

Revitalizing the Campus Through Retail

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Urban IHEs are luring local and national retail tenants to drive campus and community revitalization initiatives.

By Elizabeth Crane
November 2004

It's not enough to add shops. It's not enough to build housing. As universities all over the country are discovering, university-led urban revitalization is all about creating an environment where an institution and its neighboring community cannot only coexist, but also benefit from one another.



The University of Pennsylvania has occupied several core blocks in West Philadelphia since 1870 and has steadily revitalized and expanded its 269-acre campus over the past 134 years. Until the 1950s and the advent of "urban renewal," West Philadelphia had been a thriving neighborhood of Victorian homes and small businesses.

Then, it gradually slid into decay in the 1970s becoming dilapidated and dangerous. As little as 15 years ago, it was not uncommon for students to be warned against venturing into certain parts of West Philadelphia. "The 1992-93 year was rock bottom," recalls Omar Blaik, senior vice president for Facilities and Real Estate Services at Penn. A student was killed and a professor was stabbed. Local businesses were closing, and students had to be bused downtown just to grocery shop. "The neighborhood was empty," Blaik recalls. About that time, Penn made the decision to engage in urban renewal in its pure sense, recreating a neighborhood of local shops and homes.

First, Penn had to address its campus issues. The Ivy League campus was designed to face inward toward the central tree-lined walkways and common areas and toward other campus buildings. "The buildings didn't even have street addresses. We were saying 'We're not part of this neighborhood,'" Blaik explains. Existing buildings were re-designed to have their main entrances on the city streets. The campus turned itself

Students as Big Spenders

Keeping the money in the neighborhood has never been more important. Students are spending more, and their home institutions are competing for those retail dollars. Why not keep those dollars on campus?

around and looked out over the neighborhood instead of turning its back on the streets. "We realized we cannot exist in a desert and imagine we are not part of what surrounds us," he says.

At the same time, the university put into effect its West Philadelphia Initiative, a five-pronged plan, developed with neighborhood input, to revitalize the struggling neighborhood and make it a livable, workable community. All five were implemented concurrently. The first issue was to make the environment cleaner and safer. The newly formed University City District, in partnership with other large entities like the University Hospital, began patrolling the neighborhood and organizing cleanup of graffiti and garbage.

To increase home ownership and decrease absentee landlordism, the university paid mortgage incentives of \$15,000 to university employees who bought a house in the neighborhood, and \$7,500 to homeowners who

- The average freshman plans to spend

\$1,200 primarily

on electronics.

- Parents and students will spend

\$7.5 billion on electronics,

\$8.8 billion on textbooks, **\$3.2** billion on clothing and accessories,

\$2.6 billion on dorm or apartment furnishings,

\$2.1 billion on school supplies, and

\$1.5 billion on shoes.

- The average college student will spend **\$600** of his or her

own money on back-to-college merchandise this year.

improved their existing property. By making ownership and beautification a priority, Penn hoped to increase the stability of the whole neighborhood and create a sense of pride in West Philadelphia instead of the perceived stigma. Penn also went out of its way to contract with local businesses for goods and services required by the university, such as laundry and catering. This policy of economic inclusion kept neighborhood money in the neighborhood, and went a long way toward convincing skeptics that Penn was sincere in its desire to do right by West Philadelphia.

"It took a lot of hard work to get the community to believe we weren't pulling a fast one," says Blaik. Building a new elementary school and turning it over to the public school district, while continuing to fund \$1,000 per child helped, the cause. Creating a neighborhood where university employees would want to live goes a long way toward cementing the relationship between Penn and the neighborhood. "We live in the community. My kids go to the new public school. I am the community," says Blaik.

KEEPING DOLLARS IN THE COMMUNITY



But the cornerstone of the entire approach was retail. In the 10 years since the initiative began, almost 40 new businesses have opened on Penn property. One development is located on what used to be the university border on West 40th Street, and the other is along the north side of campus, an outdoor urban shopping center called University Square. It contains the Hilton Inn at Penn above and shops like Urban Outfitters, Ann Taylor Loft, and Barnes & Noble below. The university funded and built the \$100 million project, which it now owns and operates. The latest addition, Cereality, a new food-service concept that touts "all cereal, all day, all ways," is opening its first sit-down cafe in University Square in November. The university acquired money to construct the project by floating bonds, while acquiring debt. Fortunately, the revenue from the retail rent is helping to pay the debt service.

Also on 40th Street, a 24-hour grocery store, movie

multiplex, parking and restaurants, surround Smoky Joe's bar, a campus landmark. "When we initially put out the red carpet to the big grocery store chains," says Blaik, "no one wanted to come. We had to build an independent grocery from scratch." Penn knew that the purchasing power of the population was bigger than it looked on paper.

Neighborhood census numbers may have had the annual average income of the surrounding neighborhood set at \$15,000, but that was only because so many of the residents are students and technically have no income. That didn't mean they didn't have money to spend. Now there's 24-hour activity. Hospital workers grocery shop after their shift, and students and residents come and go at all hours. This is a complete turnaround from the previous decade's "don't go out after dark" policy.

REVENUE GENERATOR

The new grocery store is earning \$750 per square foot and the gross sales per year from the two developments has topped \$200 million. Retail rents have gone from \$7 per square foot to \$20 per square foot with Penn owning the majority of space. "We've proved the concept, and now [retailers] are flocking to us," says Blaik, but it's not like the neighborhood had suddenly gotten rich. It was the result of

diverting the money that had previously been leaking out to the shopping centers downtown and outside the city.

Penn worked with retail planners to recruit and maintain diverse and local retail tenants, and helped create a rich neighborhood tapestry by keeping unique buildings and creating new structures in harmony with the existing architecture. Despite all efforts, however, there are still mixed reactions to Penn's policies. Joyce White, a 30-year resident of West Philadelphia and an employee of the university's museum, is enjoying the benefits of increased property values and cleaner, safe streets. "I often feel I live in a heaven of some sort: sitting on the back deck of a home with three fireplaces and three sets of pocket doors, listening to the crickets and birds under old-growth trees, chatting with neighbors across adjoining yards, all within walking distance of my job at Penn," White says. Though she admits that she couldn't afford to buy in now that house prices are catching up with the rest of the city, she's glad the university is creating greener, safer streets. Others question Penn's right to "revitalize" a neighborhood that was in many ways already a vital and functioning community, and accuse Penn of co-opting the neighborhood and creating, in effect, a Penn colony. Those who can't afford to buy into the neighborhood, like George

Poulin, a Drexel University architecture student, criticize Penn for creating "a yuppie enclave. It's great to see a neighborhood become so popular and well-maintained, but it's disheartening to know that I'll be left out of the picture because of my income level," Poulin says.

COFFEE FOR CREDIT?

It isn't just the university benefiting from the retail boom on campus. Companies that set up shop on campus reap the rewards of not only the built-in foot traffic from students but from the neighborhood as well. Ken Redding, vice president of Business Development at Starbucks Coffee, says that Starbucks approaches a campus location as it would any other potential retail location. "It's all about studying traffic patterns," he says. "The two sources of traffic--student life and neighborhood--make them a good market." There are roughly 100 Starbucks on college campuses nationwide.

Redding sees the real potential for campus retailing about five years out. At the rate Starbucks is growing, the need for employees is getting dire. Starbucks is "looking to take a more holistic approach" to coffee on campus by setting up reciprocal arrangements with a university to develop cross-programming with the school and make Starbucks

an attractive place for students to work. The hope is, that by having Starbucks on campus, it will be a way to get students into a Starbucks management track and use Starbucks as more than a way to sell coffee but as a management training ground.

THE GREAT EXPANSION



This corner building underwent a major make-over. With a new roof and windows and a gutted interior, this once dilapidated structure will be the home to new restaurants.

When the University of Illinois at Chicago was looking to expand its campus and increase its profile as a desirable place to go to college, they looked south to a dilapidated area of boarded-up buildings and warehouses. The university had been slowly acquiring property over the years, but there was no coherent plan for what to do with it. "We wanted to give people a reason to stay on campus," says Ellen Hamilton, director of Real Estate at UIC. "The campus was virtually lifeless after 4 p.m. We wanted to populate it and create a 24-hour environment,"

she says. The university needed to become a neighborhood instead of just a school.

To that end, in 1995 UIC secured a master developer and created an overall plan for the purchase and development of the 80-acre area south of the existing campus. The redevelopment agreement was approved in 1997, and in January 2000 UIC started acquiring the property they did not yet own and began demolition and construction. Two 750-unit student apartment residences, a 750-unit dorm, 120,000 square feet of office space, and 80,000 square feet of retail space have all been built, as well as parking structures for hundreds of cars and 600-plus private for-sale housing units, all but 20 of which have already sold. As of now, the estimated \$750 million project is currently 75 to 85 percent complete, with full completion, including the reservation of two land banks for future expansion, expected in 2008.

As a state university, UIC had to jump through several hoops and endure many rounds of approvals before the plan could go ahead. Permission had to be obtained before any land could be sold to a private developer. But UIC could clearly show that its expansion would help the city by increasing property tax revenue; the money from

the taxes on the development would pay for the infrastructure of the entire project, while the housing and retail were funded by auxiliary bonds. The university took things one step at a time, meeting with neighborhood groups and making sure it was doing right by everyone involved.

To maintain the look and feel of the Chicago cityscape, eight unique old buildings had their facades adapted and restored instead of demolished. "They took them apart brick by brick and then put them back together on the face of the new building," says Hamilton. Style elements like these helped give the whole development a pleasing appearance that blends nicely with the surrounding area.

UIC also planned to attract big retail and create a mix of shops. "It isn't as if there weren't retail outlets in Chicago. It's not that we created a unique opportunity for shopping, it's just that now people didn't have to go and find it. It's right here," Hamilton says. And what's here? Caribou Coffee, Jamba Juice, Cold Stone Creamery, Cingular Wireless, 7/11, Post Net, Wells Fargo Bank as well as MidAmerica Bank, restaurants, a dry cleaner, a haircut joint, a mattress store, and more. The faculty especially is thrilled that Barbara's Bookstore, a Chicago institution, that

holds author's events and generates a lot of traffic, is in a key location.

"I took a potential tenant on a tour of the South Campus," says Hamilton, "and took the risk of asking the tenants we met, 'How do you like being on South Campus?' I didn't know what they were going to say. But they all said it's great. It's nice to see people out walking with their babies. One tenant said that it had been difficult being the first in a new neighborhood but now things were going very well." It's clear that the new development is good for the city, good for the university, and good for the students and faculty to have a lively, more well-rounded campus. As Hamilton puts it, "We're proving we're in this for the long term by creating a real live-learn campus."

How to Attract Retail Tenants to Campus

Smart retailers are always intrigued by the opportunity to expand into new markets. College campuses, which contain high concentrations of well-educated consumers, including many soon-to-be-graduates, are a natural place to market products and build brand loyalty. Additionally, the stable population and defined nature of the academic year, including reliable periods of heavy traffic (parents weekend, homecoming, athletic events, etc.) makes campuses very alluring.

Here are some tips from Robert D. Bronstein, president of The Scion Group LLC and Stanley Nitzberg, principal of Mid-America Real Estate Corporation, on how to attract the right tenants to your campus.

1. **Develop a well-conceived plan.** Establish the type and nature of retail operations that the campus desires, as well as potential locations. This plan should be developed in conjunction with, and subsequently integrated into overall campus plans.
2. **Consult experts in the field of retail real estate marketing and leasing,** as they understand not only the general needs of retail tenants, but also the evolving desires and trends in what is a very dynamic industry.
3. **The plan should include detailed demographic information on the campus and its constituents,** including students, faculty and staff. Short and long-term projections concerning demographics are also valuable.
4. **Consider the local community and neighborhoods.** Define what effect new on-campus retail will have on surrounding areas and how on-campus retail may relate to current and planned development in the vicinity of the campus.
5. **Illustrate how you will fund the anticipated leasing costs,** including marketing commissions and tenant improvement allowances for space build-out, as well as the allocation of internal resources for property management services.
6. **Consider retaining third party services for leasing and ongoing management.** By engaging a reputable

firm that understands the unique nature and priorities of retailers, tenants recognize that the school is making a long-term investment in its retail space.

Another option for colleges and universities is to establish a long-term relationship with a retail partner that will share in retail space risk in exchange for some portion of the potential profits. For example, says Bronstein, retailers may be willing to enter into a long-term "master lease" with an institution, then take on risk (as well as most or all upside) for leasing the space directly to retail users. This is an option worth considering, as retail real estate can be a specialized and volatile industry and many institutions see the benefit of mitigating risk while still generating some level of revenue.

Dealing with Dissent

If you're aiming for universal popularity for your urban revitalization project, be realistic. There will always be obstacles, vocal splinter groups, and opposition to changing a neighborhood. To prevent serious fallout, every IHE in this article met with the neighbors many times. Solicit input from business owners, tenants, and renters. Listen to what they want and, within reason, accommodate them. Keep your procedures entirely documented and fully disclosed.

A neighborhood group in Davis, Calif., filed a lawsuit against the planned University of California Davis West Village development--an addition of university housing, buildings, and stores--claiming that environmental impact studies conducted were inadequate. The case was dismissed. The judge found that Davis had indeed performed a "reasoned, good faith analysis" of the impact the new buildings would have on the environment.

Yale University, in New Haven, Conn., is engaged in urban revitalization as well, with mortgage incentives, commercial building, retail additions, and crime prevention on the university's agenda. Despite a drop in crime in the last decade and 50 percent fewer rental vacancies, there are still grumbles that Yale is not doing enough. Some argue that because Yale is the largest employer in town and the wealthiest, it has a responsibility to fund endeavors in its community. "We would like to see actual dollars go to nonprofit organizations," says Jean Sheeley, executive director of the Boys and Girls Club of New Haven.

-E.C.