

ULI Chicago's Front Stoop Series
The Next Normal is Now: Real Estate & the Higher Ed Campus

A Conversation with:

Meghan Webster, *Principal, Education*, Gensler
Peter Isaac, *Executive Vice President, Campus Partnerships*, CA Ventures
Alex Darragh, *Vice President, Facilities*, Northwestern University

On February 18, 2021 ULI Chicago peers engaged in a virtual discussion on “The Best Normal is Now: Real Estate & the Higher Ed Campus” as part of the Front Stoop Series. The conversation included Meghan Webster, *Principal, Education*, Gensler, Peter Isaac, *Executive Vice President, Campus Partnerships*, CA Ventures and Alex Darragh, *Vice President, Facilities*, Northwestern University. The following is a summary of the discussion.

Financial Uncertainty

Universities across the country saw pandemic-based losses totaling \$120 billion. The decline of international students accounts for substantial tuition revenue reduction. The decline of students on campus is another challenge as they take home funds once funneling into housing, services and retail. To make matters worse, declining state tax revenue causes reduced appropriations. Institutions relying on these funds for up to 80% of their budget now only receive 25-50%. Universities responded to income losses by reducing expenses. Northwestern University renegotiated utility rates. Most universities continue to defer infrastructure and development projects. Underutilized buildings shutdown (current utilizations average 30%), despite being costly to bring back online. They also use furloughs, layoffs, and some use force majeure to get out of tenure track agreements. Overall, larger and more diversified institutions fared better, leaving questions about the future of smaller ones. Largescale consolidation may occur for those in financial trouble.

The Campus Experience

Distance learning has become a mainstay in academic learning, especially as the pandemic facilitated virtual infrastructure investment. Most students still prefer the on-campus, in-person learning experience. The live, work, and play model seen in innovation districts is especially desirable. While distance learning is largely a success, students rate it a secondary preference. Staff and faculty have greater virtual favorability as they are less comfortable returning to campus. The hybrid model (a mix of remote and in-person learning) is challenging in terms of preparation and engagement. Neither students nor faculty favor the approach. So, what does the future hold? The short answer is on-campus learning will remain in demand. Research requires it and students prefer it. There is still opportunity for greater remote learning, as virtual environments connect more people. For example, webinars allow for more guest lectures, which teachers and students favor.

Developing Resiliency

So how can universities rebound and create greater resiliency? Increasing tuition is a non-starter with the student debt crisis. Increasing enrollment is difficult with 2026 projections showing a decline in graduating high school students. That leaves diversifying and improving other assets and revenue sources, while continuing to decrease expenditures. Universities can now reassess their core offerings and determine if there is an opportunity for outsourcing, sharing or moving programs off campus. Doing so can pave way for larger, on-campus research programs with funding that supports administrative costs and helps recruitment. While research provides greater revenue, deferred maintenance is a mounting cost for universities. One advantage of deferred maintenance is to use the opportunity to rethink current operations and infrastructure. It may make sense to develop projects that build revenue and manage expenses by making use of low interest rates and savings from deferred maintenance. An example may be to develop one's own energy supply through renewable energy. There is also an opportunity to think about risk management and how Public Private Partnerships (PPP) can shift risk. We can ask questions about who owns the residences, infrastructure and parking. If university owns them, they can allow deferments to students when not on campus and help manage the cost of living and therefore learning expenses when they are there. Regardless of the specific strategies that universities employ, they will need to increase revenue streams through a set of diversified approaches and ones that place less financial burden on students.

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