

Are you best leveraging your university real estate?

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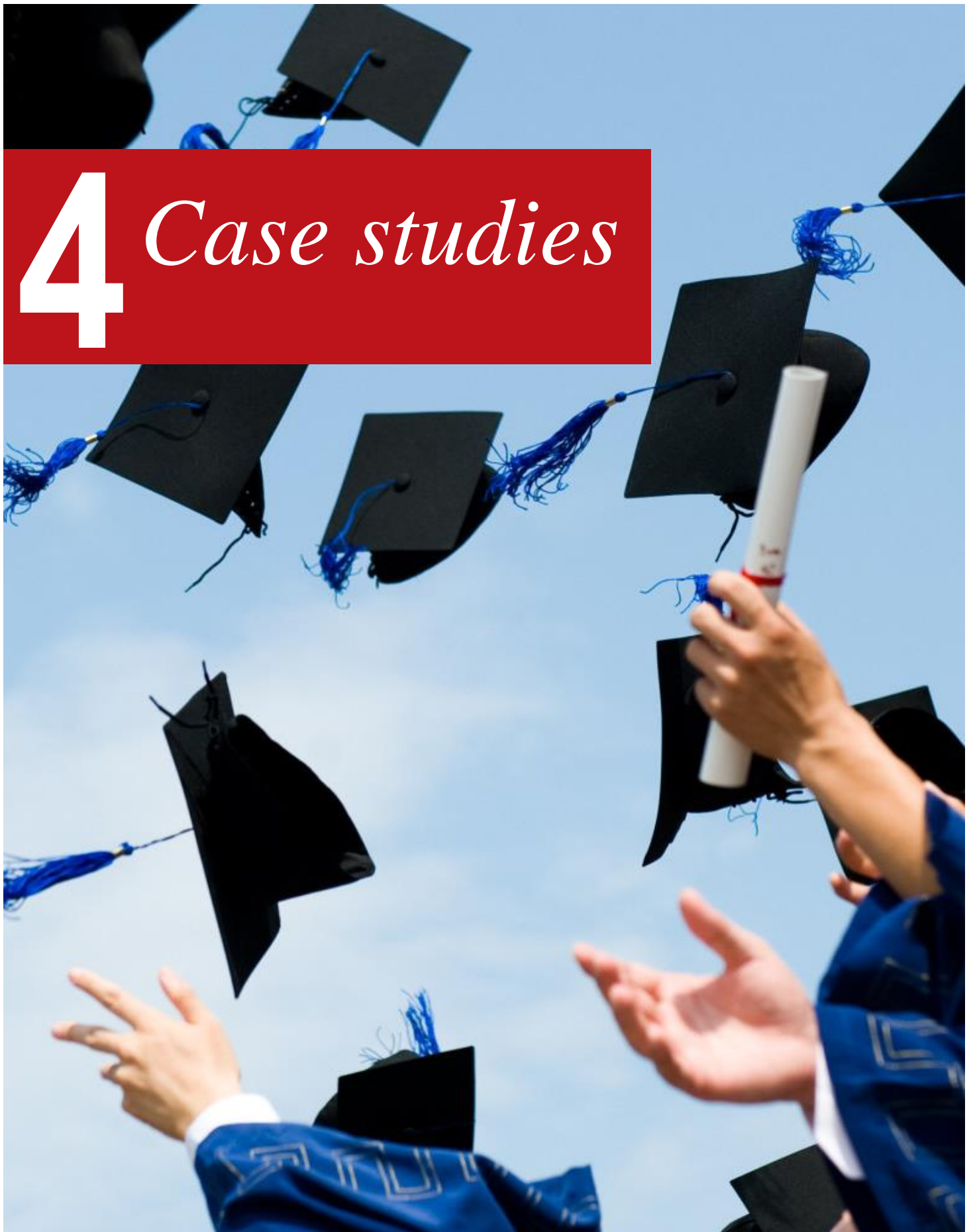


More and more colleges and universities are finding creative ways to leverage their real estate in order to meet strategic objectives. Often faced with funding cuts and the need to limit tuition hikes, institutions are thinking outside the box.

This paper showcases four colleges and universities that have worked with JLL to establish and execute the right strategy that maximizes returns and minimizes risks while leveraging their real estate in the process. The tools employed vary from public private partnerships, to selling properties on a ground lease, to a combination of these, and more.

We take a close look at public private partnerships in particular, where finding the right partners who can take on the responsibility for planning, design, construction, finance, operations and maintenance of new or repurposed facilities, allows colleges and universities to focus on their core mission and campus experience.



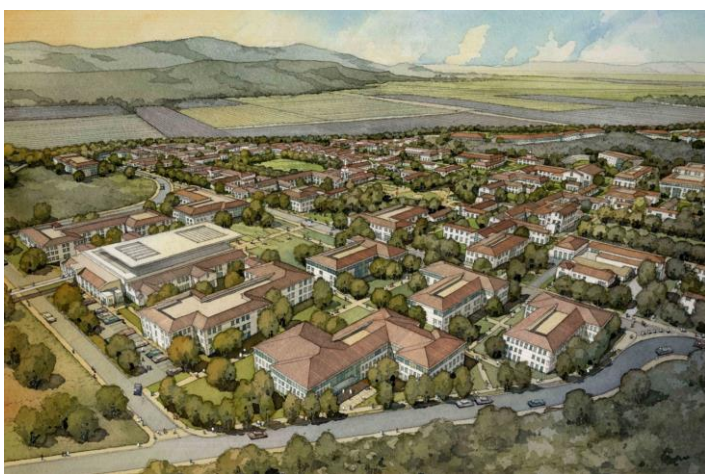


4 *Case studies*

California State University Channel Islands

Founded in 2002 the CSUCI is the newest of 23 campuses in the California State University (CSU) system. CSU is the largest higher education system in the world and one of two public systems in California (aside from the University of California System).

The university was facing a dilemma as the State of California cut much of its funding following the recession. CSUCI had its sights set on growth and was targeting a threefold increase in student enrollment to 15,000 by 2025. In order to accommodate anticipated staff, faculty, and students, the school would need to generate the funding needed to support a campus expansion of over one million square feet by the year 2025.



HOW IT WAS DONE:

The JLL team was engaged to help CSUCI evaluate its options. After a thorough analysis, it was determined that the answer rests in the campus real estate and the university would be able to unlock the maximum value through a couple of public-private partnerships and a ground lease structure.

First, it was determined that the university could generate income by monetizing existing university-owned apartment units. The university released an extensive request for proposals to identify the right private partner to acquire, operate and maintain the units. The university was successful in its aims. Second, a subsequent request for proposals for a private partner to develop, operate and maintain housing on a 32-acre parcel was released, and successfully executed on as well. This site would be the future home to a mixed-use housing development for faculty and staff and would be on a ground lease structure, creating an income stream for years to come. Together, these collective transactions resulted in approximately \$100 million dollars in upfront payments for CSUCI, not inclusive of the incremental income that will come through the ground lease. The university is now able to fund its future academic needs and is also able to cut its debt in half.

JLL additionally supported the initiative through in-depth studies, including an evaluation of market demand for an Events Center that would serve the university and overall Ventura County, and the development of a conceptual design and cost estimate for a field house and conference center.

THE RESULTS:

By the end of this process, the university will have generated over one hundred million dollars in income and secured a steady stream of income through ground leases. In addition, sold properties are being enhanced and professionally maintained by the private partner—additional benefits to faculty, staff and the university.

STRATEGIC OBJECTIVES:

- Find a way to generate income to fund the development needed to support the school's growth plans
- Triple student enrollment by 2025
- Develop housing to support faculty and staff

UNLOCKING VALUE AND POTENTIAL THROUGH

- The sale of 328 existing apartment units on a ground lease produced an injection of upfront capital for reinvestment and a sustainable, long term stream of income.
- A ground lease on the remaining 32 acres that will be developed in another public private structure.



Drexel University

Drexel University is a comprehensive global research institution ranked among America's top 100 universities and the top 10 most innovative schools by US News & World Report. Drexel is a leader in experiential, technology-infused education, enriched by the nation's premier cooperative education program. The university's recognized excellence in translational research is supported by the Coulter Foundation through the Coulter-Drexel Translational Research Partnership. Drexel advances its culture of innovation by encouraging multidisciplinary collaboration, technology commercialization and entrepreneurship—an approach exemplified by the ExCITe (Expressive and Creative Interaction Technologies) Center, the interdisciplinary A.J. Drexel Institutes, Drexel Ventures, the Innovation Center @ 3401 Market Street, the Close School of Entrepreneurship and the Baiada Institute for Entrepreneurship.

Having assembled a large urban land area consisting of ten acres at the gateway to their campus and adjacent to Amtrak's 30th Street Station (the third busiest passenger rail station in the country), the university found itself at a crossroads and wanted to utilize this property to fulfill their recently completed strategic plan.

Drexel wanted to create an innovation community for the next generation of researchers, entrepreneurs, designers and private sector partners. The innovation community would be a nexus of technology creation and commercialization with national and global impacts. This community would consist of a mixed-use environment inclusive of research labs, classrooms, incubators, accelerators, corporate offices, a hotel and conference center, specialty retail, residential, and cultural attractions.

Drexel wanted to accomplish the following:

- Create a unique and innovative environment to attract talented faculty and students
- Enhance its cooperative educational model
- Create unique private sector partnerships
- Develop new academic facilities
- Connect the campus to Amtrak's adjacent 30th Street Station to provide an attractive gateway to their campus

HOW IT WAS DONE:

JLL assisted Drexel in crystalizing the message around its vision so the market could fully understand the needs of the university and respond accordingly.

With this initial step complete, JLL crafted a robust solicitation to market this project to a broad and qualified audience. Once responses were submitted, JLL assisted Drexel in evaluating and vetting each response, and recommended a best-in-class partner, one with extensive experience developing in urban environments, Brandywine Realty Trust.

In addition, JLL provided critical guidance to help Drexel negotiate a master development agreement with a series of structured ground leases to create the recently announced Schuylkill Yards initiative (schuylkillyards.com).

THE RESULTS:

With the help of JLL, Drexel successfully structured a public private partnership that will maximize value and minimize the risk to the university over a 20-year development period.

Drexel and Brandywine Realty Trust will be developing **Schuylkill Yards**, an eight-million-square-foot, \$3.5 billion integrated urban environment, offering a collaborative and connected community made up of educational and medical institutions, businesses, residents and visitors bound together by the pursuit of innovation. Schuylkill Yards will also create a new gateway to Drexel University and University City, a thriving submarket with one of the highest concentrations of higher education and medical institutions in the nation. This will be a place where students, researchers, faculty, entrepreneurs, artists, innovators and more can live, work, create, share and learn.

STRATEGIC OBJECTIVES:

- Create an innovation community where students and faculty can live, work, create, share and learn
- Enhance the university's academic programs and brand
- Encourage collaboration between faculty, students and corporate partners
- Create a compelling campus gateway
- Increase connectivity between campus and critical transportation node

UNLOCKING VALUE AND POTENTIAL THROUGH

- Public private partnership with a world class development team
- Ground leases to secure a stream of income



University of California Merced

UC Merced is the newest campus of the University of California and the nation's first doctoral research university of the 21st century. Sustainable design is at the core of UC Merced culture and the campus has successfully embraced leading edge approaches for new buildings in terms of energy use, data monitoring and water consumption.

The university has the goal of increasing enrollment from 6,700 to 10,000 students by 2020. This objective presents a unique challenge: the need to double the physical capacity of its campus in a quick timeframe. To reach this goal, the university needs additional classrooms, research facilities, laboratories, student life facilities, student residences, areas for recreational student services, and retail and dining, associated roadways, parking and landscaping.

Additionally, the university knew it wanted to minimize the maintenance risk of all the new real estate and create a vibrant, pedestrian-friendly mixed use space for students, staff and faculty.



HOW IT WAS DONE:

In 2013, JLL was brought on board along with its subcontracting partners, SCB Architects, and AECOM, to provide a variety of strategic technical services to the university. After conducting a study to inform the vision for the school, including assessing needs and priorities, JLL was able to document all requirements of the project. JLL analyzed the current campus infrastructure and advised on strategies for expansion. After the needs were understood, JLL assisted in creating a full request for qualifications.

It was determined that the university would be best suited to seek a public private partnership where the master equity partner would be responsible for the entire project. This partnership was one where the private partner would design, build, finance, operate and maintain the entire project. This enabled the university to transfer the maintenance risk for major building systems throughout the project. In addition, it enabled the university to tap creativity on behalf of its partner in the design of the campus and space. And in finding the right partner, the university will be able to scale at a more rapid pace in order to reach its 2020 goal.

THE RESULTS:

The \$1 billion project will be one of the largest social public private partnerships in the US. By thoughtfully crafting a request for qualifications, the university was able to secure the right caliber partner for such a largescale project. By leveraging expertise in design and eliminating maintenance risks, the university is well positioned to meet its objectives of 2x growth by 2020.

The first shovel is set to be in the ground by fall 2016 and development is expected to be complete by Fall 2020.

STRATEGIC OBJECTIVES:

- Nearly double campus physical capacity
- Minimize maintenance risk
- Create a sustainable, pedestrian-friendly, and mixed use environment

UNLOCKING VALUE AND POTENTIAL THROUGH

- Create one of the largest social public private partnership in the US
- Partnership is a "DBFOM": Master equity partner is responsible for the whole project: design, build, finance, operate and maintain
- Transfer 100% of the maintenance risk
- Development to happen all at once to ensure speed to market

UCMERCED

The Catholic University of America

The Catholic University of America (CUA) is a private University located in the heart of Washington, DC, composed of 176 acres and 48 major buildings. The University is composed of 12 schools including the Schools of Art, Music, Law, Engineering and Nursing to name a few.

Catholic University had considered the redevelopment of its eight-acre South Campus for approximately ten years. They had many goals in mind when crafting their vision, including providing a more inviting campus entry, enhancing security and generating income. In addition, supporting the arts was important—as the arts are an integral part of the university's fabric. These were lofty goals, and the university, alone, found it difficult to develop a comprehensive approach and strategy for redevelopment.



HOW IT WAS DONE:

JLL was first engaged to determine how much value was possible for the university to generate through sale or ground lease of the land on the South Campus. JLL modeled numerous scenarios with various uses (e.g., retail, residential, office) and densities to determine probable values. JLL met with the City Office of Planning and worked with a zoning attorney to determine the likely density for the site consistent with the Office of Planning's Small Area Plan for that area of Washington, DC. Market research was prepared to determine what uses would be most appropriate for the site. Using the information generated through the research, financial models were prepared to determine the land value.

After reviewing the research and the estimated land value with the CUA Board of Trustees, and receiving their approval to proceed with a sale or ground lease, JLL bid the property to developers with a marketing package that highlighted the property's attractiveness. The 14 offers received were narrowed to four and eventually to two with a "Best and Final Offer" used to determine the winning developer. The keen competition among developers significantly drove the price and the value to the University. Total pricing was based upon the density to be received by the developer through the entitlement process (i.e., pricing was by FAR SF and multiplied by the number of FAR SF the developer received) with a minimum value for the land established in the event the developer did not receive the density anticipated.

The selected developer proceeded to receive the entitlements through the District of Columbia. To ensure the developer's commitment to the project, the developer was required to make deposits with the university upon execution of the development agreement and at designated dates when the entitlements were approved by the District. Ground for the development was broken in the spring of 2013 and the final phase is set to be completed in 2017.

THE RESULTS:

With the thoughtful approach to tackling such a large set of objectives, and the right public private partnership, Catholic University has found itself able to unlock the maximum value from its real estate while meeting its strategic objectives, primarily being: creating an income stream, a safety buffer around the school, and a more inviting gateway to the campus.

Catholic University's project, dubbed "Monroe Street Market" is a vibrant, connected, mixed-use area that includes 720 residential units, 45 townhomes, 83,000 square feet of street-level retail, 15,000 square feet of artist studio space, a 3,000-square-foot community dance studio, and ample parking. The plans improve walkability and traffic patterns. For details please visit www.monroestreetmarket.com

STRATEGIC OBJECTIVES:

- Create a more attractive doorstep to campus
- Create a sense of place
- Embrace the arts in the execution of the plan
- Create a security buffer around campus
- Provide an additional revenue stream to strengthen their financial picture
- Limit construction and financing risk

UNLOCKING VALUE AND POTENTIAL THROUGH

- Mix of ground leased parcels and parcel sales
- Entered a private public partnership for the development of the project







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About JLL

JLL (NYSE: JLL) is a professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. A Fortune 500 company with annual fee revenue of \$4.7 billion and gross revenue of \$5.4 billion, JLL has more than 230 corporate offices, operates in 80 countries and has a global workforce of approximately 58,000. On behalf of its clients, the firm provides management and real estate outsourcing services for a property portfolio of 3.4 billion square feet, or 316 million square meters, and completed \$118 billion in sales, acquisitions and finance transactions in 2014. Its investment management business, LaSalle Investment Management, has \$57.2 billion of real estate assets under management. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit www.jll.com.

About JLL Research

JLL's research team delivers intelligence, analysis and insight through market-leading reports and services that illuminate today's commercial real estate dynamics and identify tomorrow's challenges and opportunities. Our more than 400 global research professionals track and analyze economic and property trends and forecast future conditions in over 60 countries, producing unrivalled local and global perspectives. Our research and expertise, fueled by real-time information and innovative thinking around the world, creates a competitive advantage for our clients and drives successful strategies and optimal real estate decisions.

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