

## Financial Considerations regarding how much rent to charge FSILG residents.

*Contributed by Roy Russell, 12-15-2022*

For most FSILGs the Alumni Corporation owns the building and charges their residents individually or as a group some fixed amount per academic year. The Corporation may also charge a fee for summer residents. How much should we charge?

### Alumni vs Undergraduate Organization

It depends a bit on how costs of owning and operating each chapter are divided between the Alumni Corporation and the Undergraduate Organization. Generally the Alumni Corporations are responsible for mortgage payments, insurance, taxes, and capital projects including building maintenance while the Undergraduate organizations are responsible for operating expenses (heat, power, water, cleaning, food, social).

### Longer term capital requirements

If you have a decade or two of deferred maintenance then a major capital campaign is necessary. If your building is in good shape then the cost of maintaining it is more predictable. Various systems have expected lifetimes and require replacement or renovation regularly. For example, a brick wall must be repointed at least once every 50 years. A roof lasts 20-30 years. Carpeting 7 years. 5% of the sheet rock in a building will need to be replaced every year. Replacement/renovation cost for each of the building components can be estimated, along with expected lifetimes in order to arrive at a model of capital needs. For most of our buildings the average annual cost to maintain the buildings in good condition is \$100K or more, some years more some less. This is in addition to ongoing regular maintenance which might be \$50K per year.

### Total Annual Costs

The total cost might be \$250K or more, including mortgage payments, insurance, taxes, capital projects, and maintenance. If the alumni are responsible for operating costs that could be an additional \$50K or more.

### Comparing FSILG costs to the cost of living in a dormitory

The cost for a student to live in a dormitory consists of housing plus meal plan.

Pricing for undergraduate residence halls are broken down into [three tiers that are priced separately](#) and they charge different amounts for single, double, etc. MIT is renovating the Tier 2 and Tier 3 into Tier 1 facilities and has raised rents accordingly. Tier 1 rates for 2022-2023 year are between \$4730/semester for a quad and \$6775/semester for a single.

Note also that MIT raises their rates 4% per year (except for one Covid year).

[MIT has a number of different meal plans](#). The 19 meals per week plan that they charge freshmen costs \$3403.50 per semester. In this example, we adjust that to be comparable to the number of meals that FSILG residents might pay for by [Meal Plans - Dining](#) to a Block 90 plan, or around 5 meals per week at a cost of \$1529 per semester (your specific comparison may vary).

So the total Tier 1 adjusted cost per semester is between  $\$4730 + \$1529 = \$6259$  and  $\$6775 + \$1529 = \$8304$ , or \$12,518 and \$16,608 per year.