HOW REAL ESTATE STABILIZED A SMALL, BLACK COLLEGE IN MISSISSIPPI

One school's answer to funding its budget when faced with shrinking federal assistance.

by Robert W. Jones, CRE

The nation's private black colleges have had to review their methods and find new sources of funding to replace the shortfalls in revenue that have occurred from the reduction in federal funding for higher education. The more fortunate black colleges have embarked on a program to increase their financial support from corporations; others have strengthened their alumni giving program for those willing and able to augment their contributions.

However, most private black colleges lack the ability to attract sufficient foundation or alumni support to replace the previous federal, corporate and foundation funds. This does not mean that foundation or alumni support for black colleges has not grown, but that it is not sufficient to fill the gap.

A Review Of The History Of Private Black Colleges

Most of the nation's private black colleges are located in the southern portion of the United States. The history of these institutions varies from being "land grant" colleges, which was an attempt after the Civil War by northern white social institutions to set up schools for the freed blacks, to "church related colleges," which had the same purpose in mind. In the 1860s, the newly founded colleges were administered by northern whites on either the trustee or administrative levels.

In the 1960s however, a spirit of social change spread through the black college campuses and their trustees realized it was time to start the transition from having a white administration and trusteeship to one that was black. The 1960s also was a period when the philosophy and spirit of the country assumed unlimited growth and prosperity.

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Within this atmosphere the transition occurred and most private black colleges became independent from their original charters. The responsibility for the growth, direction and financing of these changes was put into the hands of their new leadership. With the country's significant growth, inflation, employment and student enrollment filtered down to the black community and most colleges embarked on a program to make the necessary changes and capture their share of the market. During this period, a great building program of dormitories, libraries, gymnasiums and classrooms was accomplished. It was assumed that federal, corporate and foundation support would continue and that increased student enrollment would be sufficient to amortize the debt.

In the 1970s however, it became apparent that what had been forecasted as a continuing condition of growth was misleading. By the beginning of the 80s, the slowdown in student enrollment and the retrenchment in the traditional sources of financing made it very clear to college trustees and their administrations that changes must occur to manage an accumulating debt.

EXHIBIT 1

Total Income And Expenses
1978-87

Year	Income	Expenses	Surplus/ (Deficit)
86-87	7,700,366	7,700,366	0
85-86	8,265,803	8,961,907	(696,104)
84-85	7,534,384	7,983,239	(448,855)
83-84	7,191,997	7,602,473	(410,476)
82-83	6,642,880	7,089,594	(446,714)
81-82	7,751,866	8,040,426	(288,560)
80-81	7,564,323	7,718,534	(154,211)
79-80	7,539,416	7,593,667	(54,251)
78-79	6,733,332	6,858,964	(125,632)
77-78	5,928,928	6,472,669	(543,741)

Reorganization took the usual route of program, staff and faculty reviews to shed those programs and personnel that no longer were affordable. The student/teacher ratio was realigned to its maximum and work loads of faculty teachers were increased. However, even with all this accomplished, it still was apparent that the biggest continuing budget problem was providing student aid and scholarship grants. These programs were necessary to attract the better students and maintain the existing students, but adequate funding for these programs was not available.

Year-end deficits clearly became identified with these shortfalls in income for scholarships and student aid. As the deficits accumulated over several years, any attempts to balance the budget with unknown gifts and grants rarely was attained. The accumulated deficits, when added to the long-term debt, made it clear that the life expectancy for many black colleges was severely threatened.

These deficits challenged the leadership of private black colleges to look at their assets, as opposed to their liabilities, and seek new profit sources.

EXHIBIT 2

Tuition and Fees / Enrollment
1978-87

Year	Enrollment	Tuition/Fees
86-87	691	4,855
85-86	661	4,660
84-85	611	4,660
83-84	608	4,460
82-83	649	4,460
81-82	793	3,770
80-81	868	3,770
79-80	946	3,250
78-79	896	3,250
77-78	893	2,700

A Case Study

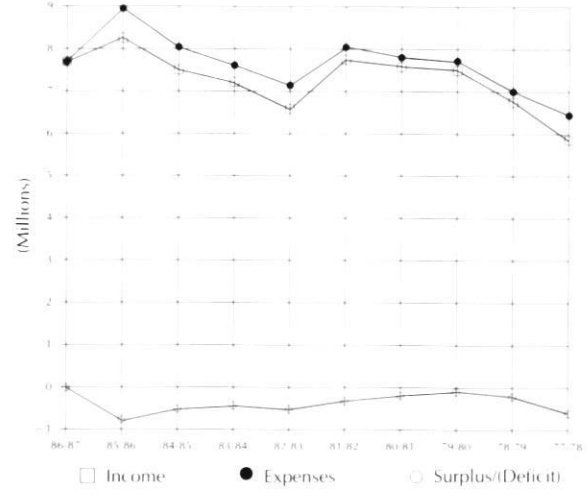
Most black colleges were founded in suburban or rural areas, and generally, they had more land than was needed.

A classic situation was Tougaloo College in Tougaloo, Mississippi, located on the city line of Jackson, Mississippi. Tougaloo, caught up in the 1960s spirit of expansion, had constructed a much needed library and dormitories at substantial expense. It also had started to upgrade several of its classroom facilities when it became apparent that the combination of the new long-term debt, the declining enrollment in the 1970s and the budget overruns were creating an expensive short-term debt.

The college set out on a twofold objective to stabilize and then increase its enrollment and to find a creative way of dealing with its financial problem. The first objective was met by administrative reorganization and alumni help. The second required a review of the college's assets. Tougaloo is situated on 500 ± acres of land of which 50 are required for campus use (based on a master plan study). The remaining 450 ± acres therefore were surplus and available to the college as excess land.

FIGURE 1

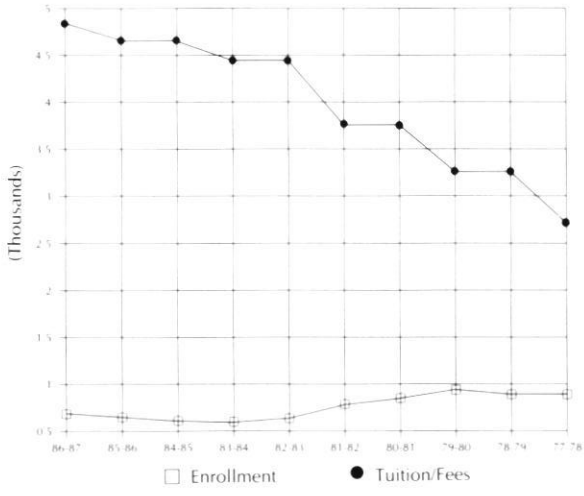
Total Income and Expenses (1978-87)



In 1975, the college secured a grant to study the alternative uses for this extraneous land. A report provided data which stated that the progression of growth in the City of Jackson was moving toward the college community. Tougaloo then commissioned a land use planning study to identify what alternative uses were compatible with the college and the surrounding community in order to take advantage of a potential for development. Shortly after the study's completion, the economy sputtered and the projected growth stopped. In 1980, Tougaloo commissioned a new development study which indicated again that expansion and development were moving toward Tougaloo College.

FIGURE 2

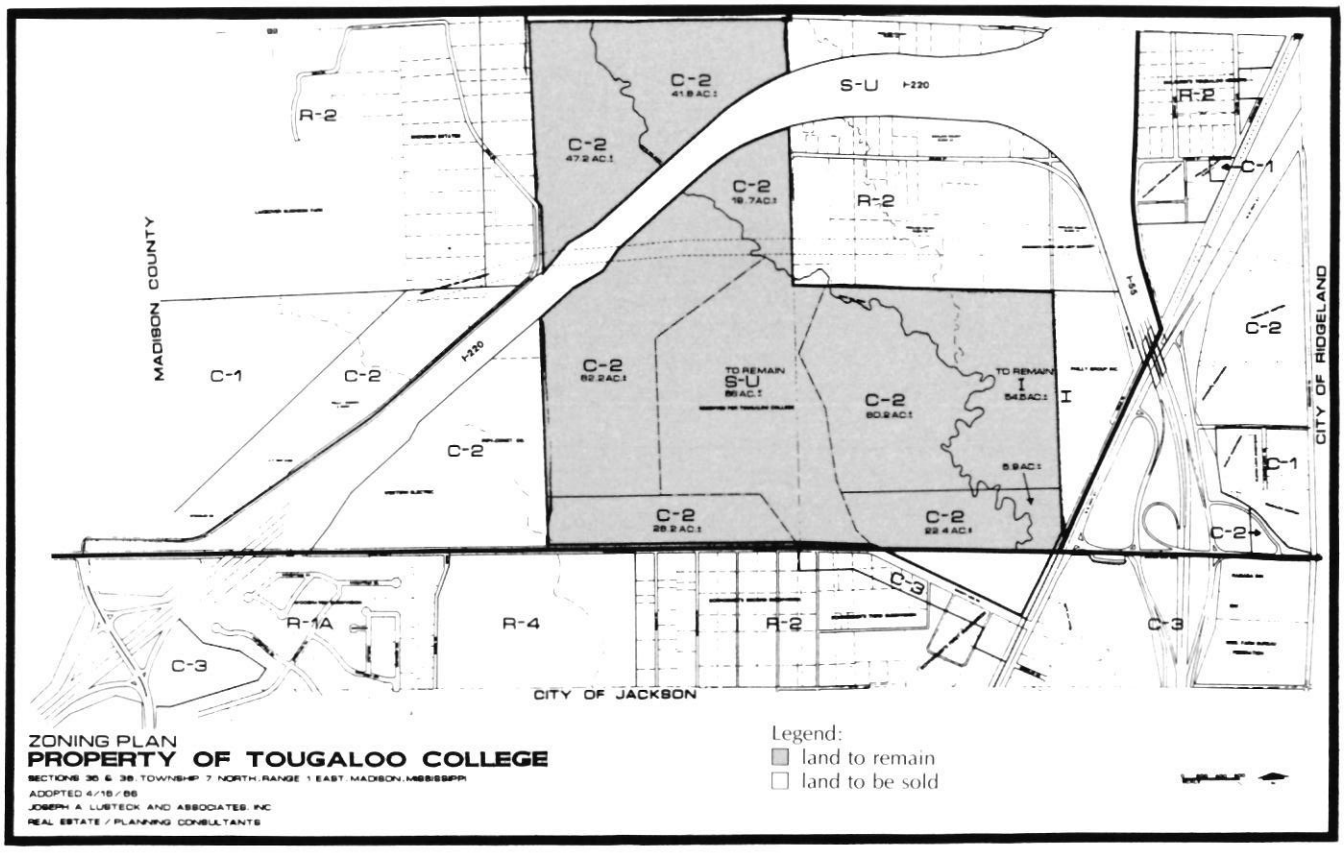
Tuition and Fees/Enrollment (1978-87)



The college, because of financial pressures, had the excess land appraised and due to its substantial appreciation in value, a land mortgage was arranged from a leading insurance institution. This enabled the college to consolidate its short-term debt and provided the breathing room to properly carry out a marketing plan. The results of this plan would allow for the development of the land to repay the loan, and provide an increase in the endowment fund for student scholarships.

The marketing plan accepted by the Board of Trustees recommended a strategy for land development that required substantial rezoning of the excess acreage. It indicated that total development would take 10-12 years, depending on location and market factors. The following recommendations were made and accepted.

- Proceed with the development. Be patient with the expectation that the projected marketing period will be prolonged.
- Hire a local project coordinator to assist with all subsequent approval, development and marketing activities.
- Obtain zoning changes necessary to implement the proposed development.
- Engage engineers to prepare and process a flood plain revision study and subdivision approvals.
- Meet with appropriate government officials and others to obtain support and public funding for necessary improvements including County Line Road extension, the required railroad crossing and off-site utility services.
- Continue discussion on the potential for joint development.
- Prepare and distribute sales material that give the property maximum marketing exposure.
- Market the property in phases. Consider sale of the parcels north of I-220 and east of White Oak Creek



and joint development of the remaining property. (See Map—Property of Tougaloo College.)

To follow these recommendations, Tougaloo hired a local coordinator, a CRE (Counselor of Real Estate) and prepared the necessary maps for appropriate zoning changes.

Subsequently, many obstacles have hindered the development of the land such as community regard for its new use, student and faculty concern over the possible sale of the land (this is very important to southern blacks), community politics related to other developers' progress and an economy that runs hot or cold in short cycles.

The college was successful, however, in meeting with the various constituencies and obtaining agreements that allowed it to appear before the city's zoning board and receive permission to rezone the excess land.

Tougaloo now is confident that all this time and effort has been worthwhile. The school's trustees are aware that the length of time involved can be extensive and that even with professional assistance, it is a protracted process. When finished however, Tougaloo will have achieved a development package that satisfies its students, faculty and local community, and at the same time, is attractive and responsive to the objectives of potential developers.

The value of the land, when developed, will be sufficient to not only repay any outstanding debts, but also to make a substantial contribution in endowments for student and scholarship programs. Tougaloo no longer is looking solely for non-refundable aid. Now it is seeking assistance from corporations who wish to take advantage of the opportunity to locate next to an educational institution and profit from an environment where the cost of doing business justifies the investment.