to manage costs in their attempt to head off the sticker shock for students.

by Alina Tugend

Is the Price Right?

KNOWLEDGE DOMAINS in this article



Fiscal Resources and Control

Develop budget guidelines to include revenue forecasts, expense allocations, and other necessary costs. Establish guiding principles associated with rate setting.

Talk about the cost of campus living and amenities, and one phrase comes out of the mouths of many college and university housing officers: lazy rivers. It's not that many campuses offer them in their residence halls – in fact, most don't – but lazy rivers have become a shorthand for “too expensive” when discussing the growing cost of living on campus.

Stories about residence halls that include not only air conditioning and cable, but also game rooms, cafés, and, yes, even lazy rivers, can drive the conversation. But that's only a minor part of the cost puzzle. “There's a subset of students who are looking for amenities, but others are really concerned about affordability,” says Vennie Gore, vice president for auxiliary enterprises at Michigan State University in East Lansing. “Every campus has its own micro economy, and MSU students are very price-sensitive.”

The real conundrum is not how to offer more luxuries, but how campuses can balance the need to provide a safe and enjoyable living environment

within their own budgets without making it unaffordable for students or creating a two-tiered system of haves and have-nots. There is no question that housing costs have risen over the years, even taking inflation into account. According to numbers from an Urban Institute study, from 1990-91 to 2015-16, “the average inflation-adjusted room and board charges rose from \$5,700 to \$9,800 at four-year public institutions and from \$7,400 to \$11,600 at four-year private nonprofit institutions. This is equivalent to a 71 percent increase above inflation at public institutions and a 56 percent increase at private institutions.” For the current academic year, the average price for room and board at a public four-year university is around \$10,000 annually; for a private nonprofit four-year it's \$11,000, according to the College Board. Those figures are much closer than are the differences in tuition; the average tuition this year was around \$9,000 for a public four-year school and almost \$30,000 for a private four-year nonprofit.

But, of course, an average doesn't reflect the wide ranges among schools. According to their admissions website, the room and board at New York

University, one of the most expensive private universities in the country, tops \$18,000. Meanwhile, according to its tuition and financial aid website, Quinnipiac University in Hamden, Connecticut, charges more than \$14,000. “The quality of on-campus housing has improved dramatically over time,” says Richard Vedder, who is a distinguished professor of economics, emeritus, at Ohio University in Athens and has long studied college affordability. “Fifty-sixty years ago, people were thrown in rooms that were concrete blocks with no air conditioning. A more cynical interpretation on the rise in housing prices is that colleges have a monopoly on students. The first year or two of college, students are by and large going to live on campus and going to buy the tie-in, which are the meals. Although universities had a monopoly back in the 1940s, 50s, and 60s, as well, they're more desper-



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ate for money now, there is less state funding, and people are resistant to more tuition hikes.”

According to the Urban Institute report, published last year, “the average increase in room and board charges is about 2 percent above inflation each year, but ranged from 0.2 percent to 5.6 percent between 1991 and 2015. In contrast, the average changes in tuition and fee charges have been much more variable, ranging from 0.7 percent to 11.8 percent above inflation.” Institutions raise their charges for housing and meals each year by “a more consistent amount than they do for tuition,” the report states. And there are multiple reasons for the rising costs of room and board, not just one “smoking gun,” as Kristen Blagg, one of the authors of the report and a research associate at the Urban Institute, notes. Overall, the report con-

cludes that the amenities arms race is not a large part of the price hikes and that in fact, as a way to rein in costs, higher education institutions may be offering fewer luxuries.

Much of what is driving expenditure is the need to update and replace older residence halls, many of which were built in the 1970s and earlier. As Jason Taylor, senior vice president of university partnerships for EdR Collegiate Housing, explains, “The average public school campus has deferred maintenance of \$108 per square foot, the first time it has climbed above \$100.” This means it would cost \$108 per square foot to restore the facilities to first-class condition. “Some campuses are spending significant amounts of money to maintain their facilities, and others are doing renovation and replacement, so they are taking on new debt and passing that along to the

students.” He describes one example of a campus trying to figure out why it was losing so much water. “There were thousands of gallons of water leaking. It turned out there were micro-holes in pipes that were half a century old.” It’s a matter both of replacing residence halls that are crumbling and updating to address the needs of today. And new buildings are far more energy efficient than ones built decades ago. But “campuses have not done a great job” planning for needed maintenance and renovations, Taylor adds.

Another question related to the price of room and board is whether campuses, facing growing public concerns about tuition hikes, are funneling off some of the funds paid for housing and meals to subsidize other needs – which, especially among public institutions, are even greater as state spending on higher education

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is still well below pre-recession levels, according to the Center on Budget and Policy Priorities. “Schools can raise prices on room and board without igniting as much public furor as raising tuition,” Vedder notes. “And universities can justify that housing will pay some central administrative costs and relieve the burden on the rest of the university.”

Many, if not most, universities rely on income from students to fund the costs of room and board – which is a great incentive to be effective, says Alma Sealine, director of university housing for the University of Illinois at Urbana-Champaign. In general, housing directors say they do not contribute funds to unrelated university costs. Revenues and expenditures for room and board, as reported by higher education institutions to the U.S. Department of Education, fall under the umbrella of auxiliary enterprises, so they may also include student health services, intercollegiate sports, and college stores. According to figures from the National Center for Education Statistics, in 2014-15, four-year public institutions took in \$24.8 million from sales and services of auxiliary enterprises and spent \$21.9 million. For four-year private schools, the numbers were \$16.9 million and \$16.3 million respectively.

Some states don’t allow auxiliary dollars to be mixed with other university funds, while others allow universities to support items that affect residential life, such as security, police, or other services. “Are institutions using room and board to subsidize tuition?” asks Sandy Baum, a fellow with the Urban Institute who studies college affordability. “There is some evidence that the spillover may be increasing.” Some also argue that universities just aren’t as good as the private sector in managing living and dining services. “Universities are good at creating and disseminating knowledge but not necessarily good at providing hous-



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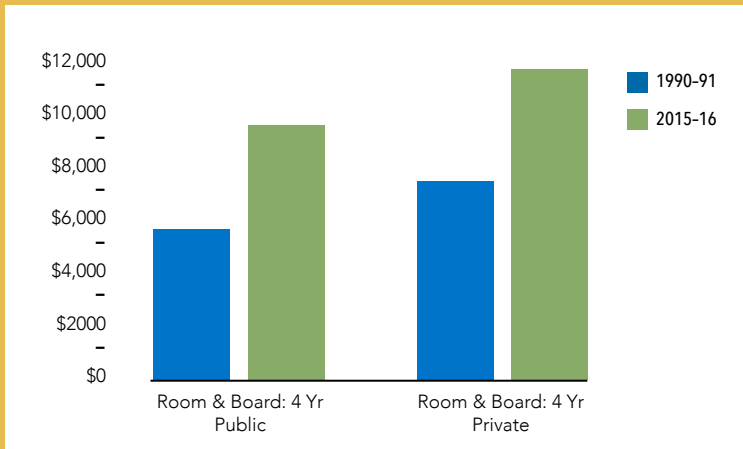
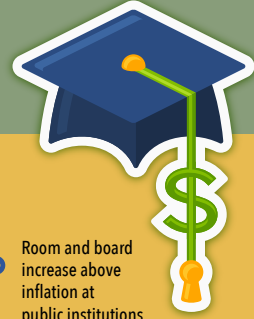
ing and food,” Vedder says. “I don’t think most are minimizing costs and maximizing revenues.” Many housing directors, not surprisingly, disagree. “It’s not just a numbers game, but also a developmental experience,” Sealine explains. “There are other considerations besides dollars and cents. If you only think of that, you’re impacting the student experience in a negative way. We housing directors, as a profession, are really grounded in the developmental framework.”

Some of the costs related to housing are visible – new or renovated

buildings and furnishings, say. But the costs of utilities, employees’ wages, and insurance, for example, play an equally important if less observable role. So it can be frustrating for housing directors, who say they are constantly on the hunt to save money. Some campuses are centralizing administration to avoid duplicating services, while others are using more students, rather than employees, in areas like cleaning and maintenance or are offering students discounts on room and board if they contribute a certain number of hours of work to the upkeep of the halls or other jobs. Sometimes the changes are a win-win. Replacing regular lightbulbs with LED ones and installing low-flush toilets and water-saving showerheads not only save money but are also better for the environment. Even small changes can make a difference. At the University of Illinois, the terrazzo floors in residence halls are now cleaned with water and a diamond chip buffer pad rather than solvents. Some campuses have eliminated trays in the dining halls, which has significantly cut down on wasted food.

However, as always, cost-saving has to be balanced with comfort and convenience and providing a place that is affordable yet nice enough to attract students and keep them on campus. While historically both private and public institutions have charged below fair-market housing rent for their locations, average room charges now tend to be equivalent to local fair-market prices. As Gore explains, prior to 2005, “we were the predominant provider of housing for our students.” Then private developers came in and built brand new buildings, complete with swimming pools, saunas, and other attractive features. “We’ve seen a steady decline of students living on campus, because there are more options for folks. It puts a lot of pressure on us – we’re like everyone else – we’re competing for everyone’s business.”

The Rising Cost of College



71%

Room and board increase above inflation at public institutions 1991-2016

56%

Room and board increase above inflation at private institutions 1991-2016

Source: Urban Institute study, October 2017

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A number of housing directors say that their residence halls are generally cheaper than off-campus housing. “That’s one reason on-campus remains popular,” says Craig Allen, director of housing and residence at Texas Christian University in Fort Worth. “You can’t find much for less that’s close to campus.” Of course, it all depends on where the campus is located and how a student is willing to live. The cost of renting a new two-bedroom apartment for two people is very different than that for a four-bedroom old townhouse with eight people sharing, which is how many students live.

Off-campus housing prices work both ways. Higher education institutions also need to reassure prospective students that they will be able to afford to live off campus when they want to. However, research by Trulia, the online real estate site, found that many campuses lowball the true cost of off-campus housing. Looking at 20 universities across the country, they found that schools underestimate “sometimes by thousands of dollars for the school term.” The 2015 study found that living on campus was much cheaper, perhaps not surprisingly, in some of the priciest areas of the country: 50 percent cheaper at Stanford University, 29 percent cheaper at Boston University, and 15 percent cheaper at George Washington University. On the other hand, it’s almost 70 percent cheaper to live off campus at Purdue University, 66 percent less at the University of Chicago, and 25 percent cheaper at the University of Washington.

Students who live on campus traditionally also have to pay for board, and many argue that eating off campus is cheaper than paying for a meal plan. Of course, the question is, will they, or will they end up grabbing fast-food burgers and pizza? “I don’t think students realize how much it takes to cook with their schedules,” Sealine says. “What is compromised is that their meals don’t have the nutritional



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value when cooked by someone else. We also have a number of students who purchase meal plans who live off campus.”

When a university is concerned about losing students to private developments, it needs to respond. Michigan State stepped up its dining plan and offered academic support services, health clinics, and other resources in its on-campus residential neighborhoods. “We try to create this wrap-around experience to help them be successful,” Gore says. These wrap-around services are the new lazy rivers, as it were: the attraction campuses are offering to enhance residential living. For example, Northwestern University in Evanston, Illinois, which is currently halfway through a 10-year master plan to renovate residence halls, sees their engagement centers as the key to student life. These include seminar rooms, classrooms, substantial student lounges, cafés, demonstration kitchens, and gyms, says Jennifer Luttig-Komrosky, executive director of residential services. “Combining the academic and cocurricular experience drives our building.” Taylor agrees, saying “I do see a drive toward putting every additional dollar into common space, incubator space, or maker space.” And Allen notes the importance of communal spaces in residence halls. “The conventional wisdom in the past was that if you build

single rooms, you don’t need common space,” Allen said. “The opposite is true. We’ve been very intentional in design, creating buildings that lend themselves to people coming together and are sized appropriately, but also focusing on relationship building.”

Texas Christian looked at another change that is unrelated to building design but feeds into this idea of creating a community: the image of the resident assistant (RA) position. “I did a lot of learning and listening,” Allen explains, especially once the university required sophomores to live on campus in 2007-08, a trend that is becoming increasingly popular around the country. “A lot of students pushed back, and many university administrators pushed back.” One of the concerns he said, was the negative perception of RA jobs. “We changed RA compensation and selection. We changed the culture of the position – RAs are here to get to know students and have a relationship, not to police students. We had a few bumpy years, but RAs now are one of the highly sought-after leadership positions. The first year we didn’t have 100 applicants, and this year we had 245.”

Even upper-division students are less interested in leaving campus, Allen notes; the numbers of juniors and seniors living in residence halls at Texas Christian almost doubled since 2012. Some institutions, such as

Case Western Reserve University in Cleveland, Ohio, have built apartment-style housing specifically for upper-division students. The new complex, called The Village at 115, opened in fall 2005, when the university changed its residency requirements from four years to two years, says Loretta Sexton, associate dean and director of university housing. “We anticipated housing about 425 upperclass students on campus; however, we had about 200 more students apply for housing than we anticipated.” About 80 percent of third and fourth year students still live on campus, something Sexton attributes to a number of factors including building housing that meets the students’ needs, a continued interest in living on campus, and lack of nearby affordable housing off campus. Allen notes another unexpected benefit to creating this community model – costs related to vandalism and damage have dropped substantially, from \$40,000 a year to \$5,000 a year, over the past five years or so. Some of that decrease can probably be attributed to buildings that are newer and nicer, but “when people know each other, they care about each other, they take care of where they live,” Allen explains.

Like Texas Christian, many colleges and universities have recently begun mandating that sophomores live on campus. While this can be seen as a money grab – creating a captive market for housing – university officials repeatedly say they see better academic success and retention when sophomores live on campus. “I believe that driving the trend is retention,” Sealine says. “There is research that second-year students are the most dissatisfied. They’ve gone through the first year of excitement of being on campus, and they need mentoring to get through the next phase, to feel connected to their major and identify mentors. When they’re off campus, they’re less connected.” A fair amount of independent research backs up that claim,

although some studies have found no significant difference between on- and off-campus living.

While housing officers will continue to face numerous challenges in the future, two stand out. One is how to avoid a two-tier system, where students who can afford to pay more live in different residence halls, essentially creating a segregated campus based on wealth. “We don’t want it to be like airplane service, where some fly first class and some fly basic economy,” Vedder says. “One of the experiences of going to college is to associate with people in all walks of life.” Each school will have to determine how to address this concern depending on its student population and campus layout. Luttig-Komrosky says this isolation has been avoided at Northwestern because all room types are sprinkled across campus and within residence halls. According to their residential services website, Northwestern, the most expensive and only private university in the Big Ten, charges from \$8,536 for an un-air-conditioned triple to \$12,017 for an air-conditioned single with a bath.

The other issue is that the number of high-school graduates is expected to decline over the next several years in 19 states and the District of Columbia, according to the National Center for Education Statistics. Gore has already noticed a decline; in 2012, Michigan had 120,000 high-school graduating seniors, and that is projected to drop to 85,000 in 2020. And 80 percent of his university’s students are in-state. “About eight years ago, we had to make a strategic decision – do we grow our housing stock, keep it the same, or reduce? We made the decision to keep it at the same level, but we did remove apartments because we knew we didn’t have a market for that,” Gore explains. “The top 100 universities, they’re going to be fine, the people in the next tier, depending where they are around the country, will start to struggle,” he

adds. “If you’re in Ohio, Michigan, Illinois, Iowa, New Hampshire, Vermont, you need to be really thoughtful if you’re going to add to your housing stock.” Or as Sealine says, “As much as we say we have a plan – it also requires us to be nimble.” ■

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