



WHITE PAPER

Finance, Facilities and Planning:
Rethinking the Framework for
Collaboration in Higher Ed



Introduction

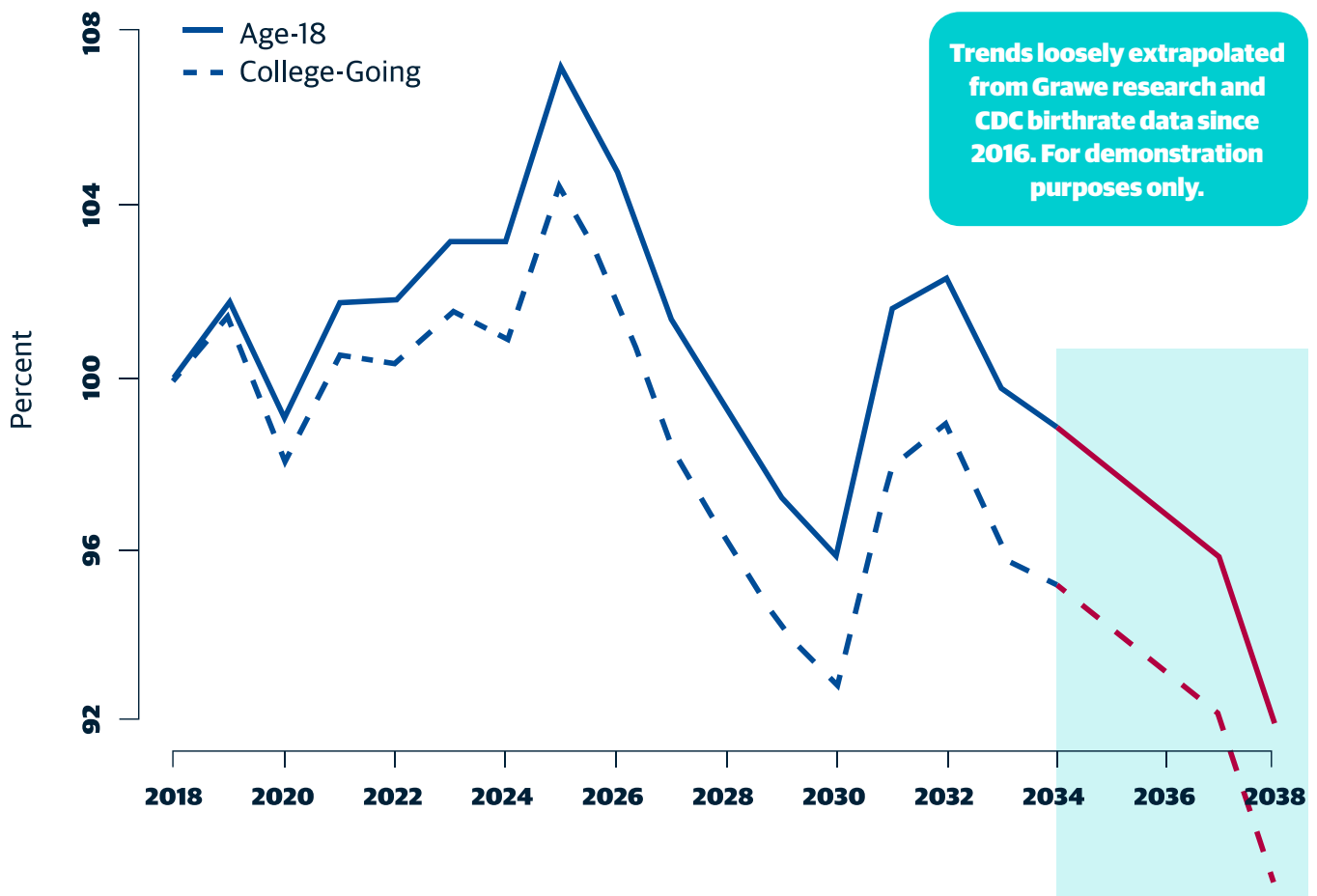
By reimagining the framework for collaboration among the business, facilities and planning communities, we aspire to create a broader institutional conversation about the existing and future challenges facing the business of higher education. This conversation focuses specifically on the campus and how to creatively serve students through physical assets.

A team of industry veterans convened to join NACUBO, APPA and business partner Gordian in the spring of 2022 to draft a framework for improved collaboration and identify opportunities for enrichment from active industry participation. This paper is the output of that meeting.

Why now?

The underlying struggles facing higher education before the pandemic are familiar to most in the industry. Unfavorable demographic trends, shrinking financial resource pools, ever expanding technology demands, inequitable access and stratospheric student debt figures among graduates all have been widely publicized and discussed. The pandemic only accelerated the extent to which institutional leaders had to confront these challenges. The seismic shifts of the last two years have changed the industry as we knew it. Now, there is no turning back.

Projected Number of Age-18 and College-Going Persons Relative to 2018, 2018 to 2034.



No issue has been more widely discussed than the basic variable of the available student pool. Nathan Grawe's work demonstrates not only the downturn in the number of domestic traditional college age students, but also the transformation in the demographic mix that may very well reduce the number of those students who opt for college in the first place. For those students who choose college, changing expectations will further exacerbate the disconnect between the campus as it is today and what those new students will want and need from their college.

Fundamentally, the dynamics around which higher education was built – a society profoundly enthusiastic about the value of in-person residential higher education driving an expanding pool of students and strong financial metrics – are simply no longer at play. Public opinion about the value of a college degree is waning like never before.



If the rate of change on the outside exceeds the rate of change on the inside, the end is near. "

Jack Welch

Required now is an enthusiastic embrace of the unprecedented rate and scale of change in the business of education. The ongoing evolution in every key variable, starting with the instructional paradigm itself, will force bold action to transform the foundations of this learning community. Everything leaders thought they knew about managing institutions has changed. These are indeed adaptive challenges requiring monumental effort by the entire enterprise.

Significant energy is already being applied to impacts on teaching modalities, enrollment management, student service resources and more. Yet, much remains to be explored regarding the built environment, the organizations responsible for it and the implications it has on the rest of the academic enterprise. To help underscore the urgency for leaders to have open, frank, action-oriented discussions about the changes needed and the urgency of attention, here are three key data points to build perspective.

Facilities leaders manage and maintain more than **6 billion square feet** of campus spaces over **210,000+ buildings**

The replacement value of Higher Education's facilities portfolio **exceeds \$2 trillion**

The current backlog of urgent capital renewal needs is **more than \$112 billion**

Source: Changing the Higher Education Facilities Backlog Conversation

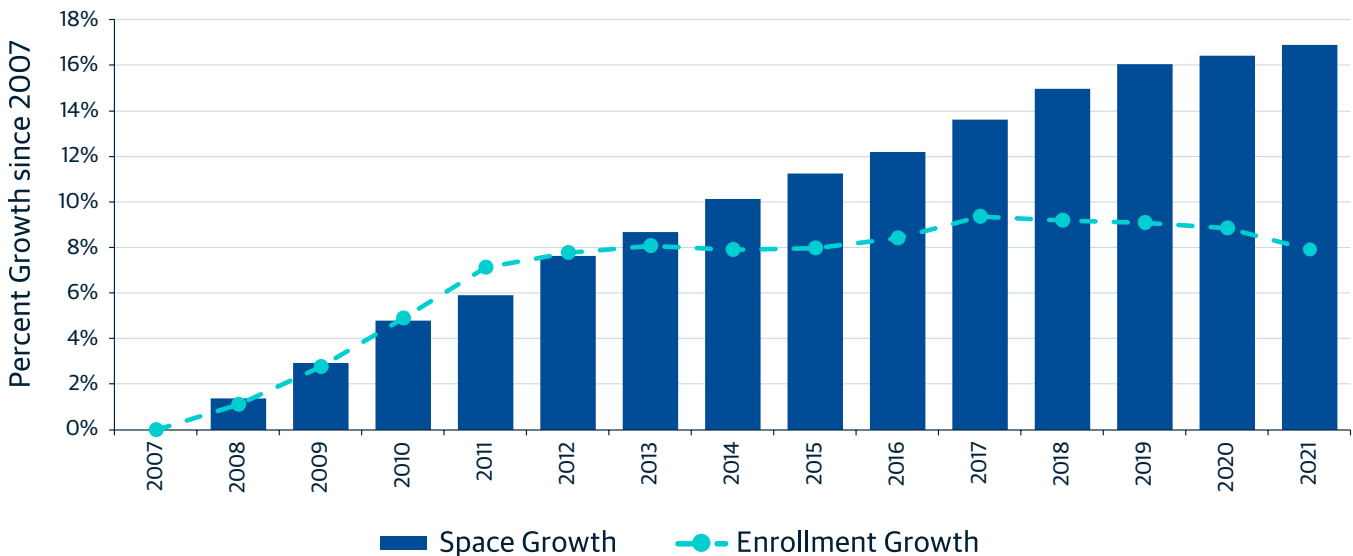
Decades of demand for continued campus expansion has challenged the ongoing investment in the stewardship of existing spaces. This challenge grew significantly during the Great Recession when dollars for recurring investment were redirected to address more pressing operational challenges, opening up a nearly 20% shortfall. That shortfall expanded during the pandemic to an epic 40% gap between dollars needed to sustain the existing campus and money made available to invest.¹

Compounding this challenge is the ongoing trend across higher education to increase space beyond enrollment demands thus increasing the liability the built environment places on diminishing institutional resources.

¹ Gordian State of Facilities in Higher Education, 2022

Campus Growth Remains an Acute Liability

Space Growth vs. Enrollment Growth



Directly to this point, in a survey conducted in January of 2022², nearly 50% of respondents indicated that despite enrollment, budget and staffing challenges, campus growth will continue.

Challenges to Financial Sustainability

Despite being populated by learned, thoughtful and experienced leaders, some of this inclination to maintain the status quo is understandable. The existing higher education business model isn't necessarily set up to be dynamic, despite the necessary transformation of the last two years. The debt burden of the existing campus is rarely fully accounted for, and even where it is, it is underfunded. Contrary to pressing trends, pedagogy changes slowly. With no urgency to adapt, space transformation has been rare and localized. Most campuses are so full of education-specific buildings that removing these assets from the building portfolio has become unthinkable. Contraction is simply not an option.

In essence, higher education remains reactive. Unfortunately, there has been a practical financial disconnect between programmatic aspirations and resource reality. This under-resourcing has a chilling effect on the energy and creativity required to implement change. Given such widespread and often crippling restraints, it is difficult to convince the campus community that this time will be different.

Facilities are particularly vulnerable to the current transformational pressures on space, technology and human resource capabilities because of the extraordinary energy and cost to realize the changes that will be necessary. It has become more palatable to ask for incremental modifications than confront the reality that the spaces of yesterday may simply not work for the needs of tomorrow.

Hence, facilities are becoming more and more out of sync with the emerging industry context.

² January 2022 APPA/Gordian Survey - <https://www.appa.org/analytics/appa-surveys/>

From Lagging to Leading: A Call to Action

Facilities actions must move from a lagging response to a leading planning element.

We're asserting that campus planning must be transformed. Facilities stewards can longer be asked to react to the next trend or change in play: They must lead the conversation.

Institutions have intentionally crafted "timeless" campuses that enable all manner of remarkable educational endeavors and countless associated activities that have been in high demand. Spaces built to address yesterday's challenges have been adapted and modified to address the next set of incremental changes. Some of those efforts have been successful and others haven't. All have come at great effort and expense. This long-standing practice worked when large pools of eligible students existed, thus providing adequate financial resources. Hence, this reactive financial model has, to this point, proven acceptable.

Moving forward, new academic programs and the ways in which academic and co-curricular programs need to change will require significant campus transformation. Ever-shrinking resources must be employed exactly where they will serve the institution most effectively. In turn, institutions must create consensus regarding their priorities.

Here's why. In almost all instances, programmatic changes are facilities changes.

Moving forward, those changes may reveal that not all space in use today is necessary tomorrow. But not all space is equally flexible. Therefore, the most effective use of campus facilities will result from the careful coordination of programmatic and space changes. It has also long been known that service and utility infrastructure is not infinitely expandable, and money "lost" to expansion of such services when adequate resources are already available is simply unacceptable.

The collective desire to leverage technology is a double-edged sword that must be managed carefully. While technology can in many cases dramatically improve user experiences, such technologies come with accelerated replacement cycles (in the extreme think smart board versus chalk board), infrastructural demands and expanding training expectations for those caring for it. Managing operational technology requires advanced knowledge of the technology itself and the operational equipment and systems, further decreasing the available talent pool and increasing the cost to secure qualified candidates.

Finally, the pandemic taught everyone that even empty buildings require resources to care for them. Campuses that do anticipate this need may be facing immense investment in un-utilized spaces as teaching and working become more flexible, hybridized and virtual.

Undoubtedly, the physical campus defines more about the future of the school than is frequently understood. Paying attention to the information the campus facilities and infrastructure is providing us has never been more urgent or more critical to ensuring resources are optimized and meaningful change is implemented.

So, what are your facilities telling you and how might you act differently moving forward?

We recommend considering these four business variables to organize your thinking on this question:

Embodied Debt - Current demands being made by campus buildings can't be ignored and are becoming greater concerns to institutional budgets

Risk Exposure - Personal safety, program support and investment disruptions must all be considered.

Future Program Compatibility - Ongoing instructional paradigm shifts are becoming harder and harder to accommodate successfully.

Adaptability - As time goes on, the nature of the campus becomes ever more linked to the built environment and makes adapting to an evolving customer profile with diverse community needs all the more challenging.



We shape our buildings; thereafter they shape us."

Winston Churchill

Engaging in a Strategic Conversation

Considering all the changes that will occur over the next few decades, institutional leaders must presently implement a process that considers the physical structure and engagement within those structures to ensure their campus meets the needs of their students. Organizing the conversation and correlated areas of focus can be done through a three-part strategic framework.

Plans for Place: The voices engaged in and the processes associated with creating your campus spaces to ensure alignment of your built environment with your mission/vision, resources, and the way(s) you go to market.

Focus Areas:

- Define the space resources needed to complement substantive alterations to program offerings and engage decision-making with measureable outcomes.
- Align critical voices on campus regarding plans for new space, existing space use and lessons learned from the pandemic.
- Prioritize the sustainability of your institution's offerings to confront evolving competition in the marketplace.
- Develop a plan that links today's realities with the institution's future state while maintaining flexibility and adaptability of response and associated circumstances.
- Assess those facilities that cannot or should not be sustained and map out a plan for their removal.

Resources for Service: The people, processes and money needed for life cycle renewal, refurbishment, renovation and adaptation of your facilities and utilities infrastructure to ensure operational needs and opportunities are addressed.

Focus Areas:

- Determine whether the planning and budgeting model presently in use is informing your future operating circumstances.
- Assess whether the use of your assets (building, technology and human resources) align with the evolving institutional program.
- Effectively maintain and operate your physical assets with an eye on successfully managing the risks they present.
- Establish an effective way to align space and program needs that includes a method(s) to manage space demands and use. Alter space use practices and needs to match evolving teaching and working practices.

Assessment for Stewardship: The methods, metrics and measures necessary to determine and sustain the viability and feasibility of the built environment.

Focus Areas:

- Identify the tools you have or need to measure success.
- Determine whether your plan is adaptable for multiple future scenarios.
- Assess whether your facilities decisions going forward are a lagging investment and decide what actions you will take and/or what actions you will cease.

A Call to Participate

Planning must be transformed at our institutions. Facilities actions must move from a lagging response to a leading element. This will require a bold, collaborative approach to drive a forward-looking, futures-focused decision-making process adopted by the entire community. To further refine, test and advance this framework in service of emerging institutional precedence, we are seeking your distinctive feedback on the areas of strategic focus and proposed actions assembled in this paper. We eagerly invite you to engage with us via the brief survey linked below to share your thoughts and lend your expertise to the implementation of these forward-thinking, adaptive planning principles across higher ed.

Take the Survey

If you would like to extend this conversation and share your perspective on this new framework, we encourage you to engage with the authors listed below.



Lander Medlin

President & CEO

APPA

lander@appa.org

APPA (formerly the [Association of Physical Plant Administrators](#)) offers a wealth of informational resources, continuous learning programs and opportunities to connect and network with fellow facilities professionals in a welcoming and inclusive environment.



Pete Zuraw

Vice President of Market Strategy and Development

Gordian

p.zuraw@gordian.com

Gordian is the leading provider of Building Intelligence Solutions for all phases of the building lifecycle, offering unrivaled insights, comprehensive expertise and robust technology to fuel our customers' success.



Jim Hundrieser

Vice President of Consulting and Business Development

NACUBO

jim.hundrieser@nacubo.org

The National Association of College and University Business Officers (NACUBO) is the leading source of information for campus business and finance professionals, providing a bold voice, collaboration and resources to tackle higher education's evolving challenges.

Appendix

Core Project Team

Joe Bilotta, *Higher Education Planning Consultant, Lead Campus Planning, University of Iowa*

Larry Goldstein, *President, Campus Strategies, LLC*

Don Guckert, *Vice President, APPA Advisors*

Bryan C. Harvey, *Higher Education Planning Consultant, former Chief Planning Officer, University of Massachusetts Amherst*

Jim Hundrieser, *Vice President Consulting Services, NACUBO*

Aaron Kurtz, *Manager, Strategy and Transactions, State, Local And Education Real Estate and Facilities, EY*

Lander Medlin, *President and CEO, APPA*

Pete Zuraw, *Vice President Market Strategy and Development, Gordian*