



HIGHER EDUCATION REAL ESTATE VENTURES

**Guidelines for Institution and
Related Foundation Boards**

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INTRODUCTION

Throughout the history of American higher education, colleges and universities have been significant consumers of real estate. This publication aims to stimulate discussion about the roles governing boards play in evaluating real estate uses and transactions, and to provide thought-provoking ideas, “how-to’s,” and case studies about institutions that have leveraged their physical assets to succeed in fulfilling their mission and advancing strategic priorities.

Since their founding, most suburban campuses have grown and expanded, typically through inefficient, low-rise, sprawling growth. Historically, this approach was the most cost-effective for meeting the needs of the institutions and their missions because institutions found excess real estate available and inexpensive. Even on urban campuses, the ability to acquire additional real estate was a fiscally sound proposition.

However, the funding and delivery model of higher education has evolved, and many institutions have encountered new challenges and opportunities: increased operational costs, escalating real estate values, and changing student needs and expectations. In this environment, how do institutions leverage real estate to advance their mission and strategic priorities?

Real estate holdings are often the most significant assets on higher education balance sheets. Many governing boards, however, devote little time to understanding and exploring the potential value of their real estate holdings, treating them instead like “used assets.” As fiduciaries, governing boards have an obligation to not only manage risk but also to ensure that institutional assets, including real estate, are deployed as effectively as possible to advance their mission, comply with state and federal laws, ensure governance duties are met, and fulfill donors’ intent. For more, see the *AGB Board of Directors’ Statement on the Fiduciary Duties of Governing Board Members*.*

* AGB, *AGB Board of Directors’ Statement on the Fiduciary Duties of Governing Board Members* (Washington, D.C.: AGB, 2015), <https://agb.org/agb-statements/agb-board-of-directors-statement-on-the-fiduciary-duties-of-governing-board-members/>.

Shrinking enrollments, threats to their business model, perennial deferred-maintenance challenges, disruption stemming from the impacts of climate change, and increased energy demands from tools such as artificial intelligence (AI) pose new risks for governing boards and institutions. However, opportunities also exist to manage facilities more efficiently. By engaging effectively to understand the real estate portfolio on their campus, asking appropriate questions of administrators, partnering with other interested stakeholders, and advocating on behalf of their institutions, board members of institutions and related foundations can fulfill their fiduciary responsibility to safeguard their organization's long-term mission.



SCOPE OF REAL ESTATE IN HIGHER EDUCATION TODAY

Real estate developed by higher education institutions typically falls into five asset classes:

1. Academic facilities
2. Housing and student life infrastructure
3. Research parks and innovation hubs
4. Commercial and mixed-use developments
5. Athletics facilities

When many colleges and universities consider a strategic investment in real estate, much of the board's conversation revolves around student housing. However, governing boards and administrators should apply a more holistic approach to analyze the different asset classes within the institution.

Academic Facilities, Housing, and Student Life Infrastructure

Most higher education leaders focus on academic facilities and student housing when discussing real estate and the potential for asset utilization and monetization. These categories are closely tied to a revenue stream that is easily identifiable and able to be pledged toward loan repayment. However, for decades, the student housing mentality was “us versus them.” In other words, institutions would provide, finance, and operate on-campus student housing, and the private sector would do the same for off-campus housing. The institution could finance on-campus housing projects at a lower cost of capital than private developers to develop and operate any housing on campus. Meanwhile, private developers could provide additional beds off campus. Typically, students would pay a premium for

an on-campus experience or a slightly lower price to live off-campus, though markets vary based on supply and demand.

Over the past decade or so, however, the economics have shifted due to a variety of factors, including a changed higher education funding model, rising operational costs, real estate values, and increased borrowing costs. These factors have placed a premium on operational efficiency and led to a rise in the use of public-private partnerships (P3s) that meld public sector (tax-free) borrowing costs with private sector development and operational efficiency. In this model, the institution shares the project’s risk with external stakeholders, such as government entities and private developers, replacing the bifurcated “us versus them” paradigm. (For more, see the “Public-private Partnerships” section.)

As educational-delivery methods change, another trend we are seeing is the expansion of satellite campuses. Historically, students came to the institutions but now institutions are going to wherever students or industry hubs are located, generally for graduate or specialty programs. A leader in this approach is Vanderbilt University, which is investing in West Palm Beach, FL (sometimes referred to as “Wall St. South”) to open a graduate campus and in San Francisco where it will take over the California College of the Arts campus following the 2026–2027 academic year.* Depending on the location and market affordability, providing housing is a critical component to the success of institutions’ expanded operations.

Research Parks and Innovation Hubs

When institutions have a focus on research and development (R&D), they often struggle with commercializing the innovations developed in R&D projects. Some of the top-performing R&D institutions have found success in the formation of research parks and innovation/incubator hubs, such as the Research Triangle in North Carolina and the Stanford Research Park. These areas have provided outlets for researchers to conduct their important work one step removed from the college or university, while remaining close to campus. These centers of academic research and innovation have also encouraged private companies to relocate to and invest in these areas. When organized properly, these developments can be

* “Vanderbilt Surges Forward with West Palm Beach Campus, Launches Broader Fundraising Effort,” Vanderbilt University, January 12, 2026, <https://news.vanderbilt.edu/2026/01/12/vanderbilt-surges-forward-with-west-palm-beach-campus-launches-broader-fundraising-effort/>. Also, Josh Moody, “California College of the Arts to Close, Sell Campus to Vanderbilt,” *Inside Higher Ed*, January 14, 2026, <https://www.insidehighered.com/news/quick-takes/2026/01/14/calif-college-arts-close-sell-campus-vanderbilt>.



extremely valuable to both the institution (from the monetization of academic research) and the private sector (with access to early-stage research).

Commercial and Mixed-use Developments

Developing commercial and mixed-use real estate can be an effective strategy for supporting a wide variety of the institution's stakeholders, including students, faculty and staff, and the surrounding community.

Student success and satisfaction are the lifeblood of the institution, so amenities in and around the campus offer an enhanced student experience. For example, students can benefit from easy access to daily essentials (for example, a grocery store, pharmacy, or salon/barbershop), and convenient places to congregate and enjoy themselves (restaurants, bars, entertainment venues), enriching the student experience.

Mixed-use developments driven by the institution also provide the potential for affordable housing to accommodate faculty and staff. This helps the college or university attract and retain talent, strengthening the campus community. Such projects can also benefit the institution's relationship with the local municipality—the “town and gown” relationship. This relationship is reciprocal: Being good neighbors with the surrounding municipalities is essential to the reputation of the college or university, as well as that of the municipality. When the relationship is collaborative, it provides a rising tide to both. A contentious relationship, on the other hand, negatively impacts both. Great examples of positive town and gown relationships include the University of Mississippi and Oxford, MS; and Pennsylvania State University and State College, PA.

Athletics Facilities

NCAA Division I institutions have been in an “arms race” for more than 15 years in the development of athletic facilities, but today, this trend is evident among all NCAA schools, regardless of division. Despite an often-common view that athletic programs are a “necessary evil,” they in fact represent the university's all-important brand. In addition, sporting events at institutions of all sizes can draw the entire community together.

Budgets may vary, but the success of athletic programs, and hence the image of the institution, rests with the commitment of leadership. Therefore, boards play a critical role by providing oversight of both the development and operations of athletic facilities.

TRENDS DRIVING REAL ESTATE DECISIONS

Underutilized Assets

The traditional business model of higher education is under stress. The demographics, instructional methods, and strategic focus of academic institutions have shifted over time, leading to facilities that are inefficient, underutilized, and ill-equipped to handle future cohorts of students. Institutions that can adjust their physical spaces to meet the future needs of students are the ones that will be able to solidify their financial position.

Demographic pressures are mounting: The drop in birthrates after 2008 means the traditional population of high school graduates who are between 18 and 24 years old is declining—the projected “enrollment cliff.” At the same time, students and families are increasingly questioning the value of a degree due to rising costs and debt concerns. Those students who still arrive on campus expect their institutions to offer areas of study that will prepare them with the digital and other skills they will need for careers after graduation. In addition, more students are opting for remote online learning or a hybrid experience with some classes online and some in-person.

In this environment, many colleges and universities find themselves with outdated, oversized buildings that are misaligned with the needs of possibly shrinking cohorts of students. As colleges confront an era of declining student populations and shifting educational demands, planning now for how to handle excess and underused campus facilities is essential to safeguarding institutional finances going forward.

Although some top research institutions still enjoy enrollment growth, other colleges and universities expanded campus space even as student numbers fell. Meanwhile, operating budgets are stressed, and deferred maintenance is piling up. Further, with inflation outpacing the increase in capital investment, many campuses face significant budgetary shortfalls.

Traditional approaches will not suffice for a decade-plus decline in enrollments.



Campus Modernization

Deferred maintenance is one of the largest liabilities facing colleges and universities. Most institutions have found it much easier to raise philanthropic support for new construction as opposed to updating older facilities. In this environment, colleges and universities have prioritized investment in new facilities; raising or allocating sufficient funding to upgrade and modernize existing facilities and infrastructure has typically been low in the list of priorities.

The lack of funding for upgrades and modernization of existing facilities has hit a high enough level to require legislative action. In 2024, Congress provided funding assistance to more than 700 university projects.* Legislative efforts have been widespread on the state level as well, with many states mandating and funding modernization projects on campuses to ensure the viability of longstanding higher education facilities.

Many of the campuses' physical assets are simply not built for the future. Facilities built for past models—whether science halls from the 1960s, dorms from the 1990s, or imposing architecture—may not support modern pedagogy or attract today's students. For example, older residence halls often lack the sophisticated electrical wiring required for high-speed Wi-Fi; even the atmosphere of certain traditional buildings may feel dated or uninviting to today's students. Meanwhile, energy demands on college and university campuses are soaring—think nonstop AI applications, fleets of electric vehicles needing to recharge overnight, and other increasingly power-hungry infrastructure. Administrators are looking for smarter ways to keep up with energy demands without blowing their budgets.

Now is the time for honest assessment. Institutions should closely involve their facilities professionals and ensure they are aligned with other leadership and finance teams. Reactive or wish-based approaches (“build more because we always did”) are no longer viable. Decisions must be informed by data: realistic enrollment projections, careful cost analyses, and a grounded understanding of current and future student needs.

* Katherine Knott, “Congress Sends \$1.3 Billion to Colleges in Federal Earmarks,” *Inside Higher Ed*, April 3, 2024; <https://www.insidehighered.com/news/government/2024/04/03/congress-sends-colleges-13-billion-projects>.

Assessment steps include:

- **Evaluate the needs of students, faculty members, and staff.** Ask how changing student demographics and needs impact physical plant needs. Determine whether commuter populations need ample parking and study spaces with high-speed connectivity, or whether residential campuses need to focus on walkability, cultural, and dietary amenities. Institutions with large online enrollments should consider their classroom space needs. Consolidation can help struggling institutions. For example, urban campuses might sell property, while remote rural campuses might need to consider demolition or renovation of unused buildings. For growing schools, flexibility in new facilities is critical; spaces that can adapt will outlast those built for a single purpose.
- **Determine timing.** The time to act is now. Even institutions that are strong today must assume they might face enrollment pressures in the future. Leaders must shift away from dreaming big and instead rely on foresight, disciplined planning, and alignment of priorities across campus functions.



CASE STUDY 1

Problem: An institution was facing declining enrollment and retention. When the board became aware of this, it asked for a tour of campus housing stock, opening members' eyes, for the first time, to the poor housing conditions, mostly due to deferred maintenance.

Steps: The board decided that the university would engage with private developers to find one that could take care of the deferred maintenance issues and build new beds. The university issued an intent to negotiate (ITN) and was able to generate interest from several developers with higher education experience. The university created a website that clearly explained both the goals and the process the institution was following, allowing their stakeholders to be part of the process.

Result: The institution chose a nationally known developer, and it was able to upgrade the existing housing as well as add new accommodations. Even though there has been a decline in enrollment, and the total number of available beds decreased by one percent, the on-campus housing occupancy rate and revenues have gone up. This situation occurred, in part, because the per-bed expenses decreased by 33 percent and per-room expenses decreased by 16 percent due to the modernized facilities and outside management.

Review: This project has been successful, and the institution was able to move quickly because the administration and the board were aligned in both their understanding of the problem and in the desire to bring in a private developer to repair, build, and manage the on-campus housing stock.

Institutions should also consider sustainability options. The initial foray for most institutions into third-party sustainability/energy upgrades is through energy-savings performance contracts, under which a third party will install and facilitate the operation of energy-efficient facility upgrades. These arrangements are financed off the balance sheet and are paid for through energy savings provided by the upgraded fixtures—typically lighting, HVAC, or boilers/cooling towers.

The second layer of sustainability on campus is known as “Energy as a Service” (EaaS). Rather than each institution owning, building, and maintaining its energy systems—which means massive capital outlays, lengthy approval processes, and ongoing operational headaches—EaaS flips the script. With this model, the campus pays a monthly subscription or usage-based fee to a third-party provider that handles everything from design, financing, and installation to operations and maintenance. The college or university gets modern, resilient infrastructure without the big up-front bill or the distraction from its core missions of teaching and research.

By outsourcing the energy challenge, institutions free up their balance sheets and avoid siphoning precious capital into infrastructure projects. That is especially important when budget requests for such investments might stall in legislative or board reviews. Instead, fulfilling energy needs becomes a predictable operating expense—something easier to manage and justify.

In addition, EaaS providers bring scale, expertise, and performance guarantees. They already run systems in multiple locations, employ energy-management talent, and can integrate advanced features such as renewable energy sources, battery storage, EV charging, and smart control systems. For a campus concerned about mission-critical power (for example, data centers, labs, and digital classrooms), this reliability is a big plus.

And while a campus could build its own microgrid, that approach means big upfront spending (easily eight or nine figures) and internal expertise to run it. With EaaS, the microgrid becomes part of the service: The provider handles design and operations, making advanced energy infrastructure accessible and financially viable for institutions that otherwise might shy away from upgrades due to lack of finances or expertise.



CASE STUDY 2

Problem: A public institution set a sustainability goal of 25 percent improvement in energy efficiency within 10 years. To achieve this goal, it launched an energy efficiency program to modernize its power distribution system. The university's goal was to upgrade the efficiency of the existing energy supply systems without burdening the public budget. It was also looking to create additional funding for its strategic initiatives over and above the university's existing student fees, endowment, and other revenues.

Steps: Initially the university issued a request for qualifications (RFQ), and more than 100 companies responded. The university then put out a request for information (RFI), to which 10 multi-firm teams responded. The university selected the six strongest teams to continue to phase III, which was a request for proposals (RFP) that outlined the university's specific goals. The concessionaire that partnered with the university would be solely responsible for funding the upgrades to provide more energy-efficient equipment across the campus, including the central plant. Additionally, there was an expectation of an upfront lease payment to the university. In return the successful partner would receive a 50-year concession agreement to be the university's energy management provider.

Result: The selected partnership made a significant upfront payment, which allowed the university to accomplish the goal of funding its strategic initiatives beyond improved energy efficiency and lower energy costs.

The fee paid by the university for the concession involves an operations and maintenance fee, availability payments (availability payments are regular payments that the public entity will pay as long as the operational terms are met, which gives the institution budget predictability), and a variable fee that covers capital investments. (Typically, these variable fee payments are set aside to fund additional capital improvements, which are made with the approval of the college or university. They are financed through a concession agreement and repaid from the savings created by the capital investments along with payments from the institution, hence the term variable fees.)

Performance targets were identified, and 13 key performance indicators covering eight different categories were outlined, along with penalties in the event the standards, such as avoiding unplanned energy outages, were not met. Rewards were also built in for exceeding the goal of a 25-percent improvement in energy efficiency and achieving this below certain cost targets.

Review: There was such specificity in the discussions leading up to an RFP that the partnership has, so far, been very successful. By having clear goals, the university administration was able to communicate with the board as well as other stakeholders so, even though this was a creative solution at that time, it has been well received. The plan also seems to be achieving the objectives agreed to at the time the concession agreement was executed.

PUBLIC-PRIVATE PARTNERSHIPS

A “P3” is a moniker currently in vogue and an umbrella term for any transaction that is a collaboration between the public and private sectors. The process of creating a successful public-private partnership (P3) is complex. For this venture to succeed, many stakeholders must collaborate. In the higher education context, this might involve a partnership among the institution, a related foundation, a private entity such as a developer or builder, a local municipality, and possibly multiple other entities. The comprehensive services of a professional consultant can make the difference between success and frustration. Higher education leaders must consider many critical, interdependent issues on any P3 project.

- **Market Research:** Before beginning a P3, it is essential to know the needs of the market. Without this context, success is almost impossible. The concerns and issues of the parties involved cannot be addressed until they are clearly identified. A consultant who knows where to look and what to look for can be indispensable.
- **Development Feasibility:** In conjunction with market research, consider other financial and political factors involved with possible locations for real estate development. Although each project is unique, all projects must adhere to jurisdictional guidelines and achieve public approval.
- **Partner Identification and Selection:** A good consultant works closely with clients to create an ideal partnership profile. However, there is no match-making database for this process. It involves research, evaluation, discussion, compatibility, and negotiation.
- **Capital Investment and Funding:** When considering how to finance the project, ask: What’s the main source of funding? Are there grants you can apply for? What’s the partner’s share? Whose name is on the loan? How much financing is needed? When and how are funds disbursed?



- **Revenue Planning:** Not to be confused with strategic planning, revenue planning is about negotiating and then agreeing upon the right financial mix for each partner. Each partner will have strategic goals, but will also want to see a return on their investment. To determine the right mix, ask: Who will bear the brunt of the cost? The taxpayer or the user? How do the facts support that decision?
- **Business Structuring:** What's the best legal structure for your P3? A traditional partnership? A corporation? A limited liability company? Considerations other than tax consequences come into play.*

* Adapted from Jonathan Barbar, "Public Private Partnerships: What Are They?" Barbar and Associates, LLC, October 27, 2022, <https://www.barbar.com/post/public-private-partnerships-what-are-they>.

GOVERNANCE FUNDAMENTALS IN HIGHER EDUCATION REAL ESTATE

The governing board sets the overarching strategy of an institution or related foundation and ensures that major decisions support the overall institutional mission. Meanwhile, the administration is in charge of execution and operational oversight of real estate projects. The board's role is to uphold the mission, provide guidance, review, and endorse major strategic directions, and hold the president accountable for performance. The administration, led by the president and the cabinet, is responsible for the operational guidance and execution of those strategies.

All too often, boards fail to understand or honor the difference between their responsibility for mission, vision, and strategic oversight and the administration's responsibility for developing and executing on strategy and day-to-day operations. When the distinction between the strategic focus of the board and the operational role of the administration is unclear, conflict is sure to arise. The board is there to uphold the institution's mission and oversee the performance of the president/chief executive. The president is responsible for the cabinet and provides operational guidance to meet the mission and the guidance provided by the board. For more, see AGB's *Principles of Trusteeship** and *A President's Guide to Effective Board Leadership*.†

For real estate ventures, this means the board should focus on questions such as those outlined in “Key Governance Questions for Real Estate,” such as ensuring that mission alignment, financial implications, and risk sharing are thoroughly considered at a strategic level, rather than dictating the specific contractors, design elements, or daily project-management tasks. A healthy governance structure fosters collaboration and transparency, allowing both the board and administration to leverage their respective strengths for the benefit of the institution.

* AGB, *Principles of Trusteeship* (Washington, D.C.: AGB, 2021), <https://agb.org/product/principles-of-trusteeship/>.

† William E. Troutt, *A President's Guide to Effective Board Leadership* (Washington, D.C.: AGB, 2021), <https://agb.org/product/a-presidents-guide-to-effective-board-leadership/>.

CASE STUDY 3

Problem: A private institution made a push for enrollment growth. Over each of the past three years, it enrolled its largest-ever freshman classes. Initially there were off-campus housing options for students, but suddenly rental rates jumped significantly, and the university was unable to house all its students. This challenge was limiting the execution of its strategic plan. Additionally, administrators needed housing for their graduate students and young faculty members. The institution needed to expand its housing stock by approximately 40 percent, so a major project was required.

Steps: The plan was to issue an ITN to find a developer that could build this project using off-balance-sheet financing. In the past, the institution had selected suppliers on a “friends and family” basis, but new campus leaders wanted to select the company best suited as a partner with the capability to deliver the project. The administration retained a strategic consultant to assist in the process, which started with the ITN. Leaders were able to recruit both local and national developers and received several proposals. The institution selected three companies to make in-person presentations. The selection committee included members of the board, so they had ownership in the process used to select the company chosen as the development partner. Each step of the way the administration kept the board involved and informed, so there were no surprises. Additionally, it was agreed that the institution would eliminate housing in a dilapidated building and turn another building into apartments for graduate students and young faculty members.

Result: The institution selected a partner and both parties are pleased with the process. The design has been finalized and construction has begun. Both parties have found a working rhythm allowing them to move the project along smoothly.

Review: Communication in this transaction was exceptional. Members of the board, particularly its executive committee, were active participants in the process, following the administration’s lead. They asked valid and important questions, and because they were actively involved throughout the process, both the board and the administration understood the partnership, making the development process seamless.

KEY GOVERNANCE QUESTIONS FOR REAL ESTATE

- Is this aligned with the mission of the college or university?
- What problem are we solving with this initiative?
- How does this project advance our academic and student-life goals?
- Does this strengthen financial sustainability?
- What are the short and long-term financial implications?
- Who are our partners, and how are risks shared?
- What is our exit strategy or long-term stewardship plan?
- Do we have the right staffing to execute this project?
- Do we have a clear memorandum of understanding that outlines the responsibilities of the institutionally related foundation and the institution?



INSTITUTIONALLY RELATED FOUNDATION GOVERNING BOARDS AND REAL ESTATE

Institutionally related foundations (IRFs) are key partners in the future success of their related institutions. They are separate 501(c)(3) nonprofits and exist for the benefit of the institution. IRFs can serve strategic roles in several different areas, such as raising philanthropic support, managing the endowment, alumni relations, and acquiring real estate on behalf of the institution. Another crucial role is issuing bonds and sponsoring P3s (see “Public-private Partnerships”).

IRFs walk a delicate tightrope of being independent yet intertwined with the institution. They carry the weight and stature of being affiliated with the college or university, while being able to act more quickly and with fewer restrictions due to their independence. For public institutions with campus boards appointed by a governor, IRFs offer more flexibility and autonomy than the institution itself typically has. Another advantage of an IRF is their board/leadership structure—foundation boards typically are filled by individuals with experience and expertise in certain areas related to the IRF, including expertise in legal affairs, fundraising, finance, and real estate.

A key question for boards is whether an IRF with a philanthropic purpose is the best vehicle to support their real estate ventures. The main task of a related foundation focused on philanthropy/advancement is to grow the institutions’ financial assets (the endowment or related funds) and diversify revenue—all with a focus on driving the mission of the institution. Some institutions might consider creating a separate or auxiliary IRF dedicated to managing real estate. This approach insulates the philanthropic/advancement IRF from making project choices that might not be attractive to their constituencies, detracting from their main mission (which some may consider mission creep). To avoid these pitfalls and to streamline the management of their real estate portfolio, some institutions

may choose to house real estate and other commercial projects in one or more separate IRFs. There is no “one size fits all” approach.

IRFs may be involved in real estate projects in many ways, including the purchasing of real estate through taking on debt or through use of nonrestricted funds, investing in real estate with restricted funds, or receiving a gift of real estate. The IRF may investigate a real estate project on its own behalf (such as purchasing office space for the foundation’s use) or in responding to a need of the institution (such as additional student housing, athletics infrastructure, acquisition of property adjacent to campus, or strategic needs for academics or research).

Unique Challenges for Foundation Boards

One of the unique challenges facing IRFs investing in real estate *with restricted funds* is balancing donors’ intent with the goals of potential real estate ventures. When a large donation is made to an IRF, a donor will typically place restrictions on how the funds may be used (whether the funds are intended for current use or for the endowment). The most straightforward examples of donor restrictions include requiring current funds to be spent for a particular purpose, such as scholarships, funding academic programs or faculty positions in perpetuity, or specific building projects. Some real estate investments may be easy to tie to a specific donor restriction, while other real estate investments might be made for asset diversification or other purposes that may be more challenging to explain to various stakeholders. For example, IRF assets may be restricted for endowed real estate purposes, but are unconnected to a specific real estate project, so they must be invested carefully to sustain the purchasing power of the funds for future projects. If a donor wants to gift real estate, boards should conduct an appraisal of the property and understand how it can be sold. For more on endowment investment policies, see AGB’s *The Investment Committee, Second Edition*.*

* Nicole Wellmann Kraus with Valentina Glaviano, *The Investment Committee, Second Edition* (Washington, D.C.: AGB, 2024), <https://agb.org/product/the-investment-committee-second-edition/>.



CASE STUDY 4

Problem: A state university's IRF had developed a policy of purchasing any real estate that became available close to campus. This strategy was developed because of the fear of the campus becoming landlocked. The university was growing, and there was no thought that the projected growth would slow, much less that there would be a decline in enrollment.

Steps: After 25 years of this strategy, a board member examined the institution's real estate investments and asked the question that no one had thought to ask, "What are we going to do with this real estate portfolio?" The board members of the IRF had become landlords having to respond to issues with maintenance and leasing.

The initial reaction from the foundation's board members was to proclaim that they would try to attract a developer to work on a P3 for student housing. Unfortunately, the university had tried such a partnership in the past, and it did not go as planned. Thus, the university administration would not support that idea. The board of the IRF decided to bring in an outside consultant to consider the options.

Result: Although this situation did not result in a new proactive strategy, it gave the IRF board an opportunity to reset and decide not to acquire any more real estate without a specific plan for how it would support a university initiative.

Review: This is a case in which the IRF board followed an "acquire everything available" strategy for 25 years without asking "why," how would the real estate be used, and how it would impact the university's mission. This case study highlights the value of an IRF board constantly reviewing why decisions are being made.

CAMPUS BOARDS AND REAL ESTATE

When it comes to institutional governing boards and real estate, typical governance structures assign the oversight to a committee, either a specific real estate/facilities committee or a more general investment/finance committee. When institutions have a real estate committee, individuals who make up this committee tend to have at least a general knowledge of real estate. However, note that this does not necessarily mean these individuals have experience when it comes to higher education-related real estate.

The biggest risk when it comes to campus real estate is the lack of in-depth expertise among members of the institution's governing board. Most board members have a limited knowledge of real estate or if they do have real estate knowledge, it is derived from more traditional real estate. When responsibility for real estate is housed under a general investment committee, these committees are typically filled with more finance-minded individuals who may not be as experienced in real estate as they are with more traditional investments. In these situations, it may be more appropriate to transfer oversight for real estate ventures to a real estate/facilities committee of the board, or hand it off to a separate IRF whose board members have expertise in real estate.

Reactive Versus Proactive Engagement

When governing boards stray into micromanagement, they can become too reactive, which can be catastrophic to a real estate deal. If there is too much involvement/micromanagement from the board, members can get so far into the weeds in areas not in their fields of expertise that a project never comes to fruition.

However, if the board is entirely hands-off, the institution's administration may work to put a deal together and bring it to the board, only to have it fail to gather support. If the proposed deal is one that the board disagrees with, lacks a



board-level champion, is not well understood, or only generates apathy, it can lead to the deal not being approved.

Ideally, the administration should be proactive in involving the right board members at the right time in the process of formulating the deal. Administrators must be proactive in gaining involvement and support from the board, which develops “champions” for the project. This provides confidence to both the administration and the board that there has been active engagement at both the administration and board levels in the development of the project and increases the likelihood of approval.

CASE STUDY 5

Problem: A multicampus institution developed as a commuter school. After some years, the board of trustees decided that it wanted to make the main campus a traditional university campus.

Steps: The board planned to double the on-campus housing and simultaneously build an on-campus football stadium, a convocation center, and a retail center. Because the institution did not have the financial resources to do this on its own, the plan was to enter into a P3 with a private developer. The expectation was that the developer would bring the financing and be repaid from the revenues generated by the housing, stadium, convocation center, and retail center. These facilities would be built using a ground lease of university property, with the assets reverting to university ownership at the end of the lease.

The administration followed the board's wishes and issued an RFP. After months of fielding questions and meeting with developers, the administration agreed on a short list of potential partners. The administration invited the finalists to come in for a formal presentation. This process took another several months, and finally, a winner was selected, subject to approval by the board.

Unfortunately, up to this point, the board had not been involved in the RFP process.

Result: Once the administration selected the developer, board approval was required. This step was a much more significant challenge than anticipated. The administration assumed, because they had gone through an exhaustive process, that the board would simply sign off on the deal. The board meeting turned out to be contentious, ending with a vote not to proceed with the partnership.

Review: Because the board had not been included until the very end, there was no opportunity for the developer to build a trusting relationship with the board members. When the proposed partnership was presented, each trustee had the opportunity to develop their own concept of what the transaction should look like, without understanding the financial realities. When underlying tensions were coupled with this lack of trust, the result was not surprising. The meeting was contentious, the presentation seemed to create more questions than it answered, and the outcome was embarrassing to the administration and the developer, who had already spent hundreds of thousands of dollars to pursue this opportunity.



Overreliance on Consultants Without Strategic Vision or Consideration of Competing Interests

When institutions are investigating a project or process that is new to the institution, the first step leaders should take is looking inward at either the C-suite or board leaders to see if there is any internal expertise with that type of project or process. If there is not, or even if there is expertise, it can be helpful to bring in additional outside consultants. Institutions should do their due diligence, including talking to peers and near-peers, but must recognize that every project is unique. Further, the decision-making process when hiring outside expertise is critical.

Regarding consultants, board members should ask:

- What is their background?
- Have they assisted in this role before, and if so, what was the outcome?
- Are they creative in addressing the needs of the institution or do they have a narrow field of expertise (primarily in financing method, contract type, and so forth)?
- Do these experts or advisors have any competing interests that may affect their advisory role?
- Are their interests/incentives aligned with the institution's?
- Are the consultants true neutral parties or do they have a handful of existing relationships with entities that typically are eventually awarded the projects they advise on?

For more, see the *AGB Board of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit*.*

* AGB, *AGB Board of Directors' Statement on Conflict of Interest with Guidelines on Compelling Benefit* (Washington, D.C.: AGB, 2013), <https://agb.org/agb-statements/agb-board-of-directors-statement-on-conflict-of-interest-with-guidelines-on-compelling-benefit/>.

CASE STUDY 6

Problem: A small, private, financially struggling institution brought in a new president with a business background. As a graduate of the institution, his passion for the institution ran deep. One of the institution's main problems was a lack of sufficient on-campus housing, with little-to-no nearby off-campus housing. The institution did not have the financial capacity to finance a new student-housing project on its own.

Steps: The president mentioned this challenge to a “friend of the university,” a developer who immediately offered to build the housing if the university signed a long-term master lease for the resulting on-campus housing.

Result: The university signed a long-term master lease on the property, under which the university was responsible for all expenses, including capital expenses during the term of the lease. No mechanism was in place to set a price that would allow the university to purchase the asset, if and when it was able to do so. The only option was to wait until the end of the lease and have an appraisal of the property. Therefore, the university created value by filling the beds with its students, investing in capital improvements throughout the term of the lease, and then paying the leaseholder/developer for that value.

Review: On the surface, this seemed like the best of both worlds; the university was able to meet its immediate needs and pay for the new on-campus housing from the revenues generated from leasing the beds. However, real issues were missed (such as the university being responsible for all maintenance and upkeep of the building—adding value to the property—without any consideration of these facts at the end of the lease). Over time, they have become exorbitant costs for the university. Unfortunately, the institution initially was so focused on solving a critical need that there was no long-term analysis done of the costs over time. Had the board been more involved in understanding the transaction, members might have asked more questions about the long-term implications of the lease agreement, which could have resulted in a fairer transaction.



STEPS TO AVOID PITFALLS

To be effective stewards, governing boards should:

- ✓ **Start with the end in mind.** In five years or 25 years, what will success look like for the real estate project? This definition of success should be tied to the institution's strategic plan. Be able to articulate the specific needs this project intends to fulfill. Having the board drill down on this topic is helpful, especially at the beginning, before producing an RFP or ITN. This process accomplishes two major objectives. First, it forces the careful articulation of the project and its value to the institution, and second, it engages the board at the beginning of the process. A caution here is to make sure that the projections being used are not overly optimistic.
- ✓ **Communications are critical.** There should be regular project meetings, which might increase in frequency as the project progresses. After construction is substantially complete, there should also be regular operational meetings.
- ✓ **In determining which financing structure might be most suitable, ask if the institution can handle additional debt or if that debt is prohibited by existing bond covenants.** No two projects are the same, so understanding the objective helps to determine which structure or combination of structures works best for the project. For example, if the institution has debt capacity, it may want to issue the debt because, more than likely, that will be the cheapest cost of capital. Additionally, make sure that the institution is not giving up control of its assets or making commitments that will hurt the institution financially in the long term.
- ✓ **Select a team that has successfully developed and completed a similar project.** One of the common mistakes institutions make is selecting a developer who is known to the governing board or administration, either as a donor or as a pillar of the community, to work on a project, such as student housing. Many of these developers are inexperienced with building projects in higher education and might require the institution to provide unnecessary

guarantees, such as master leases. Their lack of experience can also cause operational problems. A partner who has experience in developing successful higher education projects has had the opportunity to learn from the experiences at other institutions, which can help avoid previous mistakes.

- ✓ **Determine if the potential partner's core values match the core values of the institution.** That is a huge concern that will determine the success of the partnership. Remember, entering an agreement may be for a term of 40 to 50 years. Unanticipated issues are going to come up, and how they are resolved reflects each side's core values. In a more *transactional* relationship, the agreement is going to rule. In a more *relational* arrangement, solving the problem becomes the focus, and the agreement becomes secondary. A transactional relationship is going to be less inclusive and more divisive, not at the beginning when the transaction is fresh, but as time goes on and the normal rhythms take over. Breaking up the partnership is usually messy and expensive. Pick the right partner!

As a part of any proposal, a private partner typically presents its vision of how to achieve the goals outlined by the institution. For example, a project may include housing with a classroom or lab building as an add-on or perhaps taking care of deferred maintenance on campus. Does the proposal make sense? Does it meet the goals of the project? Often developers, who are deemed to be experts, try to tell the institution what it should be thinking and how it can accomplish its objectives without taking the time to understand the reasoning behind the institution's request. Remember, even if there is a need for additional construction, there is no guarantee that the overall project can support all the requirements from a financial standpoint. Sometimes the most logical path is for the institution to sign a lease or otherwise raise funds for additional buildings.



ADVOCACY

Policymakers can be partners in the success of higher education real estate ventures. Governing boards and administrators should build relationships with their local elected officials. These relationships are critical to the financial health and missions of colleges and universities today. Institutions and their IRFs play important roles in the economies of their states, which could be a useful way to bridge these conversations. AGB offers many resources on this topic. For example, see the AGB tool, “Engaging Foundation Board Members as Strategic Advocates.”*

* AGB, “Engaging Foundation Board Members as Strategic Advocates,” October 21, 2025, <https://agb.org/tool/engaging-foundation-board-members-as-strategic-advocates/>.

CASE STUDY 7

Problem: A state board of education, after doing an analysis of its member institutions' real estate, realized that there was an unsustainable problem with deferred maintenance. The board, after much discussion, decided to require each institution to begin spending 0.25 percent of the value of their real estate holdings, escalating up to two percent annually, until they had fully dealt with their deferred maintenance. This was not realistic, however, because the institutions would not have that amount of discretionary dollars available to spend.

Steps: The institutions and the system banded together, with support from the private sector, to ask the legislature to approve a multiyear allocation of general revenue funds in the state budget to fund the deferred maintenance. Board members leveraged their relationships with legislators to finally get this passed.

Result: The legislature voted to provide funding of approximately \$180 million over six years. Institutions could access the funds based on their proportionate share of the budget but had to match the portion of the funds requested from the state (except in the case of demolishing a building, when no match was required). The institutions that have taken advantage of this funding have seen significant operational savings, which allows for additional investments in student-success programming.

Review: This case study demonstrates that there are many ways that boards can impact their institutions. The key is for boards to be aware and informed and for members to be willing to leverage their relationships for the benefit of the university and, in this case, the entire system.



FINAL THOUGHTS

Higher education board members have tremendous opportunity in today's environment to efficiently use real estate to accomplish their missions. The tools and experiences outlined in this white paper provide a valuable first step in understanding the options available to leverage an institution's real estate assets to achieve a specified goal. The key to success is securing board involvement early and throughout the process and ensuring the proper governance structure is in place to oversee the project.



ABOUT THE AUTHOR

Anthony Barbar is a senior consultant for AGB and a leading expert in higher education real estate governance and strategic development. With over 40 years of experience, he specializes in aligning institutional real estate assets with long-term financial and mission-driven goals.

His perspective is uniquely shaped by his role as chair emeritus of the Florida Atlantic University Board of Trustees, where he served for 14 years. This rare blend of board-level fiduciary experience and developer-level technical expertise allows him to help institutions navigate complex P3 transactions and inter-entity governance.



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