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Urban Universities and Real Estate Development

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Urban Universities and Real Estate Development

Prepared for:
Lincoln Institute of Land Policy

Prepared by:
Center for Economic Development
Ziona Austrian, Ph.D.
Jill Norton

December 2002
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Center for Economic Development, Maxine Goodman Levin College of Urban Affairs, Cleveland State University
# Urban Universities and Real Estate Development

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INTRODUCTION

This report is intended to enhance the understanding of the role that urban colleges and universities have in local economic development through university real estate investment activities. Colleges and universities across the country are becoming more involved in property acquisition and development; however, there is limited research that explores the decision-making processes that are employed and the implications of these decisions on the larger community.

This research has been funded by the Lincoln Institute of Land Policy. The project includes case studies of five universities: the University of Pittsburgh, The University of Arizona, Marquette University, Portland State University, and Wayne State University. The University of Pittsburgh is a state-related institution located in the heart of Pittsburgh, Pennsylvania. The University of Arizona is a public institution located in Tucson, Arizona. Marquette University is a private institution located in Milwaukee, Wisconsin. Portland State University is a public institution located in Portland, Oregon. Wayne State University is a public institution located in Detroit, Michigan.

Information for each case study was gathered from in-person interviews with individuals associated with the university and community groups as well as a number of secondary sources including newspaper articles, Internet sources, and planning documents. The case studies will provide an overview of the university and surrounding neighborhoods and discuss the decision-making processes employed by the university and the mechanisms utilized to finance real estate acquisition and development. In addition, the case studies will describe university-community relations and how university real estate investment activities affect the larger community.

1 Pittsburgh interviews were conducted in November 2001; Tucson interviews were conducted in March 2002; Milwaukee interviews were conducted in April 2002; Portland and Detroit interviews were conducted in August 2002. A list of persons interviewed is included in Appendix A.
URBAN UNIVERSITIES AND REAL ESTATE DEVELOPMENT:

AN OVERVIEW OF DEVELOPMENT PRACTICES

To understand the role of the university as developer, it is important to be aware of the issues that affect a university’s acquisition and development practices and how these issues manifest themselves in day-to-day activities. This section provides an overview of universities’ real estate investment practices by first identifying the broad issues that influence development activities and then discussing more specifically how universities structure decision-making processes and financing arrangements to address these issues.

FACTORS INFLUENCING REAL ESTATE ACQUISITION AND DEVELOPMENT

The motivation for development, the characteristics of the physical environment, the degree of policy oversight, and style of leadership influence all phases of the real estate development process for universities. The combined effect of these factors determines the type of projects undertaken and methods of finance.

Motivation

Recognizing the motivation for university real estate development activities is important in studying the development process. For many universities, steady growth in student enrollment has necessitated physical expansion. A greater emphasis on postsecondary education, accompanied by broader access, have resulted in dramatic increases in the number of people attending institutions of higher education. Over the last three decades (1970 to 1999), total fall enrollment in degree-granting institutions in the United States increased over 70 percent.\(^2\) Increased enrollment leads to higher demand for classrooms and laboratories, office space, student housing, and recreation facilities. In

addition, recognition of the need for top-notch facilities to attract and retain faculty and students has prompted a considerable amount of construction. This scenario is only part of the story, however. Other colleges and universities have voiced concern over student recruitment and retention, despite the large gains in student enrollment. Some institutions, once part of vibrant urban centers, saw their neighborhoods decline (primarily from the 1960s to the 1980s) and are now surrounded by urban blight. The initial response of universities to neighborhood decline was often to construct physical and symbolic barriers around the campus in an attempt to isolate themselves from the conditions plaguing those outside the academic community. This response generally failed to satisfy students and their parents, who wanted a safer and more stimulating environment for learning, and led to a greater willingness among institutions to engage in large-scale efforts to improve the surrounding physical landscape.

The type of project being developed by a university, or more generally, a university’s real estate needs, has implications for the decision-making process and project financing. For example, a university focused on expansion of academic facilities would be less apt to include outsiders in the planning process. Construction of student housing may or may not invite public participation. On the other hand, a university that hopes to improve a neighborhood would likely develop a more public process and consider the needs of local residents and business owners. The financial implications are more straightforward. A university that is building academic facilities must account for the fact that most do not generate revenue. Usually financed through bond sales, these facilities do not directly produce revenue to repay the debt; this must be considered in the planning phase. Student housing does not create the same burden; the collection of rents makes housing financially self-sustaining; therefore it carries less risk for a university. Institutions that undertake projects to improve the neighborhood will face different issues with respect to financing. For instance, they may rely more heavily on endowment funds or the commercial loan market than the bond market. Community development programs that offer special financing arrangements may be available, but the university must be willing to accept a considerable amount of risk if they invest directly in residential or commercial properties in a distressed neighborhood.
Physical Environment

The physical setting in which an institution is located has the most obvious and direct influence on the property acquisition and development process. If a university needs additional space, is there sufficient room to grow or will expansion put pressure on the surrounding land area? The answer to this question again determines what types of projects are possible, what funding mechanisms are available, and who will be involved in decision-making. Rural and suburban campuses often have land available for development, but this is less likely for urban universities. Urban campuses are often land locked; surrounding property has been developed for other purposes or campus expansion is hampered by such boundaries as expressways, waterways, or railroads.

Surrounding land uses can present a variety of problems. As might be expected, universities adjacent to residential neighborhoods will often encounter the greatest obstacles in acquiring and developing real estate. Residents may appreciate universities for the many amenities they bring (e.g., cultural and sporting events and community outreach services), but the dominant presence that universities can have in a residential neighborhood often leaves neighbors feeling wary. When a university is in a growth mode, this wariness intensifies since residents may believe their homes and quality of life are threatened by campus expansion. Community opposition can affect the development process in various ways, depending on how the university chooses to respond and whether residents have political power to fight the university. Some universities (e.g., University of Pittsburgh and University of Arizona) are bounded by both upper-income and lower-income neighborhoods. Stable, upper-income neighborhoods are less vulnerable to university expansion. They generally have the resources and political influence to fight encroachment, and the higher market values make it more difficult for universities to acquire properties. Lower-income neighborhoods face a greater struggle and often bear the brunt of the negative impacts associated with university expansion.

The potential for opposition is just one difficulty associated with acquiring and developing land in a residential neighborhood. Assembling tracts of land is also
particularly challenging. It is usually impossible to find large parcels in such an area; universities must aggressively pursue properties when they become available and wait patiently for others. Since residential lots in urban areas tend to be small, it can take years to assemble enough land to build a needed facility. This not only makes it difficult for the university to meet its objectives, it may add fuel to an already contentious situation. Residents rarely like to see properties land banked for future development. One complaint is that universities sometimes demolish houses only to leave the lots vacant or use them for surface parking. Even if residential structures are maintained for other purposes, a scattered pattern of university versus resident ownership changes the character of a neighborhood.

Universities located in commercial districts encounter different issues in the acquisition and development process. There may be less controversy associated with campus expansion, but they face another set of obstacles. In vibrant commercial zones, competition for land can be intense. Universities must be able to compete on the open market for available properties, which means garnering the financial resources needed to match offers of private developers. This has very direct implications for the development process. Furthermore, as large bureaucracies, universities are not always structured to make decisions quickly, which is a serious disadvantage in a competitive market. For these reasons, universities have developed efficient decision-making processes for acquiring and developing real estate.

While surrounding land uses can present obstacles, they can also provide opportunities. Universities located in declining urban areas may be able to benefit from underutilized land by converting vacant buildings or industrial sites to meet their needs. This generally causes little opposition since any form of investment is usually favored over no investment and acquisition costs can be low. Wayne State University in Detroit has benefited from this situation. The challenges are in the development phase, where the time and expense associated with demolition, conversion, and environmental clean-up can derail projects. There can also be challenges for members of the community who would like to see high quality projects. The attitude that some development is better
than no development often results in poorly designed buildings that are out of character with the neighborhood.

The physical environment introduces another set of difficulties for universities if the campus has a natural boundary, such as a major thoroughfare, expressway, waterway or railroad. This has led some to consider creative development strategies. Several universities have attempted to reroute streets. Portland State University is exploring the possibility of capping a low-level highway to allow construction overhead and is considering an aerial tram as a river crossing. These types of proposals involve high costs and can generate vocal opposition, but they indicate the important role that universities can play as developers and illustrate how the physical environment affects the development process.

State and Local Policy
State and local policies relating to real estate acquisition and development have a less visible, but equally significant impact on the development activities of universities. The extent to which policies facilitate or restrict universities’ ability to operate in the real estate market varies considerably. Furthermore, oversight of university activities can originate from multiple sources at the state and local level.

There are often significant differences in the extent to which formal policies govern a university’s actions with respect to real estate development. Private universities are generally subject only to the restrictions placed upon them by their board of trustees. While the possibility exists for disagreement between board members and administrators, both are ultimately responsible only to the university, lessening the likelihood that other considerations would interfere in the decision-making process. This reduces delays, facilitates funding approval, and makes it much easier for the university to compete in the real estate market.

The level of autonomy granted to public institutions differs from state to state. Some public universities enjoy the same type of independence characteristic of private
universities; they do not have to go beyond their own board for project or funding approval. Others face restrictions from administrative bodies at the state level. In many cases, the state board that governs all public institutions of higher education (e.g., Board of Regents, Board of Higher Education) must approve capital budgets, agree to property acquisitions over a specified amount, and authorize the sale of bonds. In some cases, universities must also obtain approval from the state legislature before they can move forward with real estate acquisition and development plans. The time delays involved in obtaining approval can present a substantial obstacle in the development process. Some public universities may also face restrictions with respect to the price they can pay for real estate. They are often required to get multiple appraisals from certified appraisers, and based on those figures, are limited to the amount they can offer for the property. This can significantly limit their ability to compete in the private market. Universities may also face restrictions on the amount of bond debt they can issue (or can be issued on their behalf), which clearly influences development plans.

State policy can be particularly restrictive if it limits where a university can acquire property. There are cases in which universities are required by a governing body at the state level to restrict property acquisition to a clearly defined area. This is true for all public universities in the state of Arizona. As a result of these restrictions, greater importance is placed on acquiring land when it becomes available within the planning area and universities are forced to carefully consider optimal land uses.

Local governments have little direct control over university real estate acquisition and development plans, but may be able to influence how projects are developed through the design review process. As state agencies, public universities are generally not subject to city design standards and zoning ordinances, but private universities are often required to submit their plans to the local planning board for review. This gives residents an opportunity to voice concerns about how proposed projects might affect their community and may help ensure that proposals are sensitive to surrounding architecture and land uses. Design review can also be used as a tool to ensure community involvement and acceptance of university development activities. The city of
Pittsburgh has effectively used this as leverage to encourage universities and other large developers to involve residents and community groups in their decision-making process.

**University Leadership**

The direction that a university takes with respect to real estate acquisition and development ultimately depends upon its leadership. The university president and top-level administrators set the agenda for physical development. Their vision for the future of the university and perception of the role of the university as a civic partner determine what they do and how they do it.

Real estate development is sometimes driven by a new vision for the university. There are cases in which a change in administration has resulted in a dramatic shift in the focus of the institution, and development plans reflect the priorities of the new leader. For example, an increased emphasis on the biosciences may create the need for new high-tech laboratory facilities, or the desire to transform from a commuter campus to a more traditional residential campus can lead to the construction of university-owned housing.

Leadership also plays the key role in determining how the university moves through the development process. Leaders who see the university as an important part of the neighborhood, city, or region may be more responsive to the needs and concerns of the larger community. Some universities assess their plans in light of broader community goals, partner with public agencies for mutually beneficial outcomes, and provide avenues for community participation in decision-making. Others move quietly, hoping to avoid complication and controversy. The approach that a university selects appears to be a direct reflection of how the core leadership views the role of the institution in civic affairs.
DECISION-MAKING AND FINANCING: HOW DEALS ARE MADE

The influence of motivation, physical environment, state and local policy, and university leadership is evident in the day-to-day operations of universities engaged in real estate acquisition and development. This section describes how universities make decisions concerning real estate and how they finance deals. The first part discusses the decision-making process, such as what guides decisions, who is involved in the decision-making, what barriers need to be circumvented, and what is the degree of involvement by the surrounding community. The second part describes the financial tools that are used to acquire and develop properties.

Decision-Making Process

As mentioned previously, most universities invest in different types of real estate properties, including student housing, office and academic buildings, research labs, parking garages, recreation and athletic facilities, and mixed-use facilities. Many universities are admitting a growing number of students, increasing academic offerings, recognizing the need for cutting-edge research facilities to attract top students and researchers, and wanting to offer students a strong academic and safe residential experience. Since all of the universities studied are located in central cities, and many are in or near the downtown area, they are land-locked by residential neighborhoods, other large institutions, freeways, or other physical barriers. Some of the universities are located in growing cities where all real estate is in high demand, while others are located in areas going through rebuilding and redevelopment, where there is competition for new or rehabilitated buildings. Consequently, universities are all active players in the real estate market, buying, developing, and constructing new facilities.

University real estate decisions are guided by long-term academic needs as well as by short-term opportunities. Long-term decisions are primarily guided by a university master plan. Most master plans are the result of a lengthy and cumbersome process of collecting information from internal and external stakeholders. For example, Wayne State University completed its master plan in 2001, after conducting interviews and
focus groups with many internal and external stakeholders including elected officials, civic leaders, representatives of development organizations, neighborhood residents, students, faculty, and staff. The plan calls for new facilities to focus outward towards the surrounding communities. Portland State University also engaged in a lengthy planning process, but their case illustrates an interesting relationship between the university and the city. The Central City Plan, initiated by the City Council in the mid-1980s, involved almost 10,000 citizens and divided the city into eight different planning districts. Portland State University was included in the Downtown District, but the plan called for the creation of a distinct university district. A few years later, the Central City Plan was updated to include the University District Plan, which focused on the university as the leader in developing the area. Portland State University led the planning process for the University District, but worked alongside residents and other stakeholders. The result of this process was a coordinated vision for the development of the university and the district.

Although most universities follow the direction set by their long-term plans, they are faced with local real estate market conditions, which offer opportunities that may or may not be directly in line with the plan. In either case, the university frequently needs to act quickly to take advantage of these opportunities. How do universities structure decision-making processes that guide real estate acquisition and development?

Since most institutions compete with private sector developers, or other large institutions, they find ways to streamline their decision-making process to respond quickly to opportunities. Although universities are known as slow-moving bureaucracies when it comes to curriculum changes, educational innovations, and hiring practices, the studied institutions developed quick response mechanisms concerning real estate. In both public and private institutions, the decisions are usually made by a handful of top administrators who have easy access to the university president. For example, at the University of Pittsburgh, a state-affiliated (quasi-public) university, the Assistant Vice Chancellor for Business continuously receives information on real estate opportunities and has a easy access to the Vice Chancellor, who can approach the President at any
time. The administrators have the authority to approve deals of less than one million dollars. More expensive deals require approval from the Board of Trustees’ Property and Facilities Committee, but this group also works quickly to authorize deals. Because the university is located in a densely populated area where real estate is relatively scarce and other large institutions compete for the same properties, the current university’s administration and board of trustees have structured themselves to act quickly on real estate issues.

As described in the previous section, universities are guided by different policies concerning real estate acquisition. Universities frequently need to circumvent the restrictions imposed on them and develop mechanisms that enable them to be active players in the real estate market. Some universities also involve other organizations in their real estate activities. These organizations are needed to facilitate the process either because state policies force the university to go through a lengthy approval process or prohibit the university from buying property in certain areas. For all universities, at least some real estate investments require approval by the university’s board or one of its committees. In public universities, the statewide governing board may need to approve many of the real estate transactions. For example, the Arizona Board of Regents owns properties on behalf of all public universities, and any property sale or purchase over $250,000 requires board approval. In addition, Arizona’s state legislature approves the bonding capacity of the Board of Regents. In Oregon, the State System of Higher Education must approve real estate purchases that exceed $100,000, and properties for over $1 million require state legislative approval as well.

A university foundation can be an important partner for a public university in acquiring property. Public universities are state government agencies and, as such, are typically restricted to making offers at or below the average of two appraisals. In localities with a competitive real estate market, increased demand may push market rates beyond appraised values, making it impossible for a university to compete with the private sector. As an independent organization, a university foundation does not face the same type of restrictions, and with the appropriate resources, can bid at market rates. The
University of Arizona and University of Arizona Foundation have used this to their mutual advantage. The foundation purchases properties of interest to the university, then enters into an agreement whereby the university leases the property for a period of time. At the end of the lease, the foundation deeds the property to the university. The foundation benefits because rent payments are structured to provide a good rate of return on the investment, and the university benefits because it gains immediate access to the property and eventual ownership. This arrangement has also been used when the university has been interested in property outside its planning boundary. This type of partnership is only possible when the foundation has adequate financial resources. Portland State University, for example, has not been able to rely on its foundation. Because the university is relatively young and does not have a large, well-established alumni base, the foundation’s assets are fairly limited.

Community Involvement in University Decision-Making

Universities are large and powerful institutions with their own visions, goals, plans, and agendas. It would be safe to say that all universities make decisions on real estate acquisition and development based on their own needs. Where they might differ is in regard to their sensitivity toward neighbors, especially if the university is located in a residential neighborhood. Most universities today recognize that they should at least inform neighbors about their plans in order to avoid a rumor mill that could be worse than reality. Because a university is often the most powerful entity in the neighborhood, neighbors fear its expansion. In most cases, the university recognizes the value of good community relations and, at a minimum, provides some lip service to neighbors, but in no case did the studied universities change their development agendas because of neighborhood concerns. However, neighborhood and community organizations can divert university plans for a specific property by waging a negative public relations campaign through the media, which could then cause the city or the state board to reject a proposal (for example, the Arizona Board of Regents failed to approve the University of Arizona’s purchase of an apartment building just outside its boundaries because of community protest). The extent to which community groups can affect the process is partly a function of their sophistication. Well-organized groups with highly
skilled leaders are better able to exert pressure and more equipped to negotiate with the university. Neighborhoods are more vulnerable where strong community leadership is lacking.

Good communication between the university and nearby community groups can provide benefits for both parties. For example, the university can benefit from neighborhood knowledge of the real estate market. A community group in Pittsburgh’s Oakland area notified the university of a run-down bar that might be going on the market because they preferred to have the university acquire it rather than another bar owner. In addition, professional community groups with a focus on planning could provide useful comments on specific design aspects. One example is a student housing complex built by the University of Pittsburgh; residents attending community forums suggested designing the apartment-style units to face the street instead of an inside courtyard. The design change, intended to make the student-housing complex more integrated with the neighborhood, was accepted by the university. In Pittsburgh, the mayor believes in empowering the neighborhoods and his policies encourage collaboration between large institutions (including universities and health systems) and residents affected by their development patterns. In some cases, where the affected neighborhoods are low-income areas, institutions have provided grants for youth programs, workforce training, and façade improvements. These programs create some good will with the neighborhood.

In all of the studied universities, the current leadership is believed to be more progressive and forward thinking than previous administrations. Some of it stems from the fact that universities have realized the importance of a healthy neighborhood and that information sharing can go a long way toward improving a university’s relationship with the surrounding community. The university that received the highest marks from its neighbors did three things to achieve this: it established a single point of contact within the university so neighbors know where to direct their concerns, it eliminated internal

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3 The University of Pittsburgh Medical Center allocates $100,000 annually to fund a residential façade improvement program for the areas surrounding its main medical campus.
communication gaps by making one person responsible for the university’s real estate activities, and it gave that person adequate authority to represent the university and make decisions on its behalf. It should be noted that building trusting and consistent relationships with a neighborhood organization takes time; the baggage of past wrongs can linger for a long time. Moreover, one controversial act by a university can erase years of progress.

**Financing Tools**

Universities rely on a variety of methods to finance real estate acquisition and development. Tools vary from general obligation bonds and sophisticated buy-lease arrangements, to standard bank loans, general operating funds, and endowment funds and gifts. The type of financing tool utilized depends in part on the policies regulating the university, whether it is a private or public university, the size of its endowment, and its credit ranking. The most popular means of financing real estate development is the issuance of bonds, underwritten by either the university’s general accounts or specific revenues from the new project. The remainder of this section describes specific financial mechanisms and tools used by universities. Also, a distinction is made between financing mechanisms for property acquisition and financing tools for facility development.

**Financing Mechanisms for Property Acquisition**

Most universities acquire property by negotiated agreements with sellers. Eminent domain is very seldom used, but all of the public universities studied had authority to condemn property. Only one or two instances were cited where they or another public agency resorted to eminent domain to acquire land from an owner who refused to sell and interfered with land assembly.

For some universities, most of the major real estate gifts were given many years ago, and generally not in the immediate area of the campus. Receiving properties as gifts is more complicated today because of the need for environmental testing (universities must occasionally refuse gifts because owners are trying to rid themselves of
contaminated properties). In some cases, universities accept and then sell gifts of property to raise funds for a purpose determined by the donor. Private gifts are sometimes used to acquire land and buildings, although they mostly pay for naming rights for new facilities.

Some universities partner with the private or nonprofit sector to acquire real estate. In these cases, the partner will acquire the property, lease it to the university, and, after receiving the agreed upon rate of return, transfer the property to the university. The University of Arizona has such partnerships with the university foundation, a local foundation, and a private developer.

**Financing Tools for Real Estate Development**

Several financing tools are used to fund development costs. These include general obligation bonds, revenue bonds, state capital budget allocations, tax increment financing, public/private partnerships, special-purpose entities, commercial loans, endowment funds, and gifts.

**General Obligation Bonds**

Universities or the state system of higher education issue debt based on the full faith and credit of the institutions. General obligation bonds can be tax-exempt if used for academic purposes or taxable if used for a for-profit function, such as a university-affiliated hotel. For most public universities, the state legislature must approve general obligation bonds. For example, the Arizona legislature authorizes the amount that the Arizona Board of Regents (ABOR) can bond in a given period of time. When the debt limit is reached, ABOR must go back to the legislature to request more bonding authority. The University of Arizona uses general obligation bonds, issued by ABOR, primarily for property development. In contrast, the University of Pittsburgh, a state-related but not a public university, issues its own general obligation bonds. The university does not have a specific cap on its bonding capacity and it does not have to go through an authority to issue bonds. The university issues as much debt as it needs and its credit rating allows. About 70-75 percent of the institution’s buildings were funded through tax-exempt bonds. At Wayne State University, as in other public
universities in Michigan, the university issues its own tax-exempt bonds – it has its own credit rating and is responsible for the debt service. In Oregon, similar to Arizona, public university debt appears on the financial statement of the Oregon University System. The system has two types of bonding authority: Article XI G Bonds, for which the state pays the debt service, and Article XI F Bonds, which place responsibility for debt service with the university for which the bonds were issued.

**Revenue Bonds**

Revenue bonds are legally secured by a specific revenue source. Universities, or state agencies, issue debt secured by the project being developed. This financing tool is mainly used with revenue-producing projects such as student housing or parking garages. In Arizona, because of limitations on general obligation bond authority, the University of Arizona (and Arizona’s other public universities) uses instruments similar to revenue bonds called Certificates of Participation (COPs) for which a specific project serves as the collateral. These bonds have a slightly higher interest rate, but they do not put the institution at risk since they only pledge the building being financed. The state legislature has to approve the system bonds but not COPs; COPs have to be approved by the Board of Regents and reviewed (but not approved) by the legislature. Debt issued through COPs does not reduce the amount of debt that the Arizona Board of Regents can issue on behalf of the university in the form of general obligation bonds. All universities studied use some form of revenue bonds to finance their real estate development.

**State Capital Budget**

All public universities use some state capital funds to finance their real estate acquisition and development. For example, in Michigan, public universities submit a five-year capital outlay request to the state each year. Over the last ten years, the state funded five or six major projects at Wayne State University, although it has not budgeted any money for capital expenditures in the past two years. Michigan has a 75/25 rule, which means that for approved capital outlay projects, the state provides 75 percent of the cost and the university must finance the remaining 25 percent. In the case of the University of Pittsburgh, its status as a state-affiliated university allows it to
fund real estate acquisition and development through the capital budget of the commonwealth. Every year, the university identifies its top ten capital budget priorities. In the past, the governor’s approval was needed and the legislature had to appropriate funding. In 1997, Pennsylvania’s governor adopted a new approach to allocating resources to universities that receive state funding for capital improvements. The universities must continue to submit a priority list, but the governor guaranteed a specific amount over a period of time (the University of Pittsburgh was guaranteed $100 million over five years). This introduced predictability and stability in the capital budget process, which is very helpful to universities’ planning efforts.

**Tax Increment Financing**

Tax Increment Financing (TIF) allows property tax receipts that governments receive from new development in a defined area to be diverted to pay for the area’s development costs. Any future growth in property tax revenues is used to pay for the development. Once a district is formally designated as a TIF district, the initial assessed property valuation is held constant for a period of time (usually about 20 years). As the area is developed and property values increase, the tax increments pay for the bonds that were issued to finance the improvements. Some universities enlist the support of the city in which they are located to establish a TIF district to finance development costs. The project must involve some public purpose for a university to utilize tax increment financing.

Marquette University was the only university studied to use TIF. In the early 1990s, Marquette, a private Jesuit university in Milwaukee, Wisconsin, embarked on a significant effort to revitalize its neighborhood. Their strategy was to purchase and renovate residential properties, attract stable tenants, and then sell to responsible landlords. They also attempted to improve the business climate in the neighborhood by engaging in commercial development. One of its largest projects was a $33 million mixed-use development that included apartment-style student housing and ground floor retail. The development organizations established by Marquette to manage the effort worked with the city of Milwaukee to arrange for TIF to support the commercial
development portion of the project. The TIF was only one source of funding for this project, accounting for about 13 percent of its cost.

Public/Private Partnerships

Many universities form partnerships with private sector developers to finance development costs and use lease back agreements to transfer property in the future. One example is the University of Arizona, which aggressively uses partnership arrangements. Since the university is in a growth mode and its real estate activities are restricted by state policies and regulations, it uses partnerships with private sector entities and foundations to help meet its academic needs. One example is a partnership with a private developer to build graduate student housing on university-owned land. The developer will finance the building’s construction, receive student rents, and pay the university for the ground lease. Ownership of the building will transfer to the university after the 20-year lease expires. This is off-balance sheet financing for the university and is preferred to floating additional bonds. The University of Arizona is also planning a large development around the medical campus and is looking to partner with a private developer in a lease back arrangement.

The University of Arizona entered into a unique partnership with the private sector when it purchased its research park. The park, located several miles from the main campus, was built by IBM as a research and production center. The university purchased it from IBM in 1994 for $98 million. The purchase was financed by bonds floated by the Arizona Research Park Authority, a nonprofit organization created to help acquire, develop, and finance research parks. IBM agreed to lease 60 percent of the space in the park for 20 years; the annual lease payments received from IBM are sufficient to repay the annual debt on the bond. At the end of the 20-year period, the park will belong to the Arizona Board of Regents.

Portland State University provides another interesting example of the benefits of partnering with the private sector. A private company financed and installed the electrical, heating, and telecommunication distribution systems in the building that
houses the College of Urban and Public Affairs. The company retained ownership of
the equipment and distribution systems and the university entered into a 30-year lease
for their use. At the end of the lease, the university takes ownership.

**Special-Purpose Financial Entity**
A new financial vehicle used by universities and private developers to build student
housing is a special-purpose entity established solely for this purpose. An example is
the Arizona Capital Facilities Financial Corporation, which was created by Arizona State
University as a 63-20 corporation, an Internal Revenue Service designation that allows
it to sell tax-exempt bonds. The 63-20 corporation has a three-person board (all private
sector individuals), each of whom receives a minimal annual stipend for attending board
meetings. The University leased land to the corporation. The corporation issued bonds
and hired a developer to build a student housing complex for a development fee of five
percent of the project development cost. At the end of construction, the corporation
hired a management company to promote the housing, collect rents, pay expenses, and
service the bonds. The debt from such deals does not appear on the universities’
balance sheets; however, some believe they will increase the universities’ cost of capital
if analysts are aware of these special deals. Under these innovative financial
arrangements, the university does not register these transactions on their balance sheet
and the developer works for a pre-negotiated fee, thereby eliminating their risk as well.
These projects are very new and their risks are untested. In the short term the deals
pay off since students fill the new housing development. However, some analysts
question the degree of risk over the long term. The risk to investors (bond holders)
could increase if demand for student housing declines, which might occur if new
housing projects were developed in the area without a comparable growth in the student
population.

**Commercial Loans**
Most universities do not use commercial loans to finance their real estate investments.
However, the organizations working on behalf of Marquette University used standard
commercial loans and mortgages for the properties they redeveloped. In several cases
they agreed to 15 or 20-year mortgages at market rates. However, most universities do
not borrow money for acquisition or development; the only instances of bank financing occurred in Milwaukee, where all the development activities were conducted by organizations set up for the purpose of redeveloping the neighborhood around the university.

Endowment Funds
Some universities, especially those with large endowments, use endowment funds to finance portions of their real estate investments. During the 1960s, the University of Pittsburgh’s Board of Trustees decided to designate one-half of all unrestricted endowment funds for property acquisition. These funds accumulate over time and have been used to acquire some buildings in the past. They were used more recently to finance the for-profit portion of a multi-purpose academic building otherwise funded by tax-exempt bonds. Marquette University invested nine million dollars from its endowment to initiate the revitalization of its neighborhood. Marquette’s Board of Trustees authorized the use of these funds for residential and commercial development and community outreach. It would be fair to state that among the universities studied, Marquette University invested the most money from its own resources for the sake of neighborhood revitalization, which was considered critical to the university’s efforts to stem declining enrollment and stabilize the university.

Donations and Gifts
All universities rely on donations and personal gifts for specific real estate projects. Many have buildings named in honor of major donors. Donors’ names are used for academic buildings, colleges, research labs, athletic and recreation facilities, and other buildings.

CONCLUSIONS

Over the last few decades, universities have been faced with considerable challenges in meeting their academic mission. Ironically, it is either exploding enrollment or declining enrollment that have forced some institutions to expand their role as educator to include the role of developer. Universities’ involvement in real estate development has primarily
stemmed from the need to expand to meet the demands of a larger student body or the need to reinvest in a declining neighborhood in order to stabilize or recapture enrollment.

The process by which universities acquire and develop real estate is influenced by motivation, characteristics of the surrounding physical environment, the degree to which policy facilitates or restricts their actions, and the leadership style of top administrators. This is clearly illustrated in the detailed discussion of the decision-making practices and financial tools employed by the studied universities.

The value in studying the role of universities as developers lies in the fact that it has important implications for neighborhoods, cities, and regions. Universities have become key players in the physical development of their communities, and their actions affect future opportunities for growth. Furthermore, a university's real estate investment practices can strongly influence relationships between the university and community members.
The University of Arizona

In 1885, the 13th Territorial Legislature named Tucson the site of a new university. The first classes were held in 1891 with 32 students. The University of Arizona now enrolls nearly 33,000 students (full-time equivalent). Graduate and professional students slightly outnumber undergraduates. The university offers more than 150 bachelor’s degree programs and more than 200 master's, doctoral, and specialist degree programs. It operates with the support of approximately 11,000 full-time employees.

Neighborhood Context

The University of Arizona is situated on 352 acres northwest of downtown Tucson and is surrounded by residential neighborhoods. The neighborhoods are home to more than 36,000 people. They are majority white (77%), but incomes range substantially. The large student population is clearly reflected in the fact that 39 percent of the population in the neighborhoods surrounding the campus is between the ages of 15 and 24, while citywide, only 18 percent are within this age group. More than half (55%) of the housing units in the area are renter occupied, but this number increases significantly in specific neighborhoods.

The area west of the campus is a historic district. Despite having a high rental population, the neighborhood has been fairly stable and benefits from strong community organizing efforts. The Sam Hughes neighborhood, east of the university, is the most stable neighborhood bordering the university. Although there are a substantial number of rental households, the majority of housing units are owner-occupied and income levels are much higher than in other neighborhoods that surround the university. The area north of the campus and the Rincon Heights neighborhood to the south are dominated by renter-occupied housing, much of which serves the student population.

The census tracts encompassing the university and surrounding neighborhoods include: tracts 4, 5, 6, 7, 14, 15, and 16. For further demographic information, see Appendix B.
ANALYTICAL FRAMEWORK

There are four primary factors that influence the real estate investment practices of universities: the motivation for development; the characteristics of the physical environment; the degree of policy oversight; and the leadership style of top officials influence all phases of the real estate development process.

The real estate investment activities of the University of Arizona have been motivated by the need to meet demands created by steady increases in student enrollment. The university grew substantially over the last several decades, and this put pressure on existing facilities. Furthermore, as the university enhanced its research capabilities, it found the need to update its laboratories and other research facilities in order to attract top-level faculty. The physical environment has provided challenges for the university in pursuing these goals. Because the university is surrounded by residential neighborhoods with small lots, it has been difficult to assemble land to meet expansion needs. State policy has only compounded this problem by restricting how and where
the university can acquire property and by instituting lengthy approval processes. University leadership has played an important role in shaping university-community relations throughout the university’s expansion phase. In the past, top administrators implemented aggressive land acquisition strategies that alienated members of neighboring communities. More recently, community leadership has been instrumental in forcing the university to take a more sensitive approach to property acquisition, although tensions remain.

The combined effect of these factors influences the type of projects undertaken, the decision-making processes employed, the availability of various financing methods, and the extent of community involvement in university activities. Each of these issues will be discussed in detail in the sections that follow.

**RECENT REAL ESTATE DEVELOPMENT ACTIVITIES**

**Recent Real Estate Development Projects**

Over the last few years, the university initiated a number of major development projects. Some have been recently completed, however, many are still in the construction phase. The following provides an overview of several of the larger projects.

*Integrated Learning Center*

The Integrated Learning Center (ILC) was designed to bring together students, instructors, advising, technology, and librarians in a resource-rich environment of classrooms, study facilities, and the library, all equipped with state-of-the-art technology. It is intended to increase student retention. The project was first discussed in 1992, but construction did not begin until August 1999. The ILC opened in January 2002.

The 119,000-square-foot facility was built below ground at the center of the campus, maximizing very limited available space. The total cost was approximately $26 million, and the majority of the project was funded with a state appropriation.
Student Union Memorial Center
Construction of a new student union and bookstore has recently been completed and opened in November 2002. The new building replaces the one that once housed these facilities, however, is more than 100,000 square feet larger. It includes a multi-purpose auditorium, meeting rooms, ballrooms, an expanded food court, improved lounge areas, student government offices and career services. The project was financed with Certificates of Participation, gifts, and other resources.

Park Student Union Expansion and Renovation
The Park Student Union was built to serve students at the west end of campus. The 1965 facility is undergoing renovation and expansion. Nearly 22,000 square feet will be added to the current building and more than 29,000 square feet of existing space will be renovated. The new student union will allow for additional retail space, improved dining services, and outdoor activities. The total cost of the project is $4.74 million. To finance the project, debt was issued in the form of Certificates of Participation ($3.3 million) and the university drew upon other resources, including auxiliary funds. Work is expected to be complete by mid-2003.

Sixth Street Parking and Office Building
Construction of a parking facility and office building along Sixth Street began in early 2002. The project includes a parking garage that will provide approximately 1,600 spaces and a 16,700-square-foot office building for the university’s Parking and Transportation Services division. It is being built on the north side of Sixth Street between Freemont Avenue and Santa Rita Avenue. The facility will function as a transfer point between various citywide transportation modes to the campus circulation network.

The cost of the project is approximately $17 million. The majority ($16.2 million) will be financed by Certificates of Participation, however a small amount of auxiliary funds will be utilized as well. Work is expected to be complete by early 2003.
Euclid Housing
The Euclid Housing project is a 163-unit residential complex intended to house graduate students and older undergraduates. It is being constructed on the west end of campus between Euclid Avenue and Tyndall, north of Fifth Street. It will accommodate 323 students. The Euclid housing complex is being developed in partnership with a private developer, Ambling Companies Inc. Students are expected to move into the facility in August 2003.

Highland District Housing
The Highland District Housing complex will provide 770 beds for undergraduate students. It is being constructed on Highland Avenue between Fourth Street and Sixth Street and is one of several improvements to the Highland District. The total cost is estimated to be $39.7 million and will be primarily funded through the sale of Certificates of Participation. Work is expected to be complete by early 2004.

Highland Commons
Highland Commons is a three-story, 85,000-square-foot facility being constructed on Sixth Street between Highland and Santa Rita Avenue. The building will house Campus Health Services, the Center for Disability Related Resources, and Life and Work Connections. Campus Health Services provides medical and related services to university students, faculty, and staff. The Center for Disability Related Resources provides support services to individuals with a variety of disabilities. Life and Work Connections provides education, information, referral services, and prevention programs to university faculty and staff. The new facility is intended to improve service delivery to the campus community.

The anticipated cost of the project is $19.1 million. To finance construction, the university will issue Certificates of Participation in the amount of $17.63 million and use tuition payments, auxiliary funds, and other resources to cover the remaining costs. The building is expected to open in late 2003.
Science and Technology Park

The university’s most valuable real estate holding outside the main campus is the University of Arizona Science and Technology Park. This business and research park is located several miles from the main campus at the outer edge of the Tucson city limits. It was initially developed by IBM as a site for research and manufacturing. When the company decided to sell, it had difficulty finding a buyer willing to purchase the entire facility. It consisted of two million square feet of space on 340 developed acres, with an additional 1,000 acres available for expansion. The university seized upon the rare opportunity to own a research park without having to develop one.

The university purchased the park from IBM in 1994 for $98 million. The purchase was financed by bonds floated by the Arizona Research Park Authority, a nonprofit organization created to help acquire, develop, and finance research parks in Arizona. IBM agreed to lease 60 percent of the space in the park for 20 years; the annual lease payments received from IBM are sufficient to repay the annual debt on the bond. At the end of the 20-year period, the entire debt will be retired and the Arizona Board of Regents will own the park (the board owns all university property). The arrangement with IBM reduced the financial risk associated with the deal and meant that little upfront investment was required from the university. UA took possession of the property for $700,000 in closing costs and fees. The park is valued in excess of $200 million.

The Science and Technology Park is managed and operated by the university, whereas many universities contract with a third party to provide management services. The Board of Regents designated the president of the university as chief executive officer and the president selected the chief operating officer. A nonprofit organization, the Campus Research Corporation (CRC), was created to market and lease the space not occupied by IBM, but significant decisions require approval of the university president. Park operations are also guided by an executive committee that includes top administrators from the university. The park office is staffed by university employees.
The university sees the research park as another campus tied to its research mission. Because of the connection to the university, classes and university services are offered on site, including an MBA program, Spanish classes, engineering certification courses, library and Internet access, lectures, and seminars. Faculty serve as mentors and consultants and students serve as interns for resident companies. Although there are tax benefits for companies that locate in the park, most are drawn by the quality services, facilities, and infrastructure. The park provides space for over 30 high technology companies with over 6,000 employees. It is also home to several companies that provide business services and a charter high school that emphasizes school-to-work programs and high technology education.

Proposed Real Estate Development Projects
Although the university has recently completed or initiated many real estate development projects, several more projects are in the planning stage. Two of the larger projects involve the medical campus (located at the northern end of the main campus), where the university expects make many changes in the coming years.

Drachman Hall/Arizona Health Science Center (AHSC) Academic Facility
Drachman Hall will be designed as an interdisciplinary academic building to provide office and instructional space for the College of Public Health and College of Pharmacy and classroom facilities for the College of Nursing. Plans call for a building with approximately 103,000 square feet and an anticipated cost of $30 million. The building will be primarily funded through donor support and the sale of bonds. Construction is expected to begin in mid-2003.

Institute for Biomedical Science and Biotechnology
The Institute for Biomedical Science and Biotechnology is planned as a 160,000 square foot technology laboratory facility that will bring together researchers from the College of Sciences, College of Agriculture and Life Sciences, College of Medicine, College of Pharmacy, and College of Engineering and Mines. It will house an interdisciplinary molecular life science initiative and is intended to strengthen research in the basic
sciences. The estimated cost is $60 million. The university will draw upon multiple funding sources to finance the project. Construction is expected to begin in late 2003.

Factors Motivating Real Estate Acquisition and Development
Steady growth in student enrollment has been the primary factor motivating the university’s real estate acquisition and development activities. In 1950 the University of Arizona enrolled approximately 6,200 students; by 2001 the number had reached nearly 33,000. This rapid increase led to greater demand for classrooms, offices, laboratories, student housing, and other facilities. The university has struggled to meet the growing needs of its students, faculty, and staff. Real estate acquisition and development has become a vital function of the institution.

The university’s increased emphasis on the sciences has also prompted a considerable amount of real estate development. The need for state-of-the-art laboratories and research space has forced the university to improve or replace older facilities. In order to attract top researchers, the university must provide the quality facilities they require.

DECISION-MAKING PROCESSES

State Policy
In Arizona, public universities must adhere to policies adopted by the Arizona Board of Regents (ABOR). This body governs the state’s three public universities, including the University of Arizona. ABOR influences the real estate development process in two important ways: it must approve most acquisition and development plans and it restricts property acquisition to a specified area.

Approval Processes
All real estate development projects undertaken by Arizona’s public universities must be approved by the Board of Regents, and the board reviews each project at various stages of the process. Each university must submit a Capital Improvement Plan (CIP)
to the board, which includes projects the university expects to initiate within the coming 12 months. The board must approve preliminary plans for each project before the university can move forward. Assuming approval is obtained, the university will develop a more detailed plan that must be again presented to the board. The board will review the project once more before granting final approval. Only after receiving final approval can the university go to bid on a project. If projects are not initiated within the 12-month period, the project must move through the entire approval process again.

A Board of Regents staff member with real estate expertise reviews the university’s financing plans to assist the elected board members in evaluating projects. The primary issues that the board must consider when making decisions are the strategic implications of the project, cost, and impact on university resources (particularly tuition payments- the board generally does not favor using tuition payments to retire debt incurred for capital projects). Another key consideration in the bond approval process is how the university will finance future operations and maintenance of new facilities. Representatives from the university must be prepared to address these issues.

The Board of Regents’ involvement in real estate development decisions is not limited to major capital improvement projects. The board must approve the sale or purchase of property if the price exceeds $250,000. There are rules guiding the appraisal process as well. The sale, purchase, or exchange of property with an anticipated sale price of less than $1 million requires one appraisal. If the anticipated sale price is $1 million or greater, two appraisals must be obtained. All appraisals must be conducted by pre-qualified appraisers. The appraisals then restrict the university with respect to the price it can pay to acquire property. In addition, leases that have a period of more than 10 years and an annual base amount of at least $250,000 must also be approved by the board. Finally, the board approves all public-private partnership agreements entered into by the universities.

While the Board of Regents holds primary responsibility for the real estate development activities of Arizona’s public universities, the state legislature also plays an important
role. The legislature must not only approve the sale of tax-exempt bonds, but it also authorizes the amount of debt that the Board of Regents can issue on behalf of the universities for a given period of time. When the debt limit is reached, the universities must rely on alternative funding strategies to finance real estate development. The Board of Regents would like to see a policy change that would base the debt limit on a percentage of the university’s total expenditures rather than a set amount. If this were to occur, ABOR could then “recover” debt authority as debt payments were made. ABOR pays off a significant amount of debt each year, but still cannot issue more bonds.

The level of state involvement in the real estate development activities of Arizona’s public universities ensures a degree of accountability, however, it also introduces obstacles to the development process. The time involved in moving through the approval process and restrictions on offers can make it difficult for universities to acquire property. The ability to compete in the real estate market often requires quick action on the part of prospective buyers.

University Planning Boundaries
Each public university in Arizona has clearly defined planning boundaries. The planning boundaries for the University of Arizona were agreed to by the Board of Regents and the city of Tucson. They are intended to ensure that the university’s land acquisitions are confined to meeting the needs of the institution and are conducted in a manner that is considerate of adjoining neighbors and the community. The designation of planning boundaries concentrates activity within specific zones, providing area property owners with some degree of certainty as to the university’s expansion plans. The university planning area is divided into acquisition zones and owner-initiated purchase zones. Within the acquisition zones, the university can acquire property as opportunities and resources permit; within the owner-initiated purchase zones, the university can acquire property only if the owner initiates the sale. All leases for property outside the planning

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5 University of Arizona 1988 Campus Plan.
boundaries or revisions of planning boundaries require approval from the Board of Regents.

While the adoption of planning boundaries alleviates tension between the university and its neighbors, it limits the opportunities available to the university. The university may not be able to purchase property that would otherwise meet its needs or it may be forced to employ strategies to gain use of the property without taking ownership.

University Policies and Procedures
University real estate acquisition and development activities are guided by a comprehensive campus plan. It provides guidelines for the physical growth of the university planning area by addressing a range of issues relating to physical development. The last comprehensive plan was adopted in 1988, but the university is currently developing an updated plan. Specific development proposals are detailed in the capital improvement plan that is submitted to the Board of Regents.

A relatively small number of top-level university administrators are involved in making day-to-day decisions about real estate acquisition and development. The university formed a space committee to assess needs and establish priorities. The key participants are the Senior Vice President for Business Affairs, Director of Space Management, and Provost. Business Affairs oversees the offices of Space Management, Facilities Management, Campus and Facilities Planning, and Facilities, Design and Construction, among others. Space Management has the most direct role in day-to-day decisions because the office is responsible for the allocation of space as well as the sale and purchase of all real property. The Office of Community Relations is housed within University Advancement, a department that also oversees such functions as government relations, corporate relations, and public relations. Community Relations staff become involved in real estate acquisition and development to address concerns of residents in surrounding neighborhoods.
FINANCING REAL ESTATE ACQUISITION AND DEVELOPMENT

The University of Arizona (UA) generally acquires property through negotiated agreement. Although it has the right of eminent domain, it very rarely uses this power to acquire land. Financing property acquisition can be challenging, particularly given recent cuts in state support, however interest earned from state funds is set aside to cover the costs of purchasing land. In addition, the university often receives gifts in the form of real property.

The university relies on two primary sources to finance real estate development: system revenue bonds and Certificates of Participation (COPs). System revenue bonds are tax exempt bonds that pledge the full faith and credit of the institution for debt repayment. They must be approved by the Arizona Board of Regents and the state legislature. As stated previously, there is a limit on the amount of debt that the Board of Regents can issue in the form of system revenue bonds.

Certificates of Participation are also a form of tax-exempt debt financing, however, they pledge only the building being financed to the repayment of the debt. In this respect, they carry less risk than system revenue bonds. Furthermore, they do not require approval from the state legislature and do not subtract from the amount of bonded debt the Board of Regents is authorized to issue for a given period of time. The trade-offs come in the form of slightly higher interest rates and some limitations on their use. COPs can only be used when the asset being financed has a value for the bond holder. For example, infrastructure projects could not be financed with COPs since a bond holder would not be able to sell the asset in the event of default. Despite their limitations, COPs offer important advantages to the university and have frequently been used to finance real estate development.

The substantial restrictions faced by the University of Arizona in terms of state policy and limited financial resources has led the university to develop creative mechanisms to
acquire and develop real estate. UA has relied heavily on partnerships with local foundations and private sector developers to meet its growing physical space needs.

The University of Arizona Foundation has been one of the university's most important partners in acquiring and developing real estate. The foundation is a separate, not-for-profit entity, not an arm of the state government. As such, it is not subject to the same restrictions as the university. The university will often approach the foundation about buying property it has an interest in but cannot pursue. The reasons the university can not acquire the property directly may be one of several – it may be outside the planning boundaries, it may require quick action because there are other interested buyers, or it may command a market price well above the appraisal price and therefore be out of reach of the university. In any case, the foundation is able to move more quickly and freely than the university. When the foundation acquires property the university is interested in occupying, the two parties reach an agreement whereby the university leases the property from the foundation. At the end of the lease period, ownership of the property generally transfers to the university. The deal is structured so that the foundation gets a reasonable rate of return on its investment over the time it retains ownership. Similar agreements have been reached with the Marshall Foundation, a local foundation that owns land within the university planning boundaries.

UA has also entered into strategic partnerships with private real estate developers. It entered into a somewhat controversial arrangement to build the Euclid student housing complex. The university obtained permission from the Board of Regents to form the Southern Arizona Capital Facilities Finance Corporation. The corporation operates as a distinct nonprofit entity, but has the authority to issue tax-exempt bonds. The corporation sold the bonds needed to finance the housing complex, the university leased the land to the corporation, then the corporation hired a private developer to build the complex for a one-time fee. Revenue received from rents is used to repay the debt issued by the corporation and to make payments to the university for the ground lease. The university will take ownership of the building in 20 years. The advantage of this type of arrangement is that the university does not have to cover the cost of
development. It is considered “off-balance-sheet financing.” The controversy relates to the question of who is ultimately responsible for the debt should revenue fall and default occur. The Southern Arizona Capital Facilities Finance Corporation is essentially a creation of the university; however, as a separate legal entity, it carries its own debt. Despite concerns by outside financial analysts, this remains a popular financial tool for UA and other public universities in the state.

COMMUNITY INVOLVEMENT

Primary Community Groups
The neighborhoods that surround the University of Arizona campus are represented by volunteer member neighborhood associations. The West University Neighborhood Association (WUNA) is a well-organized, politically influential group that serves the interest of residents who live west of the campus. The Sam Hughes Neighborhood Association represents the community east of the university. The neighborhood immediately south of the campus is represented by the Rincon Heights Neighborhood Association (RNHA). At the time of the site visit, the area north of the campus did not have an active neighborhood association.

University – Community Relationship
Because of university expansion policies, the relationship between the University of Arizona and its surrounding neighborhoods has been highly contentious. The situation has improved substantially in recent years, but the relationship remains tenuous and there are a number of issues that will shape the future of university-community relations.

Historical Perspective
Historically, the relationship between the University of Arizona and surrounding neighbors was highly contentious. The university had a small campus for an institution of its size and the need to expand led to aggressive property acquisition policies, particularly in the 1970s and 1980s. Real estate purchases were not guided by a master plan, but were based on the decisions of a few individuals. Their strategy was to
acquire property whenever it became available, resulting in a checkerboard pattern of land ownership. As a result, it could take decades to acquire enough property to do a meaningful project. In the meantime, individual properties were used to temporarily house offices or were turned into parking lots. This policy had a devastating effect on the neighborhoods. Land uses were incompatible, traffic became a problem, and, more importantly, the policy led to disinvestments on the part of other property owners. Many failed to maintain their homes, believing investment was pointless since the university would eventually push them out. The university had little incentive to change this; they were assembling badly needed land, and their actions contributed to the depression of land values, which lowered future acquisition costs.

Most of the expansion occurred to the north and south of the campus. Residents of the historic West University neighborhood were well organized and, for the most part, able to hold back the university. The university recognized that expansion to the east was impossible, as there the campus is bordered by the upper-income Sam Hughes neighborhood. Acquisition of properties in that neighborhood would have been politically and economically unfeasible. The areas to the north and south were generally lower-income and many of the homes were occupied by renters (including many students). This made the property acquisition process much easier and these neighborhoods bore the brunt of the university’s expansion. Shifting planning boundaries and acquisition policies only added to the problem. By the 1970s, the university had already expanded about two blocks north of Speedway Boulevard; at one time, the boundaries extended south to Eighth Street. There was also a “quasi-acquisition zone” where the university “might” take property. These factors caused disinvestment to spread to a larger area. Decline was occurring at a rapid pace.

Confrontation with the university and the surrounding neighborhoods increased in intensity throughout the 1970s and continued to escalate into the 1980s. Residents accused the university of taking advantage of homeowners and finding ways to acquire homes at low prices. This also depressed the property value of surrounding homes, lowering future acquisition costs. The university rarely exercised the power of eminent
domain, but it was believed the threat of condemnation was used to facilitate property acquisition. At times, people were also upset at the role of the university foundation in acquiring property, feeling the university used the foundation to avoid direct involvement in controversial deals. Tensions over property acquisition policies were exacerbated by a university proposal to redirect Speedway Avenue underground to allow an integrated campus at ground level. There was strong opposition to the proposal and the bond issue failed with voters, illustrating the growing discontent with the university.

In the late 1980s, soon after the controversy over Speedway Avenue, the university began to develop its first master plan. At the same time, neighborhood groups were becoming more organized and vocal about their dissatisfaction with university expansion policies. The master planning process represented the first time the university solicited community input. In the early 1990s, the university negotiated a set of principles to guide relationships with the neighborhoods. This led to the Neighborhood Relations Agreement. The university adopted a set of policies and principles that would guide acquisition and land use for all surrounding neighborhoods. They also created a neighborhood ombudsman position to serve as a liaison between the university and the community and established the Campus Community Relations Committee (CCRC) as a mechanism to inform residents of their activities and provide opportunities for regular feedback. The President agreed to meet two times a year with the community via the CCRC. The committee involves 10 neighborhoods. There is one representative from the university, two from city ward offices, and one from the University Medical Center. The chair, who is always a neighborhood representative, sets the agenda. The university participates, but is not in charge.

In addition to tackling the concerns of neighborhood residents, the university addressed complaints by small business owners, who argued that the university was adversely affecting their business by competing or pushing them out. The university conducted a study of its policies in dealing with the small business community and eventually adopted a set of guidelines and policies for this as well. A Business Advisory Committee was also created to bring issues to the forefront, an approach similar to that used to cope with residential concerns through CCRC.
The university had begun to recognize that being part of a stable community was in their best interest. They were aware of the problems facing other universities that were surrounded by deteriorating neighborhoods. Their actions alleviated many of the problems between the university and surrounding areas, with one exception. There was still a considerable amount of tension between the university and residents of the Rincon Heights neighborhood south of the campus.

Negotiations with the Rincon Heights Neighborhood Association (RNHA) actually began before the Neighborhood Relations Agreement was drafted. In addition to dealing with the university’s expansion, Rincon Heights residents were forced to contend with the traffic, litter, and unruly crowds that accompanied athletic events (the stadium is located at the southern end of the campus). RNHA was persistent in demanding the university to be more responsive to neighborhood needs. They enlisted the support of their city council representative, who helped pressure the university to talk with them. RNHA and university administrators began negotiations to develop a Memorandum of Understanding (MOU) that would address the specific issues facing that neighborhood. Four members of RNHA were allowed to vote in the process, but about 20 people were actively involved. Their strategy was to show strength by attending the meetings and demonstrating their support for voting members. The city of Tucson and the university contracted with a consultant specializing in town-gown relations to facilitate the process. RHNA representatives were willing to accept some expansion of the planning boundaries if it resulted in more certainty for the future. In 1990, the first Memorandum of Understanding was signed by RHNA, the city of Tucson, and the Arizona Board of Regents (on behalf of the university). It was updated in 1996.

According to the 1996 agreement, the purpose of the MOU is to “promote better relations between the parties, to establish a clear and accepted boundary for university campus development, to recognize the legitimacy of university development within that boundary, and to establish guidelines for mitigating the impact of that development on the adjacent neighborhood.” The university agreed to amend its planning area and adopt planning policies for the area bordering Rincon Heights. The MOU established
specific guidelines for property acquisition and land uses. RHNA agreed not to object to any land acquisition or development projects that were consistent with the guidelines. The city agreed to amend the city’s university area plan to reflect changes in the university’s south campus area plan. All parties agreed to promote commercial redevelopment through participation in the Sixth Street Merchants Association and to “attempt in good faith” to submit a mutually acceptable grant application to the U.S. Department of Housing and Urban Development to support commercial redevelopment, neighborhood stabilization, and revitalization and crime reduction.

The Memorandum of Understanding alleviated some of the pressure on the Rincon Heights neighborhood. It is interesting to note that the same kind of organizing didn’t occur in the north. The university had already established such an overwhelming presence in that neighborhood that the morale of residents was low and many had given up any hope of fighting further expansion. The area north of the core campus became the path of least resistance.

**Current Relationship**

Although tenuous, the relationship between the university and its neighbors is much improved. The university’s willingness to negotiate with neighborhood groups and enter into agreements regarding land acquisition indicate a substantial shift in thinking about their responsibility to the larger community. There are still instances that have led to anger and disagreement, but there are many examples of the university acting with greater sensitivity to neighborhood interests.

In one case, the university reached an agreement with the city of Tucson to turn over property it still owned outside the planning boundaries. The city built owner-occupied affordable housing on the site. Faculty and students from the College of Architecture, Planning, and Landscape Architecture helped design homes that would blend with the character of the neighborhood. As part of the Memorandum of Understanding with Rincon Heights, the university will relinquish more parcels that lie outside the planning
area. The Office of Community Relations is negotiating with the city to build a park and more affordable housing, possibly for lower-income university employees.

The university has also given neighborhood groups a role in design review for new projects. It worked with the West University Neighborhood Association on design issues for a hotel and parking garages built on the west side of the campus. It also agreed to $360,000 worth of landscaping in that area. This not only helped to further community relations, but the neighborhood support also helped the university move through the city approval process more quickly. The university is applying these lessons to the work it’s doing on Sixth Street. It held a workshop to solicit input in the design of buildings to be constructed along Sixth Street and the comments of neighborhood representatives were incorporated into design plans to some extent.

Dislocation of businesses along Sixth Street has been a concern among area residents. Businesses were located in buildings leased from the university. Construction along the north side of the street required demolition of these buildings. While this could have resulted in a substantial setback in university-community relations, the university tried to prevent this by renovating buildings along the south side of Sixth Street. Most businesses were relocated to the renovated space and the university administrators argue that, in many cases, the new retail facilities are much nicer than the original facilities.

The university has also tried to be sensitive to community concerns when undertaking major construction projects. The Integrated Learning Center was built underground in the center of campus, but residents were worried about noise, traffic, and dirt that would result from trucks moving in and out of the area. The Office of Community Relations listened to community concerns and worked to mitigate problems that might result from the large construction project. They got advice from the city manager’s office since the city had experience with similar projects. Removal of the dirt to build the undergraduate facility was done only at night. Back-up beepers were turned off, lights were shielded, truck tires were washed before leaving the construction site, and a police officer
directed traffic. The university wrote these conditions into their contracts. The project was completed without complaint.

Similar accommodations were made with respect to the medical center’s helipad. Helicopters used to land at ground level, but the pad was raised in order to get quicker access to patients. This resulted in more noise and neighbors were upset. The university signed a memorandum of understanding with members of the neighborhood surrounding the medical center and landing patterns were changed to reduce the noise. The university and the medical center investigate any complaints that pilots did not follow the agreed upon landing pattern.

Another way that the university has been involved in community-wide issues is through neighborhood planning. University administration put neighborhood representatives in touch with individuals from the Drachman Institute for Land and Regional Development Studies so they could help them develop a neighborhood plan. Much of this plan is devoted to solving traffic problems. Public transportation is inadequate and the city is proposing to finance more road construction rather than enhance public transportation service.

While university-community relations have improved, both sides acknowledge that it is still a mixed story. Some within the university feel they go too far in trying to meet the demands of residents. Residents often receive different messages from different university offices and feel there is only half-hearted effort in addressing their concerns. In addition to the many examples of cooperation, there are examples of continued antagonism.

The greatest point of contention between the university and neighborhood residents relates to the use of properties that were once residential lots. The university’s history of tearing down houses and creating a parking lot resulted in a lot of animosity. By signing the MOU with Rincon Heights, the university agreed not to demolish any housing without first having a concrete plan for the use of the land or the necessary
funding. The MOU also prohibited certain land uses within the neighborhood. When the university acquired a lot between Sixth and Seventh Streets, they tore down the house with plans to put a motor pool on the site, including a refueling station. Neighbors protested, arguing that the refueling station violated the MOU because toxic chemicals would be present in the neighborhood. The university backed down and decided to locate the motor pool at Euclid and Fourth Street, an area not covered by the MOU. Since the house at the original site had already been demolished, faculty from the College of Architecture, Planning, and Landscape Architecture offered to have students provide landscape design services to make the lot less offensive to neighbors. While this was still being discussed, the university installed a chain link fence with razor wire and began using it as a parking lot. The university claims its use as a parking area is only temporary, but there’s no indication of the timeframe to change its use. The handling of this situation angered residents of the Rincon Heights neighborhood. The original plan for the site directly violated the MOU and, although the university backed down, residents were still left with another parking lot. The situation was only worsened by the fact that one part of the university ignored the good faith efforts of others within the institution to work with neighbors.

Property management issues have also created some problems between the university and its neighbors. A common complaint among residents is that the university does not maintain its properties. Administrators admit maintenance is sometimes a problem. Funding is limited and the buildings they acquire often need extensive renovation to meet code. This may leave little money for exterior maintenance or landscaping. Residents like to see landscaping that will not only improve the appearance of the properties, but also provide some type of buffer between university activities and the neighborhood. Because of financial constraints, this has been a low priority for the university. The complaint has been that the university either fails to follow through with promised landscape improvements or that landscaping for properties in the neighborhood does not meet the same standards as landscaping for the core campus.
The university often feels that demand are unrealistic or unfair. The Rincon Heights neighborhood, in particular, is mostly occupied by renters. Some administrators feel they are giving too much based on the demands of just a few homeowners. They also believe the university is sometimes blamed for situations beyond their control. For instance, there are drainage problems around the medical center. The university argues that drainage has always been a problem in that area and it is not due to the presence of the medical facilities. Yet this has been a major issue for neighbors; the university eventually came up with money to address the problem in order to appease residents.

University administrators may see demands as unfair, but some neighborhood residents believe the university fails to operate in good faith. As an example, residents cite an agreement reached in 1994, whereby the university would pick up the trash left in the neighborhood after football games. The university picked up the trash, but left the bags sitting on the street corners. When residents called the President's Office to complain, they were told that the university agreed to pick up the trash, but not to carry it away. The university eventually removed the trash, but not without pressure from residents. Some residents have gone so far as to say there are times when the university appears to act out of spite. The belief is that the university does not want to be too accommodating when negotiating with the neighborhoods, as a way of reminding residents that it does not have to make concessions.

This may represent the extreme view; others have focused on the university's lack of creativity in dealing with the community. For example, the university built a recreation center on the south side of the Sixth Street. The university could have offered membership to residents to help compensate them for the placement of such a large facility at the edge of their neighborhood. Since most residents are students and therefore have access anyway, open membership would have little impact on usage rates and might have helped improve community relations.
Another issue that has hampered university-community relations is a lack of communication between different parts of the university. This was illustrated when the university attempted to purchase the Corleone Apartments. The building was located outside the planning area, but many students lived there and the university wanted to make improvements. Neighbors opposed the purchase, seeing it as further encroachment on the community. It was ultimately purchased by a private individual and since that time, there have been many problems associated with loud parties and unsupervised students. Most people now believe the situation would be better if the university owned the building since it has greater control over student behavior. The purchase might have gone through had the university’s community relations office been involved from the beginning. The community relations staff may have been able to adequately respond to neighborhood concerns, but were not kept informed by the university’s business office.

The problem may be more serious than simple lack of communication. The perception is that the university speaks with two voices. The business office wants to make decisions with as little community input as possible. The community relations office, on the other hand, tries to negotiate in good faith with residents. One office makes a determination while the other is forced to deal with the consequences. If this perception is accurate, the problem is not simply an unintentional gap in communication. Community relations staff are seen to have little influence over final decisions. It reflects a divergence in mission between different parts of the university. The community is suspicious of the university because it never knows which side will surface. At times the university has been very responsive to community concerns; at other times, it has been insensitive. Consistency in university-community relations is perhaps the greatest challenge for the future.

Issues That Will Influence University-Community Relations in the Future

The university is in the process of updating its master plan. Residents have been kept informed and given the opportunity to comment via the Campus Community Relations Committee. The possibility of expansion is a key issue for both the university and
neighborhood groups, and how this issue is handled will affect their future relationship. Residents fear the university will continue to buy land parcel by parcel and slowly change the character of the neighborhood. This is particularly true in the north neighborhood. This area is already within the planning boundaries and has borne the brunt of past expansion. The university is now considering a major redevelopment plan around the medical center and anticipates that the entire area will be completely redeveloped within a few years. Development south of the campus will also influence future university-community relations. Several projects are currently under construction along Sixth Street and the university is acquiring more property on the north side of the street in an effort to consolidate land holdings. This suggests that further development is likely.

The need for student housing has also been an issue for both the university and its neighbors. The university has not built a lot of student housing and this has created spillover into surrounding neighborhoods. As is often the case, the influx of students into residential neighborhoods has created problems for longtime residents. The physical condition of the neighborhood has declined since landlords are able to collect high rents while providing little maintenance. Most residents would like to see more university-owned housing.

These issues present challenges for both the university and the surrounding neighborhoods. Furthermore, reductions in state financial support have made it difficult for the university to commit to actions in the long-term. How the issues are managed and are ultimately resolved will be important in shaping the future of university-community relations.

**Impact of Community Participation on the Development Process**

The improvement that occurred in university-community relations resulted from the efforts of both parties. The university has made a greater effort to understand the concerns of residents and keep them informed of its activities, and neighborhood
residents have tried to understand the issues facing the university. The extent to which community participation has truly affected the development process is open to debate.

The university believes the community has been given a significant role in the decision-making process. It has clearly made concessions through the Neighborhood Relations Agreement and Memorandum of Understanding. By establishing guidelines for property acquisition and restricting land uses, these documents have placed some limitations on real estate development. Neighborhood groups have successfully negotiated terms that provide them with some level of certainty about what will occur in their community. The university also views the Campus Community Relations Committee as an opportunity for residents to voice their opinions and have their ideas reflected in institutional plans. They also site instances when the university has backed away from plans in the face of opposition as evidence of their willingness to respond to community reaction (for example, the situation involving the Corleone Apartments).

Neighborhood groups acknowledge that their role in development decisions is considerably greater than in the past, but still tend to see it as fairly limited. Some believe the university’s idea of community involvement is a meeting in which the university tells the community what it is going to do. They see the CCRC as ineffective for the community, arguing that it is more useful to the university, since they hold it up as an example of their responsiveness to residents. Others credit the university with being more receptive to community input, particularly with regard to design issues, but many still see the fate of their neighborhood in the hands of the university. Residents acknowledge that the Memorandum of Understanding has been helpful in the Rincon Heights neighborhood. While there is no legal recourse if the university fails to adhere to the terms of the agreement, it has been an effective public relations tool. The university does not want to see media coverage indicating that they have violated the MOU.

Neighborhood interests might be better reflected in the actions of the university if the community relations office were given a greater role in university decisions. The
community relations office is sometimes brought into the process too late or not at all. This prevents staff from heading off potential problems and, at times, has created the impression that the university does not live up to its word because different messages come from different parts of the administration.

**Effects of University Real Estate Acquisition and Development on Surrounding Community**

Most people who live in the area believe the university’s property acquisition and development activities have had a negative impact on surrounding neighborhoods. The uses of university-owned property have changed the character of the neighborhoods and lowered the quality of life for many residents. Rents and property values are relatively high as a result of steady demand, but many owners do little to maintain their properties. Most of the housing units are now occupied by students. These factors, along with the small size of homes in the area, have contributed to a decline in the number of families living in the vicinity. Many residents are concerned about the future of their communities. The decline has been particularly evident in the neighborhood north of the campus.

Many have argued that the university has also had a negative impact on the vitality of the neighborhood’s commercial district. Small businesses gradually closed as university-owned retail establishments kept students on the core campus. The university has also attracted national retail chains, which have taken customers from locally-owned businesses. Some believe the university made a conscious effort to eliminate competition from neighborhood businesses by acquiring the space they leased and forcing them out. The university points to its efforts to relocate businesses affected by new development as evidence of its desire to maintain the quality of the community.

The general consensus has been that the presence of the university has caused people to disinvest in their neighborhoods. Many enjoy the sports and cultural opportunities that exist because of the university, but the positive impacts have not outweighed the
negative. There is a chance that the situation will change if the university and neighborhoods continue to work together to address concerns.

**Conclusions**

This report describes the major real estate projects undertaken by the University of Arizona in recent years and investigates the factors that motivated real estate projects, the decision-making processes in place, and the funding mechanisms employed. The report also discusses community groups that operate in university neighborhoods, their relationship with the university, and their impact on the university’s real estate projects. Finally, it discusses the effects of university real estate development on the larger community.

As discussed in this report, there are four key factors that influence the real estate acquisition and development activities of universities: the motivation for development, the characteristics of the physical environment, the degree of policy oversight, and the leadership style of top officials.

The motivation for the University of Arizona’s real estate acquisition and development activities is evident in the type of projects that have been implemented in recent years. Rapid growth in student enrollment forced the university to construct new academic buildings, recreation facilities, and student housing. Furthermore, the university’s increased emphasis on research, particularly the sciences, created demand for state-of-the-art laboratories and elevated the importance of the Science and Technology Park.

The characteristics of the physical environment have played a very important role in determining the university’s real estate development activities. Because the university is surrounded by residential neighborhoods and lot sizes tend to be very small, it has been difficult to assemble large sites for development. The university faces the difficult task of acquiring several adjacent lots, which is problematic because lots become available at different points in time. This leads to land-banking (holding properties until
more can be acquired) and tends to create further dissatisfaction among area residents who already oppose encroachment into their neighborhood.

Physical expansion is further complicated by state policies. The state of Arizona places considerable restrictions on the real estate acquisition and development activities of its public universities. The adoption of planning boundaries, lengthy approval processes, and other policies may ensure greater accountability, but they also introduce substantial obstacles. The University of Arizona has been forced to develop creative strategies to overcome barriers and meet its physical space needs.

The importance of university leadership is most evident when examining how real estate development practices affect university-community relations. The university’s general lack of concern for area residents and businesses in the past resulted in confrontational relationships with its neighbors. Tensions have eased to some extent, but the university is perceived by most to be inconsiderate of community interests, although community leaders are trying to force the university to act with greater consideration. Where community groups were well-organized and persistent, they were able to have some impact on the development process. This is well illustrated by the creation of a Memorandum of Understanding between the university, city, and neighborhood association.
MARQUETTE UNIVERSITY

Marquette University is a private Jesuit institution in Milwaukee, Wisconsin. It was founded in 1881 and named for a French Jesuit missionary explorer of the Upper Midwest. Marquette was a small, liberal arts college for men until 1907. In 1907 it received a university charter from the state of Wisconsin and, over the next several years, began to expand its academic programs. In 1909, Marquette became the first Jesuit university in the world to officially admit women.

Enrollment increased dramatically following World War II, consistent with nationwide trends. The university continued to develop its academic resources, adding several degree programs in the 1960s and 1970s and establishing programs aimed at part-time students in the 1990s. Marquette enrolls more than 10,000 students and has 11 colleges and schools, including the only dental school in the state.

NEIGHBORHOOD CONTEXT

Marquette is located on an 80-acre campus just west of downtown Milwaukee. Two expressways serve as distinct boundaries for the campus to the south and east. The areas north and west of the campus are older, residential communities.

The area that immediately borders the campus to the north and west is referred to as the Avenues West neighborhood. Bordering this community to the west, north of Wisconsin Avenue (a major east-west thoroughfare) is the Concordia, or West End, neighborhood. Merrill Park borders the West End neighborhood to the south. These neighborhoods are home to approximately 22,000 people. Their residents are ethnically diverse and primarily low-income (the median household income of the census tracts in the area ranges from approximately $15,300 to $21,800). The area is overwhelmingly renter occupied, with just a seven percent homeownership rate.

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6 The university and the surrounding neighborhoods are represented by census tracts 134, 135, 136, 137, 146, 147, 148, 149, and 150. For further demographic information, see Appendix B.
Milwaukee’s near west side was once home to wealthy industrialists, and many of the city’s finer homes were built in the area. Many of the mansions were torn down in the 1940s and 1950s, but older Victorian houses remain and have attracted some middle to upper income households interested in renovation. Despite this, the area remains primarily rental, dominated by apartment buildings. At one time, there were several hospitals in the area and apartments buildings were constructed to accommodate the large number of hospital employees. Eventually, the hospitals were consolidated or closed. However, when the jobs left, many residents followed. Several large employers remain on the west side, but fewer of their employees actually live in the surrounding neighborhoods. The decreased demand for housing led to gradual decline. Landlords, facing high vacancy rates, were less strict in their leasing policies. The physical condition of properties deteriorated and crime escalated. By the late 1980s, the neighborhoods suffered from serious neglect. Yet they have since experienced a turnaround. Crime rates have fallen, the housing stock has been improved, and retail is reemerging. As will be described in this case study, Marquette University was directly responsible for much of this improvement.
The discussion that follows describes the effort undertaken by Marquette to affect change on the west side of Milwaukee. Much of this work was completed by the mid-1990s and is explained in some detail. This is followed by an account of the university’s more recent activities and how this work represents Marquette’s continued commitment to its community.

**ANALYTICAL FRAMEWORK**

There are four primary factors that influence the real estate investment practices of universities:

the motivation for development; the characteristics of the physical environment; the degree of policy oversight; and the leadership style of top officials influence all phases of the real estate development process.

The real estate development activities of Marquette University were solely motivated by the need to improve the condition of the surrounding neighborhood. The university experienced a decline in student enrollment that stemmed from fears about the safety of the neighborhood. The poor condition of the physical environment created the impetus for redevelopment and shaped the types of projects that were initiated. Whereas many universities focus on the specific needs of the institution, Marquette was forced to tackle residential and commercial development well beyond its campus boundaries. The university benefited from its status as a private university. As an independent institution, it was free to pursue its agenda without restrictions from a state governing body. Finally, leadership was very instrumental in determining the development priorities of the university. The focus on the redevelopment of the neighborhood was directly attributable to the induction a new university president. The president insisted that something drastic be done to preserve the future of the institution.

The combined effect of these factors influences the type of projects undertaken, the decision-making processes employed, the availability of various financing methods, and
the extent of community involvement in university activities. Each of these issues will be discussed in detail in the sections that follow.

**THE CAMPUS CIRCLE INITIATIVE**

Soon after a new president, Father DiUlio, assumed office in 1991, Marquette University embarked on a significant effort to revitalize its Avenues West neighborhood. Father DiUlio arrived at a critical time. The university had experienced decades of growth in student enrollment and endowment, but gradual deterioration of the neighborhood was reversing progress. Increased crime was causing a decline in student enrollment, and Father DiUlio viewed conditions in the neighborhood as a serious threat to the future of the university. Seeking a solution, he chose to use university resources to improve the neighborhood for both students and residents.

Following several assaults on students and the high-profile Jeffrey Dahmer murders in the summer of 1991, Father DiUlio asked Patrick LeSage, an alumnus and former classmate, to lead an effort to revitalize the neighborhood surrounding the university. The organization formed to lead this effort was called Campus Circle. LeSage had extensive experience in real estate and was well-informed about the Milwaukee market. In September 1991, under LeSage’s leadership, the Campus Circle team gathered information about the condition of properties in the neighborhood; hired a public relations company; and developed a basic redevelopment strategy. The team worked very fast and made extensive use of a report issued by the Avenues West Association, a neighborhood civic group that identified the community’s assets, problems, and needs. The survey and analysis conducted by Avenues West formed the database for the early planning phases of Campus Circle.

Other partners in the redevelopment effort included Wisconsin Bell, Wisconsin Energy, Catholic Knights, the City of Milwaukee, and Aurora Health Care on behalf of Sinai Samaritan Medical Center (the area’s last remaining hospital).
DECISION-MAKING PROCESSES

Campus Circle was a top-down program initiated by Marquette University to protect its own interests by rehabilitating the neighborhood. It was not intended to operate indefinitely, although how long it would function was not determined. Campus Circle had real concern for neighborhood needs and it attempted to use local input but the program was owned and managed by Marquette. The university’s president and Campus Circle staff describe their effort as “enlightened self-interest.”

It should be noted that the relationships between Marquette University and Campus Circle were intertwined in regards to finances, lines of authority, and staff. For example, Pat LeSage, the Executive Director of Campus Circle, was fully paid from the president’s budget.

Campus Circle Goals
The overall goal of the Campus Circle initiative was the survival and growth of the university; improving the lives and conditions of people living in the neighborhood was an important side benefit. More specific goals included:

- Ensuring the survival and growth of the university.
- Creating quality off-campus student housing through new construction and rehabilitation.
- Providing and maintaining affordable family housing for neighborhood residents through rehabilitating existing housing.
- Eliminating problem properties, combating crime, and dealing with other safety issues in the neighborhood.
- Developing walk-to-work housing for neighborhood employees.
- Developing commercial properties, both upgraded and new, to revive retail activity.
- Providing a forum for community involvement.

Campus Circle Organization
To achieve the university’s goals, three organizations were formed under the umbrella of Campus Circle. Campus Neighborhood Associates, Inc., a nonprofit 501(c)3 corporation held all residential assets and focused on housing development. Hilltop
Enterprises, a for-profit 501(c)25 corporation, focused on commercial and retail needs. It was set up for profit-making commercial development. Neighborhood Circle provided a vehicle for community input. Community representatives joined Neighborhood Circle and reviewed plans and activities of the first two organizations.

In the early stages, the organizations had only a few employees and relied heavily on consultants. With time, Campus Circle hired its own staff, reaching 50 people by 1995, including operation, maintenance, and security personnel. The staff included three people on the administrative team; five in the accounting department; seven in community relations, marketing, and public relations; four assigned to construction and special projects; and 31 people in property management, including 17 maintenance staff.

**Real Estate Development Activities**

Campus Circle purchased a large inventory of properties located in a decaying, 90 square-block area adjacent to Marquette University. Campus Circle built or rehabilitated student housing, developed commercial property, and rehabilitated low cost housing for neighborhood residents. The motivations behind Marquette University’s real estate acquisitions and development include improving student housing, securing the campus perimeter, and improving the surrounding community.

Campus Circle began acquiring property in 1992. It purchased almost 150 properties in the target area within one year. The process of real estate development was very different from traditional real estate projects. Because of the required speed, buildings were purchased without a thorough assessment of their value and potential use. Many of the badly deteriorated buildings were emptied and boarded up until a decision on their use, or financing, could be made. Some properties were rehabilitated, while others were demolished because rehabilitation was too costly.

Development costs were also estimated differently than for traditional private-sector real estate development projects. Campus Circle promised that rents in the neighborhood
would remain stable; therefore, when rental units were developed, the allowable rent was estimated first. The developers worked backward from the allowable rent to identify what amenities were possible and the amount of subsidy required to undertake the project.

Campus Circle staff viewed themselves as being in the real estate business. They got involved in social services through partners; Campus Circle supported its partners by donating land or buildings, its most abundant asset. Campus Circle donated a building to house a community police station, resulting in lower crime in the neighborhood. Campus Circle also provided free, low cost, or bartered space to social service groups in the neighborhood, including space for an after-school program and a homeless shelter.

Campus Circle owned real estate valued at $50 million. Its real estate developments include student housing, commercial development, affordable housing, a community police station, and more. Rents remained stable for the 188 units of affordable housing that were rehabbed for neighborhood residents. Several individual real estate projects are discussed below.

**Campus Town**
Campus Town was a $30 million residential and commercial development. Groundbreaking occurred in December 1992 and the project was completed in summer 1994. The housing units were owned by Campus Neighborhood Associates and the retail operations were owned by Hilltop Enterprises. Campus Town is located along Wells Street between 15th and 17th streets and it includes 153 units of student housing (one and two-bedroom apartments) and 88,000 square feet of retail space. The commercial space is on the ground floor, with off-campus student housing above. In addition to the new development, Campus Town included existing businesses, renovation of historic buildings, and public improvements. The City of Milwaukee installed new sidewalks and “old world” harp lights along Wells and nearby streets.
Gilman Building

One of the first Campus Circle projects was the Gilman Building, which was constructed in 1912. The building, located at 17th Street and Wells Street, includes space for three commercial establishments on the first floor and 45 one-bedroom and studio apartments on upper floors. The building required exterior restoration, extensive plumbing and electrical repair work, as well as a new elevator, new appliances, carpeting, and painting. Residents who lived in the Gilman building were relocated during renovations. Former tenants had first priority in leasing the renovated units; however, this was a rare case in which rents increased because of the extensive renovations.

Cedar Square

The Historic Cedar Square renovation project began in the spring of 1993. Cedar Square, only one block from the Marquette campus, is bounded by Kilbourne Avenue, State Street, and 14th and 15th Streets (Prior to 1930, Kilbourne Street was named Cedar Street, hence the project name). Preservation of historic buildings became part of the rehabilitation efforts, which was encouraged by the mayor of Milwaukee, a strong preservation advocate. Although the buildings needed substantial restoration, they could not be demolished because of their landmark status.

Included in this multiple-site rehab were the renovations of two historic homes. The Trimborn Mansion, built in 1897, required extensive reconfiguration to transform 11,200 square feet of space into 20 apartments of one, two, and three-bedroom suites. The Trimborn Mansion was converted to housing for graduate students and their families. Rents were held to pre-renovation levels. The Kraus House was built in 1874 and had three floors with seven bedrooms.

Additional Properties

Over 100 units were rehabbed in 22 buildings scattered throughout the Avenues West neighborhood. Some required new HVAC, electrical, and plumbing, and all received new carpet, paint, appliances, cabinets, and exterior clean-up. Where buildings were partially occupied, renovations began in the unoccupied units; residents were then
moved to the rehabbed apartments within the same building before the remaining apartments were renovated. Most rents remained the same as before renovations were completed.

**Community-Oriented Policing Demonstration Project**

The Avenues West Community-Oriented Policing (COP) Demonstration Project was created in late 1992. The COP operated from a building that had been rehabbed by Campus Circle and given rent-free to the police department. The COP was designed to respond to calls for police assistance as well as to work with residents, businesses, and neighborhood organizations to identify safety concerns and develop solutions.

In January 1993, Campus Circle, through Campus Neighborhood Associates, Inc. (CNAI), assumed responsibility for managing the approximately 1,100 housing units it owned. Most renovated apartment buildings were occupied by low incomes residents with a variety of social problems. Campus Circle developed a unique property management system geared to support the tenants’ special needs. They instituted a tenants relations department, with staff assigned to each building at an annual cost of $50,000. Buildings with more than seven units had a resident building manager who received free rent. A special rent payment plan was instituted to help tenants who fell behind in their rent.

**FINANCING REAL ESTATE ACQUISITION AND DEVELOPMENT**

Father DiUlio and Patrick LeSage presented a general plan to the university’s Board of Trustees, following several months of assessing the area’s properties and identifying potential uses. The board approved the project and authorized $9 million of university resources for the revitalization efforts including housing, commercial development, and community outreach. Upon hearing of the president’s plans and the board’s action, an anonymous donor who was a long-time Milwaukee resident provided $8.2 million toward the effort. Another anonymous donor gave $500,000. With this working capital, Campus Circle began purchasing properties, acquiring 150 properties in the first year.
Sources of capital for Campus Circle added to more than $50 million. As described above, they include $9 million from Marquette University, close to $9 million from anonymous donors, a donation of $850,000 from Ameritech, $23.85 million in bond proceeds, $4.2 million in TIF loans, and $9.2 million in mortgage loans.

Revenue generated from Campus Circle ventures was lower than expected while its expenditures were higher than projected because many properties were bought quickly without a thorough analysis. Many of the buildings were in poor condition and had lower than expected rent rolls. Some units stood empty because they needed rehabilitation, or they were too small for the families in the neighborhood. As a result, Campus Circle had a deficit in their annual operating account, which was financed out of the operating capital. The following sections describe the financing of several of the projects:

**Campus Town**

Campus Town, a new mixed-used development described above, cost $33 million. Its funding sources included $23.85 in bonds, $4.17 million as a Tax Increment Financing (TIF) loan at an interest rate of four percent, $4.17 million in equity, and $1 million from the Triangle Fraternity for their fraternity house.

Campus Circle worked with Milwaukee’s Department of City Development to arrange for TIF to support the commercial development portion of Campus Circle property portfolio. The TIF funds provided the project with a low-interest loan to be repaid through income created by the project.\(^7\)

In 1995, Campus Town’s annual expenses amounted to $2.58 million (interest payments, security, cleaning, taxes, etc) and total annual income from commercial and

\(^7\) Tax Increment Financing allows for the capture of property tax revenue to finance redevelopment. Additional tax revenue that is generated due to improvements is directed toward redevelopment projects in the TIF district.
residential rents was $2.8 million. Thus, the project as a whole had a net annual cash flow of approximately $200,000.

731 North 21st Street
The project at 731 North 21st Street involved a 30-unit rental property, which required only minor rehabilitation. The project costs (purchase and rehabilitation) amounted to $630,000. Funding sources were equity and a 20-year mortgage at nine percent interest. Annual income received from rents was $110,000 in 1995 and annual expenses for mortgage payment, taxes, etc. amounted to $106,000. The project had a net annual cash flow of $4,000.

845 North 21st Street
The property at 845 North 21st Street suffered from high rates of vandalism, a 50 percent vacancy rate, and substantial repair costs. Campus Circle evicted some of the building’s tenants and the property was draining its resources.

The purchasing price of this property was $880,000. The annual revenues from rent were only $110,000 versus annual expenses of $141,000 for taxes, repairs, and ongoing maintenance. Campus Circle lost $31,000 annually on this property.

1400 Block of Kilbourne Street
The 1400 block of Kilbourne Street had been designated an historic landmark and could not be demolished. The entire block was purchased from one owner. Two primary buildings on the block are Cedar Square and the Trimborn Mansion.

Cedar Square was a historic landmark that was rehabilitated for graduate student housing. The total cost of the project was $380,000, of which $80,000 was paid to acquire the building, and $300,000 was spent for rehabilitation. At the time of purchase and rehabilitation, funding sources included $320,000 as equity and $60,000 as a 15-year mortgage at nine percent interest. Annual revenues from rent amounted to
$19,200, while annual expenses were $13,600 (for mortgage payment, taxes, and maintenance). The property had a small annual net cash flow of $5,600.

The second historic landmark property, the Trimborn Mansion, housed two fraternities before being rehabbed; it was renovated into 20 rental units. The total costs of purchase and rehabilitation was $1.1 million (purchase price of $300,000 and rehabilitation cost of $800,000) and funding sources included equity ($300,000) and a mortgage loan ($800,000). The property lost $13,000 annually. Campus Circle collected $110,000 in rents, but the annual mortgage and other expenses totaled $123,000.

**Kilbourne Corners Apartment Project**

The Kilbourne Corners project was partially financed by a loan from the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA’s special financing program targeted rental housing for low- and moderate-income households in hard to develop urban and rural areas. The program financed projects where at least 40 percent of the units were targeted to households with incomes at or below half of the county median income. WHEDA provided Campus Circle with long-term mortgage commitment at a four percent interest rate for 30 years. The financing resulted in the rehabilitation of 66 rental units in three buildings.

**Community Involvement**

From the beginning, Marquette officials recognized that neighborhood residents would need to be part of the process if they were to be successful in transforming the area. They made efforts to involve existing neighborhood groups, but also established formal mechanisms to ensure the opportunity for community involvement.
Primary Community Groups

The Avenues West Association was formed in 1983 as a nonprofit neighborhood association serving the area surrounding Marquette University. It advocates for development and revitalization, aesthetic enhancements, cooperative marketing and planning, networking, and the promotion of safety throughout the neighborhood. In 1992, the Avenues West Board of Directors helped establish a business improvement district (BID) to provide financial support for efforts to address the problems in the neighborhood. The BID is a separate legal entity from the Avenues West Association, but they work hand in hand and it pays the association to implement projects that will carry out the goals of the BID.

The West End Development Corporation serves the Concordia, or West End, neighborhood, which lies adjacent to the Avenues West neighborhood. West End offers a range of services including free home repair services for low-income households and the administration of a grant program for minor home repair. West End also facilitates the Landlord Compact, a group of property owners that meets to discuss improved management practices such as proper tenant screening methods and how to deal with problem properties.

Avenues West and West End Development were established neighborhood organizations serving the community around Marquette. While their role in the neighborhood was recognized, Campus Circle felt it was necessary to establish a new group that would be devoted to soliciting input from residents regarding Campus Circle activities. Neighborhood Circle was created to provide a forum for community participation. Individuals who were known advocates in the neighborhood were recruited to join Neighborhood Circle. It was intended to serve as an advisory group for the other arms of Campus Circle.

University - Community Relationship

Prior to Campus Circle, the most accurate description of the relationship between Marquette and the surrounding community was “nonexistent.” By most accounts,
Marquette had turned its back to the neighborhood throughout most of its history. As stated earlier, the university grew rapidly following World War II with the help of the GI Bill, and this growth continued through the 1970s. Much of the existing campus was built on land acquired in the name of urban renewal. The university demolished dilapidated housing, converted hotels into residence halls, constructed new buildings, and closed off streets. The university established a reputation as an insensitive neighbor interested only in consuming property. For years, the university maintained an inward focus, giving attention to internal issues rather than those facing the larger community. Many residents viewed the university as elitist and resented the fact that it ignored what was taking place beyond the campus boundaries. When Father DiUlio assumed leadership in 1990, the situation quickly changed. The creation of the Campus Circle initiative marked a new era of engagement.

Avenues West played an indirect, yet important role in the initial stages of the Campus Circle initiative. Campus Circle staff began by collecting information on the neighborhood, but found that Avenues West had completed a thorough analysis of community assets and needs. This analysis served to guide the early work of Campus Circle. As the work progressed, Avenues West and other neighborhood organizations were kept aware of Campus Circle activities, but Neighborhood Circle was the primary mechanism for community outreach.

A press conference was held to publicly announce Marquette’s plan to redevelop the neighborhood. It’s important to note that university officials and Campus Circle staff openly acknowledged that it would not be a bottom-up process. They needed to act quickly, and this limited their ability to incorporate ideas from the community; however, they made efforts to keep residents informed and address their concerns. A community relations firm had been hired to meet with residents and neighborhood groups following the press conference. The intent was to offset residents’ fears by answering questions and dispelling any misconceptions. Neighborhood Circle became the means to achieve this in the long-term.
Neighborhood Circle worked with residents on a number of issues. Keeping the community informed was a top priority. It held regular “listening sessions” with residents, businesses, students, and organized neighborhood groups. It recognized that many people would be affected by the Campus Circle’s plans and tried to cast a wide net when reaching out to the community. Neighborhood Circle also published a widely distributed newsletter to provide updates on redevelopment activities and developed a vision statement to articulate the values of the community.

**Property Management Practices**

While Neighborhood Circle worked to keep residents and other stakeholders apprised of Campus Circle activities, community involvement went well beyond simply soliciting input on redevelopment projects. There were important ways in which the development arms of Campus Circle addressed the needs of residents while working toward stabilizing the neighborhood. One of the critical roles of Campus Circle staff was providing support for residents directly affected by the organization’s property acquisition and redevelopment plans. Many of the units slated for renovation were vacant and some could be renovated without requiring tenants to move, however, in some cases, tenants needed to be relocated. Campus Neighborhood Associates, Inc. (CNAI) hired relocation specialists to work with tenants on an individual basis to determine their housing needs and what they could afford. They helped them find replacement housing, offered transportation to look at units, provided moving vans and movers, and returned security deposits the day of the move or transferred them if the tenant moved to another CNAI owned property. If requested, relocation specialists also provided information and referral services for public housing, rental assistance programs, or home buying assistance. Displaced tenants were also given priority when renovated units were ready for lease.

Campus Circle emphasized that it was in the real estate business and not a social service agency, but physical improvement would have been meaningless without efforts to ensure that responsible tenants occupied the newly renovated buildings. CNAI adopted property management practices that would allow them to achieve this goal.
They addressed the issue of problem tenants in various ways. In some cases they took a bold approach. Tenants suspected of drug dealing were sent a clear message that they were unwanted, and when evidence presented itself, these tenants were quickly evicted. Other landlords in the area were notified of the evictions to help them screen applicants. In other cases, CNAI took a softer approach in dealing with troublesome tenants, assigning tenant relations staff to work with residents to resolve problem situations whenever possible. CNAI provided greater support than is typical for a property management firm. They established special payment plans for tenants who fell behind in their rent and helped tenants organize to respond to problems. Resident managers were placed in buildings with more than seven units to provide on-site support, and tenant councils were encouraged as a means to introduce concerns and new ideas. CNAI tenant relations staff assisted in the formation of tenant councils and block clubs and published a newsletter specifically for tenants to keep them informed about Campus Circle activities, as well as answer questions and dispel rumors about property management practices. Staff believed in the importance of building the capacity of residents to protect their quality of life after Campus Circle was gone. It was never intended that Campus Circle would exist in perpetuity, yet it was important to sustain the goals and ideals of the initiative. They wanted to provide neighborhood residents with the skills and mechanisms that would allow this to happen.

Property management practices were also used to quell fears about gentrification. While many individuals and neighborhood groups welcomed the efforts of Campus Circle, others worried that long-time residents would be not be able to afford rehabbed housing units and they were very vocal with their concerns. CNAI established a set of guidelines that emphasized its commitment to maintaining a diverse neighborhood and providing housing for low and moderate income residents. More importantly, CNAI agreed to hold rents at pre-renovation levels in all properties it acquired, except where rehabilitation was extensive, essentially providing a rent subsidy. While they continually faced rumors about high rents and gentrification, CNAI took measures to prevent the spread of such rumors.
Safety and Security

Ensuring the safety and security of residents was also key to maintaining the improved quality of life in the neighborhood. Security cameras were placed in residential and commercial buildings and staff were hired to monitor activities captured by those cameras. CNAI staff also relied heavily on tenant councils and concerned residents to keep them informed of safety and security issues. A safety director was hired to coordinate efforts to address crime and safety issues and work with other security forces, including Marquette’s Public Safety Department and the Milwaukee Police Department Community-Oriented Policing Demonstration Project. The community policing project came to the neighborhood largely due to the leadership of Marquette and Campus Circle. They convinced the city to develop a stronger presence in the neighborhood and used their resources to reduce the costs to the city. Campus Circle provided a building to house the mini-station, and business people donated furniture. The station covers a 350-block area and focuses on identifying and solving problems rather than simply responding to calls. Organizing block watches, establishing foot patrols, and working with residents and business owners are key components of this strategy. Community-oriented policing was seen as a proactive response that was important in meeting the goals of Campus Circle.

Hiring Policies

Another way in which Campus Circle achieved community participation was through its hiring practices. A goal of the initiative was to instill a sense of ownership among area residents and adopting preferential hiring practices was one way to achieve this. At one time, CNAI and Hilltop employed 50 people; approximately half were residents of the neighborhood. Job openings were posted in buildings owned by CNAI and in Campus Circle newsletters. Marquette students were also among those hired. In addition, summer jobs were created for youths participating in an employment program administered by a neighborhood organization. They performed outside maintenance work such as lawn care and landscaping.
Urban Universities and Real Estate Development – Marquette University

Campus Circle also ensured that the construction work generated by the initiative benefited target groups. It collaborated with the Milwaukee Community Service Corps, a work training program for economically and educationally disadvantaged adolescents and young adults. This led to CNAI’s on-going involvement in construction projects. A forum was held to make small- and medium-sized Milwaukee area contractors, vendors, and suppliers aware of opportunities that existed as a result of Campus Circle. The property management office reached agreements with contractors and architects to make a special effort to use minority contractors. In addition, CNAI and Hilltop committed to awarding 20 to 25 percent of the contracts to businesses owned by women, minorities, or disadvantaged person. They exceeded their goals in terms of the number of contracts awarded, amount of contract dollars, and work hours logged by these businesses.

Impact of Community Participation on the Development Process

It is difficult to assess the role of neighborhood residents and organizations on the redevelopment process. No one denied that the Campus Circle initiative was a top-down process. Leaders made no apologies for their action— the severity of problems in the neighborhood necessitated quick decision-making and quick action. Its leaders were quoted as saying, “We’re going to do this; help us or get out of the way.” Some residents and neighborhood groups resented this approach, yet most supported the initiative despite their concerns. Conditions in the neighborhood had deteriorated to such a degree that they welcomed the university’s commitment of resources.

The difficulty in assessing the impact of community participation lies in the fact that Campus Circle adopted a unilateral approach to decision-making, yet made significant efforts to address the needs of residents and allow them opportunity to voice their concerns. The creation of Neighborhood Circle and the measures taken to meet the needs of residents (i.e., maintaining rents and hiring from within the neighborhood) reflect the attempts to serve broader interests. Some questioned the effectiveness and sincerity behind Neighborhood Circle – it was perceived as merely a public relations tool rather than a genuine attempt to incorporate community input. While Campus Circle...
staff deny this and contend that the listening sessions provided valuable feedback, they admit the sessions could have been held sooner and been better organized. One community leader suggested that Neighborhood Circle lacked credibility because it had no real power over development decisions. She suggested that attempts to make it independent of the development arms of Campus Circle may have reduced its effectiveness rather than improved it. There was a perception that Neighborhood Circle lacked leadership and had no ability to influence the actions of CNAI and Hilltop Enterprises.

Yet it would be unfair to say that Campus Circle ignored the needs of neighborhood residents. As an outreach worker for Campus Circle suggested, the distinction might lie in what was done versus how things were done. In other words, residents and neighborhood groups may have had no say as to what properties were acquired and which would be saved or demolished, but their needs were considered when Campus Circle decided how properties would be renovated. For example, many of the apartments were too small to accommodate families that lived in the neighborhood. CNAI took special measures to reconfigure apartments to better suit the needs of families. They were concerned with costs, but when the budget permitted, they adapted plans that were responsive to the community.

There were other instances when Campus Circle responded directly to the requests of neighborhood residents. For example, the commercial development that accompanied Campus Town was in response to the wishes of neighborhood residents as well as students. Retail activity had seriously waned over time, and the area was in need of shops and services. Campus Town helped to address that need. Also, the fate of the apartment building that was home to Jeffrey Dahmer was left to the residents of the neighborhood. The building stood as a grisly reminder of the horrible murders that had taken place there and made it difficult for the community to heal. Campus Circle purchased the building, and after considerable public discussion, followed the wishes of the community, demolishing it and replacing it with greenspace. For many, this single act improved the perception of Marquette and Campus Circle.
THE DECLINE OF CAMPUS CIRCLE

Campus Circle ceased operation in 1996. Marquette’s President, Father DiUlio, also left in 1996. When Campus Circle was created it was clear that Marquette had to become a landowner in order to make a difference in the neighborhood, but Marquette was not expected to remain in the commercial and residential property management business in the long run; the objective was to buy, renovate, and sell. However, it was expected that Campus Circle would exist longer, and would sell properties gradually at market-rate prices. The exit strategy was to rehabilitate the buildings, attract stable tenants, and then sell the properties to responsible landlords at prices that would at least cover acquisition and redevelopment costs.

Some questions remain regarding the timing and the way the university withdrew from its real estate investments in the neighborhood. Some argue that the university pulled out too quickly. Campus Circle effectively ended in 1995 when most of its leadership left. A skeletal organization remained to keep properties running while they developed a strategy to disinvest.

Why did Campus Circle cease operation? Marquette’s Board of Trustees was concerned about the financial drain of the real estate investments and could not continue to subsidize their acquisition and development. Their first decision was to stop buying more properties and maintain what they had. Later, the board decided to shut down Campus Circle. Their decision may have been influenced by a strong opposition from some faculty members who disagreed with the continued dedication of financial resources to Campus Circle. When enrollment declined in the early 1990s, tuition was raised to increase revenues. Faculty members expected that some of the increased revenues would be targeted for academic affairs; however, most covered existing university costs and Campus Circle. Faculty looked at Campus Circle as an organization that took resources away from the academic needs of the university.
The third reason given for the demise of Campus Circle was the Wisconsin Avenue controversy. Although Campus Circle was not directly associated with this controversy, Campus Circle was blamed because of its affiliation with Marquette University. In 1995, Marquette attempted to close Wisconsin Avenue, which bisected the campus. The university wanted to redirect Wisconsin Avenue around the southern end of campus. However, this proposition led to a huge battle with the community. Residents opposed the closing because Wisconsin Avenue is a main thoroughfare in Milwaukee. City Council did not approve the closure or redirecting of Wisconsin Avenue.

Marquette University began to sell off Campus Circle properties in 1995. By early 2002, the property liquidation phase was complete, except for Campus Town, which is the only Campus Circle property that Marquette still owns. The university sold all of the residential properties to landlords it believes will maintain the properties. Campus Neighborhood Associates, the non-profit organization that held all of Campus Circle residential properties, was merged into the university in 1999. All of its assets and liabilities became the responsibility of the university. Hilltop Enterprises, the nonprofit organization that held all commercial properties, became a wholly owned subsidiary of Marquette. Hilltop Enterprises still exists and owns the commercial space in Campus Town.

**RECENT DEVELOPMENT ACTIVITIES**

Since Campus Circle folded in the mid-1990s, Marquette has taken a different approach to development. Real estate development has been limited to the construction of academic facilities within the existing campus boundaries (a new library and dental school). Their approach toward community revitalization is more collaborative; they now are interested in aiding development, rather than acquiring property themselves. According to the Director of Community Relations, Marquette wants to bring intellectual and political capital to the process. The university is proud of what it accomplished with Campus Circle, but does not wish to pursue that tactic in the future.
Master Planning Process
The university’s involvement in a master planning process for the west side is indicative of their new approach. The idea for a master plan originated in June 2000 with the West Side Development Forum, a group that includes area landlords, real estate developers, city officials, neighborhood institutions, businesses, residents, and others. As a group, they discussed perceptions of the neighborhood and the key elements needed to attract developers to the area. Marquette hosted the event. The group identified the development of a master plan as a priority. Having a master plan that has been adopted by the city is important to potential investors because it provides some degree of certainty for developers. If the proposed work is consistent with the plan, it is much easier to address zoning issues and obtain approvals and permits. The master planning area includes the vicinity surrounding Marquette, but extends considerably beyond that area, covering several west side neighborhoods.

The university is one partner in the master planning process, which represents a truly collaborative effort. The Milwaukee Department of City Development is coordinating the effort, but funding for the plan was drawn from multiple sources. Marquette secured a grant from Fannie Mae; the Avenues West Association obtained funding from the county; and the West End Development Corporation secured money from the state. Other funders include Miller Brewing, Marquette High School, and the Business Improvement District. In total, $165,000 was raised to support the process. When similar projects were completed in other neighborhoods, the city needed to search for funding. On the west side project, the key players were committed to the plan from the beginning, indicating their commitment to the community.

The master plan is intended to provide a coordinated framework for public and private investment decisions. They hope to build on the accomplishments of Campus Circle and continue to improve housing in the area and rid the area of problem tenants. The concentration of social service agencies in the neighborhood has always been an issue for many residents. While the partners have limited control over this, they hope the plan will influence what types of institutions come into the area in the future through zoning
designations. Participants feel the west side is ready for development, due in large part to the work of Campus Circle.

The city developed a four-phase approach to the master planning process. The first phase involved an analysis of conditions in the neighborhood and an assessment of assets and needs; the second phase was an intensive two-day charette where participants set priorities; the third phase required synthesis of the ideas and information gathered up to that point and creation of preliminary recommendations; the final phase involves taking a final draft of the plan to the planning commission for recommendation to the common council for approval.

A consultant was hired to draft the final master plan, but two groups were organized to guide and monitor the process. A project management team, consisting of representatives from the funding organizations, will monitor the consultant’s performance. The second group will be a study advisory committee representing the West Side Development Forum, area organizations, major employers and institutions, elected officials, and city departments. This group will serve as an information resource providing input on community concerns and initiatives sponsored by other organizations. It will ensure public participation and help review and shape recommendations. Marquette’s role is to be a leader or facilitator to keep people involved and keep the process on track. The plan is expected to be completed in 2003.

There are other issues that will have long-term effects on the development of Milwaukee’s west side, including a proposal for a light rail or guided tram system along Wisconsin Avenue and plans to rebuild the highway interchange near the university. Plans are currently being considered for each of these projects. Marquette has been involved in the discussions, recognizing the importance of these issues to the future of the university.
Campus Identity and Beautification

The master planning process illustrates the collaborative role that Marquette is now playing in the west side community, but their work extends to other areas. While aggressive real estate development may be a tool of the past, the university is still taking an active role in improving the physical condition of the neighborhood. Marquette secured $10 million in funding to implement a Campus Identity and Beautification plan that will enhance the streetscape around the campus.

The beautification plan is intended to mark a clear entrance to the Marquette campus and make the streets that run through the campus more attractive and pedestrian friendly. Twenty-seven-foot brick portals will be placed at 11th and 16th streets to define the core of the campus. A later phase will include smaller versions of the portals for two other locations. The beautification project will also include repaving, curbs, gutters, crosswalks, and medians. In addition, they will add trees and lighting and landscape design. To support the effort, the university obtained state money and federal funds through the Congestion Mitigation and Air Quality Improvement (CMAQ) Program.

Marquette has met with neighborhood groups to discuss the beautification plans and solicit comments, but the process has been relatively uncontroversial. To complement the university’s beautification project, Avenues West has developed its own plan to do similar work along Wisconsin Avenue, beyond the area covered in Marquette’s plan. Avenues West added pedestrian lighting, decorative patterned concrete, and decorative trash receptacles. Its goal is to improve the appearance of the neighborhood for those who enter from the west.

**Effects of University Real Estate Acquisition and Development on Surrounding Community**

Questions can be raised about whether neighborhood residents had meaningful involvement in the Campus Circle initiative, but no one questions the effect it had on the community. While concerns persisted throughout the project, there is little argument
that conditions in the neighborhood were greatly improved as a result Marquette’s efforts. The physical appearance of the neighborhood shows marked improvement as a result of the extensive renovations completed by Campus Circle. As one neighborhood leader stated: “when they build, they build quality.” Campus Circle staff also organized neighborhood clean-up days to rid the streets of litter. The improved appearance of the neighborhood encouraged other owners to invest in their properties, and because Campus Circle owned so much property, they were able to invigorate attempts to organize area landlords. Furthermore, when they sold properties, they made an effort to sell only to responsible owners who would maintain the standards set by Campus Circle.

Perhaps the most notable improvement in the neighborhood has been the reduction in crime. While this was consistent with national trends, no one doubts the positive impact of the university’s efforts. University leadership demanded a greater police presence, and their willingness to donate facilities was instrumental to securing a community-oriented policing station. All categories of crime fell sharply, and perceptions of safety were much improved.

The improved physical condition of the neighborhood, along with the reduction in crime, led to greater institutional investment as well. The Blood Center, which had a significant presence in the Avenues West neighborhood, chose to expand their site, though they had considered relocating to another area. The local telephone company also expanded its operations. A new public elementary school was built near Marquette, and a mixed-use residential and commercial development was built just east of the university. Many believe these investments would not have been made if Campus Circle had not been so successful. Some residents were disappointed that greater investment did not result, but they acknowledge the successes and recognize that further decline would have been the likely direction of the neighborhood. Continued progress has emerged slowly, but it appears that the neighborhood is on a positive path and gentrification has not occurred.
From the beginning, Campus Circle was burdened by the poor reputation Marquette had earned with neighborhood residents. The university had a history of acting in its own interest, regardless of how those actions might affect the community. Some expressed the idea that if the university had paid attention to what was occurring in the neighborhood for the previous 20 years, the large investment might not have been necessary; regardless, Campus Circle made substantial progress in reversing the negative opinion of the university. While university leaders never denied their work was motivated by the crisis facing the university, they recognized they could solve their problems only by addressing the problems of the larger community. For the first time, it was openly acknowledged that the university was part of the community, not just a bystander. By itself, this pronouncement helped change attitudes toward the institution and opened the doors to further partnership. Some believe this accomplishment outweighed the social and physical improvements in the neighborhood. The challenge, according to one Campus Circle staff member, will be for Marquette to show an ongoing interest in the community. There is strong evidence that this occurred. In 1994 the university implemented a service learning model that emphasizes combining academic experience with work in the community to advance student training while helping community groups. Its participation in the master planning process for the neighborhood and the campus identity and beautification plan also suggest that the university has a continued commitment to the community.

CONCLUSIONS

As discussed early in this report, there are four key factors that influence the real estate acquisition and development activities of universities: the motivation for development, the characteristics of the physical environment, the degree of policy oversight, and the leadership style of top officials.

The case study of Marquette University most clearly illustrates how motivation guides real estate investment activities. While many other universities were experiencing growth in student enrollment, Marquette was fighting to simply maintain its student
body. The deteriorating condition of the surrounding neighborhood created fear among prospective students and their parents, and fewer were willing to attend the institution. Marquette became involved in real estate development for the sole purpose of preserving the future of the university by transforming the neighborhood. As a result, the focus was on residential and commercial development, rather than academic facilities or on-campus amenities.

For many universities, the physical environment affects the institution’s development plans by either providing limits on property acquisition or affording opportunities for expansion. For Marquette, the physical environment provided the cause for real estate investment. It influenced investment strategies in that Campus Circle developed priorities in response to the problems that existed in the neighborhood, rather than the academic needs of the university.

As a private institution, Marquette was not hampered by external policy. This permitted its president to launch the Campus Circle initiative without interference and create an organizational structure that was free of bureaucratic slowdowns. The two development organizations could function independently, allowing them to work quickly to meet the goals of the initiative. Marquette made no apologies for its top-down process, but did try to be responsive to community needs by soliciting input, instituting sensitive hiring and property management practices, and supporting social service agencies.

The importance of leadership is undeniable in studying the real estate development activities of Marquette University. When Father DiUlio became president, he immediately sought to solve the problems facing the university, which meant addressing the poor condition of the neighborhood. He knew that something drastic had to be done and it needed to be done quickly. He convinced the board to allocate the necessary resources and recruited a staff that was capable of managing the Campus Circle initiative.
THE UNIVERSITY OF PITTSBURGH

The University of Pittsburgh is a state-related research university with five campuses in western Pennsylvania. It was founded in 1787 as a small private school but expanded its focus and capacity over many years and became state-related in 1966. Although the university is comprised of five campuses, its main campus is located in the heart of Pittsburgh’s Oakland neighborhood.

The university offers 378 distinct degree programs, and the Pittsburgh campus is comprised of 16 undergraduate, graduate, and professional schools. It enrolls roughly 32,500 students and employs nearly 10,000 faculty and staff. Research is conducted through approximately 200 centers, institutes, laboratories, and clinics. The University of Pittsburgh shares a close relationship with the University of Pittsburgh Medical Center (UPMC) Health System, which also operates several facilities in Oakland. The health system not only provides a clinical site for the School of Medicine, School of Nursing, School of Pharmacy, and School of Public Health, but also collaborates with the university on research and graduate medical education.

NEIGHBORHOOD CONTEXT

The University of Pittsburgh’s main campus is located in the city’s Oakland neighborhoods. While this section provides only a very general overview of Oakland, it helps to describe the environment in which the University of Pittsburgh operates.

Oakland is dominated by major health and educational institutions. In addition to the University of Pittsburgh and UPMC, it is home to Carnegie Mellon University, Carlow College, Magee Women’s Hospital, and the Veterans’ Administration hospital. It also hosts a number of cultural institutions, among them the Carnegie Museum and Library, Phipps Conservatory and Botanical Gardens, Soldiers and Sailors Hall, and Frick Fine Arts Library. Oakland is the educational and cultural center of Pittsburgh and its character is defined in large part by the presence of these institutions.
Oakland is comprised of four distinct neighborhoods: north, south, central, and west. In total, they are home to more than 20,000 people. There is a disproportionate number of young adults in Oakland, reflecting the large number of college students in the area (58% of the population is between the ages of 15 and 24 versus 18% citywide). Seventy-one percent of the Oakland population is white, 18 percent black, and nine percent Asian. North Oakland is the most affluent neighborhood, while West Oakland is the least wealthy.

**ANALYTICAL FRAMEWORK**

There are four primary factors that influence the real estate investment practices of universities: the motivation for development; the characteristics of the physical

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8 The Oakland neighborhood boundaries are correspond to the following census tracts: North Oakland: 403, 404, 507; Central Oakland: 405, 406; West Oakland: 402; and South Oakland: 409.

9 For further demographic information, see Appendix B.
environment; the degree of policy oversight; and the leadership style of top officials influence all phases of the real estate development process.

For many universities, steady growth in student enrollment has necessitated physical expansion and this has clearly been the case for the University of Pittsburgh. Real estate investments have been motivated by the need for more space for academic functions and by the increased demand for student housing. The physical environment of the university also has a very direct impact on the real estate development process. The University of Pittsburgh has developed mechanisms that allow it to compete with other large institutions in a tight real estate market and has been forced to address concerns of those in surrounding residential communities as well. The lack of state oversight has allowed the university to acquire and develop real estate while facing few obstacles. Local policy has influenced project development to some degree, but does not present a formidable barrier. Finally, university leadership directly affects all phases of the real estate acquisition and development process. When a new chancellor came to the University of Pittsburgh in the mid-1990s, he brought a new vision for the future of the university and the role of the university as a civic partner. Local leadership has also played a role in the process by providing a strong incentive for the university and other large institutions to involve residents and community groups in project planning.

The combined effect of these factors influences the type of projects undertaken, the decision-making processes employed, the availability of various financing methods, and the extent of community involvement in university activities. Each of these issues will be discussed in detail in the sections that follow.

**REAL ESTATE DEVELOPMENT ACTIVITIES**

This section describes the large real estate projects that the University of Pittsburgh has been engaged in on its main campus in Oakland over the past five years. It discusses what motivated the university to initiate these projects, how decisions are made within the institution, and how real estate projects are being financed.
Recent Real Estate Development Projects
The University of Pittsburgh’s major recent development projects include the construction of student housing along the eastern border of the campus, a multipurpose academic complex on the southern side of Forbes Avenue, and a convocation center in West Oakland.

Student Housing Complex: Bouquet Gardens
The development of undergraduate student housing was the first major real estate project undertaken by the university in recent years. After the university became state-related in 1966, enrollment increased significantly, but the university did not build the housing needed to accommodate the new students. As a result, there was a significant shortage of on-campus housing for undergraduate students and this had a negative impact on the neighborhood. The city of Pittsburgh pressured the university to develop student housing as a precondition to city approval of other real estate projects. A student housing project called Bouquet Gardens was developed in response to this pressure. This not only eased tensions in the community, but provided attractive on-campus housing that enabled the university to recruit and retain a talented and diverse undergraduate student body. The new housing development enabled the university to attract a larger number of upper-division undergraduates to campus housing.

The new housing development is bounded by Bouquet, Oakland, and Sennott Streets. The site on which the project was built consisted primarily of single-family homes. The university had been acquiring individual parcels over a number of years and by the time the project was started it owned most of the land. There were two homeowners who refused to sell at a reasonable price and the university built around them.

Bouquet Gardens consists of four-story garden style apartments. It houses 500 undergraduate students. It opened to about 200 students in the fall of 1999 (phase 1) and the remaining 300 students moved in the fall of 2000 (phase 2). Construction costs of the first phase were $5.3 million, while costs of the second phase were $9 million.
Multi-Purpose Academic Complex

The multi-purpose academic complex was under discussion for many years. The city block on which it was developed was primarily occupied by unattractive and dilapidated commercial buildings. Over the years, the university had acquired most of the property, but the state owned some of the land and was willing to turn it over to the university. The university demolished the entire block.

The multi-purpose academic complex is located at the corner of Forbes Avenue and Bouquet Street, across from the Law School. The new building is six stories high. The ground floor is being designed for retail space, while the upper five floors include classroom, office, and laboratory space for academic purposes. The Departments of Psychology and Computer Science and the Undergraduate College of Business are expected to move into the new facility. During the building’s planning phase, the university made a commitment to the city and the community that the building would include retail space in an attempt to revitalize and improve the quality of retail along Forbes Avenue. By devoting a floor to retail space, the university is taking a lead in attracting anchor tenants to the neighborhood. As a large institution with thousands of students and staff, the university can attract high quality, national retailers that will provide stability to the retail environment.

Public parking is also included in the plans. Ninety spaces will be kept for short-term transient parking for retail customers. The facility opened in spring 2002. The project cost was $35 million; the state contributed $20 million towards its construction.

Bouquet Gardens and the Multi-Purpose Academic Complex building provide a more attractive gateway to the university, while enhancing the residential character of the area.

John M. and Gertrude E. Peterson Events Center

The Peterson Events Center was built in the West Oakland neighborhood, on the northwest end of the campus, where the university stadium was once located. For
many years, the university had wanted to build a facility for basketball games, graduation ceremonies, and other large events. Originally, the university hoped to find another site for the events center, but was unable to find a suitable large site for the desired facility and eventually decided to demolish the old stadium.

An opportunity was presented to the university when the city of Pittsburgh decided to demolish Three Rivers Stadium and build new professional baseball and football stadiums. Arrangements were made for the university’s football team to play at Heinz Field (the Steelers’ facility) and practice in their new South Side practice fields. This arrangement allowed the university to give up its own facility and demolish Pitt Stadium. However, the demolition of Pitt Stadium created a great deal of opposition. Many were concerned about the loss of the university’s football tradition, and some were concerned about the willingness or ability of students to attend games downtown. The community of West Oakland, where the new convocation center is located, opposed it as well. This community has historically had a bad relationship with the university.

After much discussion, the plan for the new convocation center was finalized and Pitt Stadium was demolished. It freed a 10-acre site, five of which were used for the new 12,500-seat events center. In addition to basketball courts, the center includes a large student recreation center and a “restaurant row” and retail space. The student center is accessible through a separate entrance and will be open to students at all times. The building, sitting on a hilltop, is designed to offer beautiful, glass-enclosed views of the campus. The university is also planning to develop informal green space and build apartment-style student housing on the site to accommodate 500-800 students.

The university believes that the new facilities will have many more uses than Pitt Stadium. The new events center also helps to connect the upper campus to the lower campus. The total cost of the project was $70 million. The Peterson Events Center cost $48 million, of which $38 million was funded by the state and $10 million was donated by Mr. and Mrs. John Peterson. The rest of the funding was provided by the
Factors Motivating Real Estate Acquisition and Development

A university’s real estate development activities are motivated by a number of factors. Some administrators respond to specific needs of the university, while others seek to address the common interests of both the university and the community. Administrators from the University of Pittsburgh indicated several motivations for investing in real estate acquisition and development over the last decade.

The university faces the continual need to improve and expand academic and auxiliary facilities. The multi-purpose academic complex and the convocation center represent the university’s desire to provide its student with up-to-date facilities that are on par with those of the top educational institutions in the country. New student housing has also become a priority in recent years.

The University of Pittsburgh issued a comprehensive housing strategy in 1999 to respond to the demand for student housing that resulted from the growth in the number of students over the previous decade. The university recognizes that, in addition to expanding its academic programs and facilities, it needs to provide adequate housing in order to attract and retain the appropriate number and caliber of students. The university’s housing strategy is based on three principles: “one, provide attractive and suitable housing on-campus in sufficient numbers to enable the university to recruit and retain a talented and diverse undergraduate student body; two, utilize university-owned residential properties in the Oakland community to provide high quality, affordable housing for students, particularly graduate students who are well-suited for a residential environment; and three, work with the city and local landlords to ensure that an adequate stock of good quality, affordable housing is available through the private rental market for university students” (University of Pittsburgh Comprehensive Housing Strategy, April 1999).
Bouquet Gardens, the new student-housing complex, was one of the major development projects undertaken by the University of Pittsburgh in the 1990s. Since lack of university-sponsored student housing resulted in a significant deterioration of Central Oakland, the City of Pittsburgh and the community put significant pressure on the university to develop its own student housing in order to release pressure on the local rental market and reduce demand for rentals of sub-standard units in the private market.

Another important motivation for the university’s real estate investments is the effort to improve the surrounding community. This is an important goal because the image and safety of the community affect the university’s ability to recruit and retain students and faculty. As will be discussed in detail below, the university accepts community input regarding its real estate plans and designs. For example, as a result of extensive discussions with community groups, the multi-purpose academic building devotes its ground floor to retail space in order to increase the quality of retail offerings around that area. Both the community and the university understand that a large institution can attract high quality and stable retailers, such as national chains. The university’s top administrators understand that the future of the university depends on the strength and attractiveness of the neighborhoods surrounding the campus.

The university occasionally engages in land banking (assembling land for future development). This has been a point of contention between the university and the community. The community generally does not like it when a large institution purchases a building (sometimes demolishing it) only to hold the site for future use. The university owns a few parking lots and has strategically purchased a few buildings along Forbes Avenue, which are now land banked. The university is currently attempting to better assess its needs regarding property acquisition and is less engaged in land banking than in the past, but this will always remain an issue.
DECISION-MAKING PROCESSES

Two major factors contribute to the success of university in acquiring and developing real estate: knowing what real estate is becoming available in the market and a quick decision-making process among the university administration and board members.

The university’s associate vice chancellor for business established an informal group that includes people from various parts of the campus. This internal group meets every other week, and its participants are very knowledgeable about real estate around Oakland. The group gathers information about what is going on in the real estate market and watches the sheriff sales and bankruptcies closely.

In addition, the university’s associate vice chancellor for business has easy access to the vice chancellor resulting in fast decision-making regarding property acquisition. For deals of less than one million dollars, the administrators make the decisions on their own. Deals of one million dollars or more require approval from the Board of Trustees’ Property and Facilities Committee. Even within this committee, decisions are made quickly and they avoid bureaucratic slowdowns. Since real estate is relatively scarce in Oakland and there are other large institutions competing for the same properties, the university’s current administration and board have structured themselves to move quickly on real estate decisions.

The university usually has the internal capacity to handle all real estate purchases, building, leasing, and rent collection. The university’s Department of Property Management collects rents from students, leases space, and manages the properties. In most cases the university builds, owns, and manages its own properties. One exception is the Gulf research lab, located outside Oakland, which is managed by a private company, Oxford Development. The university has a large general council staff, which handles most of the legal and financial issues regarding real estate acquisition and development. The university makes some use of outside consultants, usually based on the recommendation of internal legal staff.
In some cases, and generally for smaller properties, the university will use a third party to buy property to avoid an inflated price. For example, the university wants to purchase some troubled bars and a third party might be a useful vehicle. However, for large properties, the sellers usually know who the big players are and hiding behind a third party does not eliminate high asking prices.

The university’s long-term real estate activities are guided by a master plan. The university had a traditional facilities plan that addressed issues relating to facilities and equipment. In 1997, the university updated its traditional plan with one driven by academic needs. “This Facilities Plan results from a comprehensive review of facilities needs of all University of Pittsburgh programs...It has been formulated to provide physical facilities appropriate to the programs the university intends to operate, and it emphasizes repairing and modernizing existing buildings over acquiring or constructing new ones” (University of Pittsburgh Facilities Plan: 1998-2007, April 1997). In this plan, facility decisions are motivated by clearly articulated academic policies. The principles guiding the facilities plan focus on the importance of the university’s academic mission to determine priorities. Strong emphasis was placed on improving classrooms and libraries, as well as enhancing residence hall environments and recreational and athletic facilities.

**FINANCING REAL ESTATE ACQUISITION AND DEVELOPMENT**

The majority (90 percent) of the university’s property acquisition deals are accomplished through negotiated agreements. The university does not use eminent domain and generally does not consider using it. For example, in acquiring land to build Bouquet Gardens, one or two owners refused to sell at a reasonable price and the university built around them rather than using eminent domain.

In the past, the university received land and buildings as gifts. However, most of the real estate was gifted to the university’s endowment in the 1930s and 1940s. Over time the university was gifted some real estate such as housing, the chancellor’s residence,
and apartment buildings. The university also received a hotel as a gift; the hotel is being leased to Best Western. The university does not accept every property gift that is offered. Some are from people who are trying to unload problematic properties, especially those with contamination problems.

The real estate endowment fund was created in the 1960s when the board decided that one-half of all unrestricted endowment funds would be designated for property acquisition (the other half was dedicated to the chancellor’s discretionary fund). These funds accumulate over time and were used to acquire some existing buildings in the Oakland area. This fund was recently used to cover costs for the for-profit elements of the multi-purpose academic building, which was otherwise funded by tax-exempt bonds.

The university funds much of its new construction through tax exempt financing. It receives two major benefits when issuing general obligation bonds. One, it is not restricted by a cap of tax-exempt issuance. Two, it does not have to go through an authority to issue the bonds. Going through an authority increases the cost of issuing bonds since the authority becomes an intermediary (which adds to the issuance costs). The university issues as much debt as it needs and its credit rating allows. About 70 to 75 percent of the institution’s buildings were funded through tax-exempt bonds.

The state provides another important source of funding for the university. The University of Pittsburgh funds a great deal of real estate development through the capital budget of the Commonwealth of Pennsylvania. Administrators identify the university’s top 10 capital budget priorities in October of each year. The governor approves the projects on the list and the legislature approves the release of the funds. There were instances when the university waited several years for the money after receiving the governor’s approval. In 1997, the governor decided to provide the university with $100 million over five years ($20 million for each year). The university still must provide a list of its capital budget priorities every year, but the flow of money is guaranteed. The university is using this money to remodel buildings that were funded by the state many years ago (about 25 to 30 of the university’s buildings were built with
state money). The more flexible arrangement with the state provides the university with some stability and predictability in funding flow.

Other sources of funding for real estate include surplus from auxiliary services, such as the bookstore, student housing, and food services; and funds from UPMC, which pays the university $15 million annually to support the School of Medicine and health sciences. UPMC funding is primarily being used to renovate labs and purchase lab equipment.

The university does not use a foundation to finance real estate development. Public universities often use foundations to avoid returning unused funds to the state or to circumvent barriers imposed by statewide policies. The University of Pittsburgh became state affiliated in 1966 following financial problems it experienced as a private university. As a state-affiliated university, it receives about 15 percent of its total operating budget ($180 million) from the state in addition to its capital budget. Between 1965-1996 the university received an average of $11 million per year for its capital budget; it has been receiving $20 million per year since 1997.

The university has never taken a loan to acquire or develop real estate. It is cheaper for the university to fund its real estate acquisition and development through tax-exempt bonds, where the university, with its AA rating, can go straight to the market and raise discounted capital.

**COMMUNITY INVOLVEMENT**

This section describes the manner in which community groups have been involved with the University of Pittsburgh. It explores the role that community groups play in their neighborhood and the nature of their relationships with the university. This section also discusses the extent to which community groups have been included in the decision-making processes when the university is undertaking major development projects.
Primary Community Organizations

Because Oakland is a very large area consisting of several distinct neighborhoods, there are many community groups operating within its borders (as many as 23 different organizations with 27 different master plans). The Oakland Community Council (OCC) is an umbrella organization with representation from various segments of the community. Its membership includes residents, business organizations, institutions, community planning groups, and social service agencies. It was formed in order to establish an advocacy organization that represented the interests of all groups in Oakland. OCC plays a key role in bringing the interests of Oakland residents to the attention of the leaders of the community’s major institutions.

In addition to OCC, two local development corporations are key actors in the Oakland community: the Oakland Planning and Development Corporation (OPDC) and Breachmenders Ministries. OPDC serves all of Oakland’s individual neighborhoods; Breachmenders focuses on West Oakland.

OPDC was formed in 1980 as an outgrowth of a community planning process carried out in the 1970s. The planning process resulted in the first broad-based community plan for Oakland that was not institutionally driven and became the basis for the work of OPDC. Among the organization’s activities are housing and commercial development, community planning, and transportation planning. They focus primarily on housing development, and have been at the center of efforts to improve the residential base of Oakland.

Breachmenders Ministries is a faith-based organization founded in 1980 as an outgrowth of the Friendship Community Presbyterian Church in West Oakland. The organization’s mission is “providing decent, affordable housing, youth activities, employment training, and community development in partnership with the people of the West Oakland and Oak Hill neighborhoods of Pittsburgh.” Like OPDC, Breachmenders has focused much of its resources on housing development.
University - Community Relationship

Relationships between Oakland’s community groups and the University of Pittsburgh have evolved over time. By all accounts, the relationship between the university and the community was contentious in the past, but has improved significantly over the last several years. The university’s need to expand created a situation in which residents felt pushed from their neighborhood. Over a number of decades, the institution acquired a lot of property in the area and often bulldozed existing structures without considering the interests of neighborhood residents. While these activities generated a lot of ill feelings, they were not the major cause of strain between the university and Oakland residents. The demand for student housing in the private market created many of the problems. Until the mid-1960s, the university was primarily a commuter school and therefore provided very little on-campus housing. After the university became state affiliated in 1966, enrollment grew rapidly and students poured in from areas outside Pittsburgh. They began to move into Oakland neighborhoods in large numbers, and many people attribute the decline of these neighborhoods to the influx of students. Students do not always make the most responsible neighbors, but problems stemmed more from existing landowners. Single-family homes were often divided into multiple units and became overcrowded. Furthermore, owners began neglecting their properties, knowing that by renting to students they could generate considerable income while making very limited investments. Residents focused their anger on the university, blaming it for not addressing the demand for housing. This added tension to an already strained relationship.

In 1996, the University of Pittsburgh named a new chancellor. This marked the beginning of improved relations between the university and the community. The chancellor and his administration have made a concerted effort to make changes in this regard. They acknowledged the dismal relationship that existed, accepted that the university played a role in creating it, and recognized the need for change. They further recognized that the safety and quality of life in Oakland affected student recruitment and retention. With this in mind, the administration responded to pressures from the community and from city hall and began to look into the issue of student housing. A
new facilities plan was developed in 1997, and a housing strategy was published in 1999. By this time phase I of Bouquet Gardens was underway and the new strategy included plans for phase II.

With the construction of Bouquet Gardens, the university began to address the student housing shortage. They wanted to have a public planning process and held open houses to tell community members what they were doing. The goal was to include the broader community, not just groups that were supposed to represent residents. People were generally pleased to see housing being developed, but they did offer some alternative suggestions for the design. The original plans called for garden style apartments facing inward to a center courtyard. Residents felt this gave the impression that the university was turning its back to the community. University officials listened to their comments and agreed to amend the design. The apartments were ultimately built to be more consistent with the existing character of the neighborhood with doors that open to the street.

Community groups were also able to influence plans for the multipurpose academic complex. The building was constructed along Forbes Avenue, one of the two main commercial thoroughfares in Oakland. As was stated previously, there has been a general interest in trying to reinvigorate the business district, and the university’s decision to dedicate the first floor to retail was based on the wishes of the community. Community groups have had a more limited role in the planning process for the new convocation center. Because the facility will be located on the former site of Pitt Stadium, the university is not encroaching on the neighborhood. The project has caused concern, however. Residents of West Oakland are worried about additional traffic flow that may be generated by the convocation center. Their fear is based on the fact that the convocation center will serve multiple purposes, and therefore will be used far more often than Pitt Stadium. The university contends that while the facility will be used more often, traffic problems are not likely to increase because the seating capacity of the new facility will be much smaller than that of Pitt Stadium (12,500 seats versus 60,000).
Student housing remains a source of concern for those dealing with the university. The university has plans to build more student housing near the convocation center, but this does not resolve all issues. A topic that was introduced repeatedly was the movement of undergraduate students into a new housing development in Oak Hill, a neighborhood adjacent to West Oakland. The Hope VI project was intended to be a mixed income development that would be open to graduate students, but not undergraduates. Despite promises to the contrary, the developer has rented to many undergraduate students and this has angered neighborhood residents. They have already seen the negative effects of having a concentration of younger students in the area (e.g., loud parties, public drunkenness). The university has no direct control over who is allowed to rent the units, but community groups claim that the housing office has marketed the development to undergraduates. University administrators deny this and have made public statements that they do not wish to see undergraduates move there. Regardless of what has actually occurred, it has stirred up a lot of bad feelings about the university. The university is also dealing with criticism over negotiations for the use of Mazeroski Field in Schenley Park, which they want lease for the women’s softball team. The university would contribute a significant amount of money to improve the field and bring it up to NCAA standards, but public use would be limited. Some believe public use of the park is rather infrequent, but the issue sparked opposition anyway. It has been viewed as another example of the university taking from the community.

There are many issues to confront, but the university has made efforts to be more open with community groups. This represents a clear shift from just a few years ago. The institution has developed mechanisms to keep the community informed not only about specific projects, but about more general plans as well. The university and OCC have signed a Memorandum of Understanding that states that both parties will talk to one another and discuss their plans before taking action. The associate vice chancellor for business at the university meets every two weeks with community representatives to talk about the plans of the university and the plans of various community groups. As often as possible, the university tries to share information with the community in advance of taking action. The university has adopted the idea that the “city is their
campus” and is not trying to build walls. In the past, there was no clear point of contact with the university. Now community groups have developed relationships with individuals who can speak on behalf of the institution. This has been particularly helpful in establishing a better dialogue. Also helpful is the fact that community leaders and university leaders often see one another at different functions throughout the city. Frequent interactions have led to better personal relationships between individuals and created a climate of greater trust.

In addition to these efforts, the University of Pittsburgh participates on the Oakland Task Force, a group that includes all the major institutions and community groups in the area. The task force was originally created by the mayor to provide a forum for all the players in Oakland to share their plans and their concerns. The university also participated in the creation of the Oakland Improvement Strategy. This 1998 plan involved institutions and community members in developing an agenda for Oakland that addressed all interests.

By most accounts, the fragmentation of Oakland and the existence of many community groups have made it more difficult for the community to organize and speak with a common voice. It has also presented a greater challenge for the university when trying to consider the needs of the community, but as groups have become more sophisticated and institutions have become more aware of the benefits of working cooperatively, relations have improved.

**Impact of Community Organizations on the Development Process**

The lines of communication between community groups and the university are clearly more open than in past years. The recent willingness of the university to see itself as a part of the community and to establish an honest dialogue with community members appears to be genuine. This view was expressed not only by university administrators, but by community leaders as well. The maturation of community groups has also helped bring about positive change. As the level of professionalism among the staff increased, so did their ability to influence real estate development.
The city of Pittsburgh has also played an important role in bringing together community groups and major institutions in the city. Pittsburgh’s mayor has always advocated for community organizations, and his policies have contributed to their empowerment. The city’s large institutions know that they must have some degree of community acceptance before they can approach the city planning commission. This is contrary to what occurs in many cities where city planners often work with developers to gain the acceptance of community groups after a project has been brought to their attention.

While this all sounds very positive, both administrators and community leaders admit that community groups have limited influence over the institutions’ development projects. One community leader stated that the organization didn’t affect what got developed, but did have some input as to how or where development occurred. Oakland residents generally understand they live in a community that has been dominated by large institutions for a very long time, and they accept some of the things that come with that. The city encourages institutions to work with community groups and institutions have found it much easier to work with community buy-in, but no one believes that community approval is necessary for development to occur.

The university and community groups use one another to forward their own agendas. Community groups sometimes solicit support from the city’s major institutions to use their leverage. Institutions solicit support from community groups to ease their path. This is not to say that the institutions aren’t genuinely interested in the condition of their neighborhoods; however, their view of what is best for the neighborhood may differ or become secondary to what is best for the institution. In the opinion of one community leader, the university is willing to become more engaged with the community when a big development is on the horizon. The university benefits from having community groups as allies, and all parties fully understand this. While motivations may sometimes be selfish, individuals from the university and community groups see the fact that they are at the table with one another as a big step forward. It has created a climate of greater trust and allowed personal relationships to develop in a positive direction.
The mere presence of the University of Pittsburgh is bound to have both positive and negative impacts on the surrounding community. The problems that have resulted from the demand for student housing clearly illustrate a negative effect, but there are numerous positive impacts as well. The institution is seen as a huge economic engine for its neighborhood, the city, and the region. It is a major employer, supports smaller businesses, and its research activity can result in spin-off enterprises or attract firms to the area.

The university also gives back to the community in a number of ways. The university gave money to OPDC to acquire problem properties and for rehabilitation and resale, and is considering funding a façade improvement program similar to one funded by UPMC. The university participates in the JobLink program, which finds employment opportunities for city residents. A large portion of the placements are with the university.

The university also makes direct financial contributions to the city of Pittsburgh. As a non-profit institution, the University of Pittsburgh does not pay taxes on most of its property, however, it is subject to other forms of tax and makes some payments in lieu of taxes. The university pays $85,000 annually in lieu of taxes and is required to pay additional taxes and fees to the city. These include an amusement tax (a 10% tax on tickets to athletic events), a parking tax (a 33% tax on the amount collected for parking fees), and an annual fee of $10 per employee (the city does not collect income taxes).

While these contributions are important, they do not speak directly to the impacts that have been felt in the community as a result of the real estate development activities of the university. These impacts are difficult to measure. Most people believe that property values in Oakland have risen, but this is not perceived to be a positive trend by all parties. It is also debatable who should be credited with this trend. The local community development corporations believe that increases in property values are due
to their efforts, rather than any development undertaken by the university. Some believe an increase in property values may be partly attributable to the university, but do not see this as a positive outcome. They believe property values are skewed because people are buying as speculators, waiting for the university (or another institution) to buy them out at an inflated price. The university tries not to drive up property values in this way by not giving into unreasonable demands, but recognizes that land speculation does occur.

Increased traffic and parking problems that may result from new developments are often among the top concerns of community groups. The university acknowledges that these are important issues in Oakland. They have funded traffic studies and worked with the city in an attempt to identify ways to mitigate the problems, but this will always be a point of contention.

At times the university has been credited with improving neighborhood conditions by ridding the community of dilapidated buildings, but more often it has been criticized. One community leader perceived the university to be more of a drain than a catalyst, stating “It’s easy for them to justify taking houses if they are dilapidated, and the community loses a little bit at a time that way. The community is most often the loser when development occurs. They’re losing one block at a time.”

The university has been criticized for demolishing buildings, but it has also engaged in the adaptive reuse of several structures. The university has renovated the former Jewish Community Center, a former hotel, nursing home, and church. It also spent several million dollars to renovate the Masonic Temple, which far exceeded costs of new construction. The university also sees itself as taking a lead role in trying to revitalize the Fifth-Forbes business district.

The negative effects of development generally receive the most attention. There is no question that the development activities have had significant impacts on the community. While many outcomes have been negative, there have also been positive outcomes.
Administrators acknowledge that the needs of the institution come first, but the university appears to have a genuine interest in avoiding negative impacts whenever possible. Representatives expressed the hope that community improvement is a by-product of their work. They understand that this is in their best interest as well as the residents’.

**CONCLUSIONS**

As discussed early in this report, there are four key factors that influence the real estate acquisition and development activities of universities: the motivation for development, the characteristics of the physical environment, the degree of policy oversight, and the leadership style of top officials. This is clearly illustrated by the case study of the University of Pittsburgh.

The University of Pittsburgh’s real estate acquisition and development activities were motivated by the need to meet increased demand for academic facilities and student housing. Student enrollment grew steadily for several decades, but much of the growth can be attributed to the fact that the university became a state-related institution in 1966. This led to increased enrollment of students from outside the Pittsburgh region. As might be expected, the growth in student enrollment created greater demand for classrooms, offices, recreation facilities, and other academic spaces. This compelled the university to pursue strategies to address these needs. Yet many of the problems encountered by the university related to the lack of on-campus housing rather than a shortage of academic space. Because the University of Pittsburgh had been a commuter school for many years, it offered little housing for students. As students began to come to Pittsburgh from other regions, they sought out housing in the neighborhoods that surrounded the university. This had many adverse effects on those neighborhoods and caused residents and city officials to pressure the university to build more on-campus housing.
The physical environment of the University of Pittsburgh has had a very direct effect on its real estate acquisition and development practices. The university is located in an area dominated by large institutions, but is surrounded by residential neighborhoods. This has influenced development in two important ways. First, the university has been forced to adopt policies that allow it to compete in the very tight real estate market. When opportunities to acquire property arise, the University of Pittsburgh must compete with other colleges, universities, and cultural institutions. Second, the university was pressured to develop on-campus housing in order to reduce demand for housing in surrounding communities. Had the housing market been better able to absorb the influx of students, the university’s development priorities might have differed.

The degree of policy oversight from outside parties can play a key role in a university’s real estate investment practices, and this holds true for the University of Pittsburgh. While policy can influence development by restricting a university’s actions, the University of Pittsburgh benefits from limited oversight. The university experiences advantages from its status as a state-related institution, but does not contend with the disadvantages that are often encountered by truly public universities. Most decisions are made internally among university administrators and board members, allowing them to act quickly when necessary. Local policy affects the development process by encouraging large institutions to involve residents and community groups in their planning processes.

As stated previously, the mayor’s insistence on community participation helped ensure that the university considered the concerns of neighborhood stakeholders. In Pittsburgh, the influence of leadership extended beyond the university. Furthermore, it appeared that as community organizations attracted more professional leaders, they were better able to influence development agendas.

University leadership has also played an important role in shaping how the institution develops real estate. When the University of Pittsburgh named a new chancellor in 1996, it ushered in a new era in university-community relations. The chancellor placed
greater importance on establishing positive relationships with residents, neighborhood organizations, and city officials and communicated this vision to his top administrators. The administration’s commitment to improved community relations is evident in officials’ willingness to talk openly about their plans and listen to the concerns of others.
PORTLAND STATE UNIVERSITY

Portland State University (PSU) is a relatively young university. It was initially located outside the city of Portland, established in 1946 as the Vanport Extension Center. After flooding forced the university to find an alternate site, it relocated to downtown Portland, occupying a former high school building. In 1955, the Vanport Extension Center became Portland State College, a four-year, degree-granting institution. Graduate programs were added in the 1960s and in 1969 university status was awarded.

Student enrollment at the university has grown steadily over the last several years and continued growth is expected. With approximately 23,000 students, it is currently the largest university in the Oregon University System; enrollment at PSU surpassed Oregon State University and the University of Oregon in recent years. The majority of Portland State’s students are Oregon residents and a very large portion is from the Portland area. As a result, it is primarily a commuter campus, although this is slowly changing as the university increases its capacity to house more students on campus.

NEIGHBORHOOD CONTEXT

Portland State University is located downtown, adjacent to the Portland’s central business district. Downtown Portland is a vibrant area where office buildings are surrounded by restaurants, local retail establishments and national retail chains, cultural attractions, and small parklands. The vitality of downtown is due in large part to a convenient public transportation system and a fairly large residential population. Portland is often recognized for its progressive urban planning strategies and careful planning is evident in the downtown district.
The area encompassing the Portland State campus is home to approximately 3,800 people.\(^\text{10}\)

The population is primarily white (73%), but there is a substantial Asian population as well (17%). The median age is just 28, compared to 45 citywide. This likely reflects the student population, but may also suggest that those who choose to live in the downtown area (who are not affiliated with the university) tend to be relatively young. The median household income is approximately $17,600, which is much lower that the citywide median of more than $40,000. Again, this is most likely a result of the student population. Ninety-five percent of the occupied housing units in the area are renter-
occupied, which can be expected given the large number of downtown apartment buildings.

**ANALYTICAL FRAMEWORK**

There are four primary factors that influence the real estate investment practices of universities: the motivation for development; the characteristics of the physical environment; the degree of policy oversight; and the leadership style of top officials influence all phases of the real estate development process.

The university’s real estate acquisition and development activities are motivated by the need to meet new demand for academic facilities and student housing that has come with rapid growth in student enrollment. Its downtown location has influenced real estate investment activities by affording the university opportunities to reuse existing structures, capitalize on area amenities, and avoid substantial opposition to development. Although state policies govern the university’s real estate activities, they have not presented significant obstacles and the university benefits from local strategies that encourage coordinated planning. Finally, university and community leadership have played an important role in shaping the university’s development plans, because both share a common vision for the future of the city and support actions that work toward their mutual goals.

The combined effect of these factors influences the type of projects undertaken, the decision-making processes employed, the availability of various financing methods, and the extent of community involvement in university activities. Each of these issues will be discussed in detail in the sections that follow.

**REAL ESTATE DEVELOPMENT ACTIVITIES**

Many real estate projects (large and small) are underway on the campus of Portland State University. To meet the needs of a growing student body, the university is actively
involved in acquiring properties, constructing buildings, and renovating or maintaining existing facilities.

**Recent Real Estate Development Projects**

The following section provides examples of the primary real estate projects Portland State University has undertaken in recent years. Some of these projects are large-scale developments, while others are smaller yet important.

*The Urban Center Building and Plaza*

The Urban Center and University Plaza are part of a six-block redevelopment area that will eventually include a mix of commercial, residential, retail, and institutional development. In 1994, PSU developed a master plan for this area. The Urban Center Building and the Plaza were viewed as key amenities to stimulate future residential development and were intended to serve as a new front door to PSU. At the same time, plans were being discussed to extend the light rail to the PSU campus.

The development of the Urban Center Complex was led by three partners: PSU, Tri-Met (the city’s transit operator), and the Bureau of Planning of the City of Portland. Later, the Portland Development Commission (PDC) teamed up with Tri-Met to develop the plaza.

The Urban Center building, with approximately 131,000 square feet, houses the College of Urban and Public Affairs, the Long Distance Learning Center, the PSU bookstore, and ground floor restaurants. The Urban Center Building and plaza was a complex deal involving several funders in the public and private sectors. Public funding sources included the U.S. Department of Commerce’s Economic Development Administration, which financed the Long Distance Learning Center, and the Federal Transit Administration, which provided funding for the plaza. The state contributed 20 percent of the cost. Tri-Met and the Portland Development Commission (PDC) were also primary funding sources for the plaza. PDC also raised the last $7 million needed to extend the streetcar to PSU. A private company, Johnson Controls, financed the
electrical distribution systems as well as the heating and water distribution systems (cost of $5 million). Johnson Controls owns this infrastructure and is leasing it to the university for 30 years, after which ownership will transfer to the university. The land on which the building is located is owned by a family trust, but the university hopes to purchase it in the future.

The existing building and plaza are only the first phase of the project. The plaza is not fully developed. Plans call for demolishing an existing building to make room for a new facility that will include underground parking, first floor retail (including a grocery store), two-to-three-floors for academic use, and several upper floors for high-end condominiums. These plans are very preliminary and the developer will make decisions regarding the nonacademic portions of the building.

**Student Housing**

There are approximately 1,500 student housing units to serve PSU’s 23,000 students. The units are distributed among 11 buildings on campus and five buildings off campus. All units are managed by College Housing Northwest, a private nonprofit organization that also owns several of the student apartment buildings. Building more student housing has become a priority for PSU, as most apartments have long waiting lists.

PSU recently began work on the Birmingham project. The Birmingham was a 13-unit apartment building constructed 1912. It was recently demolished and replaced with 130 efficiency apartments. The ground floor will include a lobby, leasing offices, and recreation spaces. The new building has been designed as an environmentally friendly facility and is expected to open in fall 2003. The Birmingham project was financed with tax-exempt revenue bonds.

**Native American Student and Community Center**

Groundbreaking for the Native American Student and Community Center took place in spring 2002 and is currently under construction. The 11,000-square-foot structure is expected to cost $3.5 to $4 million. Native American casino owners and other
philanthropists interested in Native American heritage and culture are donating nearly one million dollars to the project. A federal grant in the amount of $300,000 was secured through a program that provides funds for the improvement of postsecondary education (FIPSE). The remainder of the cost will be funded by Article XI-G bonds and Article XI-F bonds ($1.2 and $1 million, respectively). The new facility will be the first major center in Portland devoted to Native American culture and is viewed as an important asset. It will also house an academic program in Native American studies that is currently being developed. The design for the new center evolved during on-site workshops and through research of traditional symbols, stories, and materials. Students and community organizations were involved in planning the new facility and it will respect the wide variety of tribes represented on the PSU campus. The center will be used for instruction, interpretation, large ceremonial gatherings, and individual reflection.

1900 Building
The 1900 Building (at 1900 SW Fourth Avenue) was built in partnership with PSU and the city of Portland. The Portland Development Commission and the Bureau of Planning are both located in this high-rise building. It was built by a private developer and is condominium owned.

The Simon Benson House
The Simon Benson House is a historic home built by one of Portland’s founders. The house was neglected for many years and was in a state of serious disrepair. The university made an arrangement with the city to move the house to the PSU campus and hired a restoration specialist to renovate the home. It now provides space for the alumni association and other university offices.

Additional Properties
While PSU has done a fair amount of new construction, it takes full advantage of existing facilities whenever possible. The university actively pursues properties as they become available on the market. It seeks to establish a stronghold on specific blocks
by purchasing key properties. It can slowly assemble enough property to control the
development of the block. The university may retain existing tenants and collect rent or
convert buildings for temporary classroom use or office space to satisfy some
immediate needs.

A recent example of this type of activity is the purchase of two small structures in a
prime redevelopment site within the University District. PSU believes that by acquiring
these two properties, it will either be in a position to develop this block by itself or
influence what is developed. The two buildings currently provide office space and off-
street parking. The university’s plan is to lease the buildings to the current occupant for
up to one year, after which they would be converted for academic use. The purchase of
the two buildings ($625,000) will be financed with Article XI-F bond proceeds; the
associated debt service will be initially paid by tenant rents and parking fees. When the
university takes over the space, tuition and parking revenues will be utilized.

Another example is the recent acquisition of an office building and adjacent parking lot,
the Fifth Avenue Business Center. The building is also located within downtown
Portland’s University District. In the future, the 36,000-square-foot building will house
academic activities and provide additional parking spaces. Existing leases on the new
building will be maintained until they expire, at which time PSU will renovate the
building. The Oregon Emergency Legislative Board approved a $3.5 million Article XI-F
bond to purchase and upgrade the building.

**Proposed Real Estate Development Projects**

The previous section described some of the recent real estate acquisition and
development activities of Portland State University. PSU continues to look for real
estate opportunities in the university district in order to meet the demands of its growing
student body. Several projects are in the early planning stages.
Student Recreation Center
University officials are holding preliminary discussions about building a new recreation center for students that will be separate from the athletic facilities used by the university’s sports teams. Plans for the new student recreation center include basketball courts, rock climbing walls, racquetball courts, and other facilities. There is also a proposal to build student housing on upper floors. The students will be required to hold a referendum and agree to tax themselves $20-30 a quarter to raise revenue to service debt incurred to build the facility.

Engineering School
A new engineering building is planned for SW Fourth Avenue, next to the 1900 Building. The university has received $3 million in donations to help finance construction of the engineering building. Plans call for an 80,000-square-foot, five-story building that will provide new office and classroom space as well as much needed laboratory space. The new facility will accommodate the growth in the number of engineering students admitted over the next five years, which is expected to double.

Ione Plaza
The Ione Plaza is a 405-unit apartment complex located at the heart of the PSU campus. The 15-story Ione Plaza building was one of the first high-rise apartments built in downtown Portland after World War II. The building is privately owned, but is surrounded by university-owned property. Because of its strategic location, the university would like to acquire the complex. It has tendered two offers but has been unsuccessful in its attempts to buy the Ione. However, the party that made the highest offer and will likely close the deal (as it appeared at the time of our visit) indicated interest in a joint venture with the university. Currently, the apartments are rented to the general public, including students. The university was planning to honor all existing leases and offer additional apartments to students only when vacancies occur.

North Macadam District
A plan is being developed to create a mixed-use neighborhood in the North Macadam District, a blighted industrial area. The site was used for shipbuilding during World War
II, but now stands vacant and occupies valuable space along Portland’s riverfront. The city of Portland and Portland Development Commission hope to bring residential and commercial development to the area as well as public parks and adequate transportation infrastructure. It is projected that over a 20-year period the North Macadam District will include 1.5 to 2.0 million square foot of office and retail space, a conference center and hotels, and 5,000 housing units. The area would be accessible via an aerial tram and streetcar. While much of the attention is on residential and commercial development, Portland State University and three other educational institutions could play an important role in the revitalization of the North Macadam District.

There has been discussion about using the North Macadam site to develop closer relationships between Portland State University, the Oregon Health Science University (OHSU), Oregon State University, and the Oregon Graduate Institute. OHSU, a major biomedical research institution, needs additional space to meet demands created by a sharp rise in research funding, however, it is faced substantial challenges. The institution is located atop Marquam Hill, which overlooks the North Macadam District. Because of its position on the hill and the fact that it is surrounded by protected forests, it has no room to grow in its current location. In the past, OHSU considered building facilities in North Macadam and is now revisiting the idea. The other institutions are now involved in these discussions and the hope is that they can create a large academic research campus that will create a synergistic relationship and provide benefits to all partners. PSU is considering a graduate engineering school for the riverfront site. Many details of the plan have yet to be determined. An important component to the success of the project is adequate transportation service. Plans call for extending the streetcar to the site as well as erecting an aerial tram that would operate between Marquam Hill and the North Macadam District. The concept of an aerial tram is unpopular with many residents in the neighborhoods below the service area and will require further discussion.
Factors Motivating Real Estate Acquisition and Development

The primary motivation for PSU’s real estate investments is the rapid growth in student enrollment. In the mid 1990s, PSU had about 16,000 students. By 2002 it had about 23,000 students, and the number is projected to increase to 35,000 by 2012. PSU is the largest university in Oregon, but it is not a residential campus. It provides housing to only 15 percent of its students and there is a strong demand for additional student housing. Growth in the number of students has also increased demand for academic buildings, recreation facilities, and offices. Moreover, many of the existing buildings are old and the university must contend with approximately $220 million in deferred maintenance.

University land acquisition and development relate directly to the university’s mission as well as to the mission of the city of Portland, which is committed to building more housing units. In addition, the university is changing from an instructional commuter campus to a research and residential institution. This shift requires changes to the physical infrastructure of the university. PSU wants its campus to be attractive not only to attract and retain students, but also to make it a vital part of downtown, adding to the appeal of the city of Portland as a place to do business.

Decision-Making Processes

This section describes how state and local policies affect PSU’s decisions regarding real estate investments. It also describes how the university makes decisions regarding real estate acquisition and development, who is involved in the process, and the barriers they face when competing in the local real estate market.

State Policy

Portland State University does not have its own governing board. Oversight is provided by the Board of Higher Education, which presides over all of Oregon’s seven public
institutions. The board has established rules with respect to the real estate acquisition and development practices of these institutions.

As a state agency, PSU is restricted as to how much it can bid for a property: the bid cannot exceed the average of two appraisals. In addition, the university must get approval from the Board of Higher Education when the purchase price is more than $100,000 (although the board rarely withholds approval). State legislative approval is needed if the price exceeds $1 million. Properties must be located within the campus boundaries approved by the board and city council. Finally, board approval is needed in any circumstance involving acquisition by condemnation.

The vice chancellor for finance and administration (or designee) is authorized to select and employ architects, engineers, planners, and related professional consultants. Attorneys are assigned to the university by the Department of Justice and the attorney general of the state of Oregon. PSU also works closely with a bond counsel, a private attorney in Portland who is under a retainer agreement with the Board of Higher Education.

When purchasing apartment buildings in Portland, the university competes with private developers. If opportunities arise that require quick action from the state legislature, they can be presented to an emergency board (an intersession committee that can approve deals). However, even with this procedure in place, the university is at a disadvantage in a competitive market since obtaining approval on purchase and bond financing takes time and sellers are not always willing to wait.

Local Policy

In 1995, the city of Portland adopted a University District Plan, which is a subset of the Central City Plan. PSU was directly involved with other stakeholders in developing the district plan, providing continuity between the goals of the city and its residents and the goals of the institution. The impetus behind the University District Plan was the recognition that the university needed to grow and surrounding land owners needed
some degree of certainty about the development of the neighborhood. The plan resulted in designated boundaries for university expansion. These boundaries were negotiated by the university and the city of Portland and ultimately adopted by the Portland City Council. Although the university can purchase property outside the boundaries for student housing or investment purposes, most acquisition occurs within the agreed upon boundaries.

Currently, several university administrators believe the university boundaries should be expanded and that the district plan should be updated to reflect current realities. This includes the plan for the North Macadam district and the proposed purchase of several other properties in the downtown area. The university would like to create a new land use concept for the University District that would suggest a self-contained community that provides employment, education, recreation, retail, light industrial, and residential opportunities. The university is in the process of hiring an urban designer or architect to lead the development of a new plan. It would focus on academic needs, transportation infrastructure, commercial and industrial development, housing (apartments, condominiums, and residence halls), recreation, greenways and open space, and environmental issues.

PSU is not required to go through Portland’s land review process but is subject to design review. If redevelopment plans are consistent with the University District Plan, zoning (whether residential or commercial) is generally not deemed to be important. In regard to parking, which is closely regulated in downtown Portland, PSU is subject to the same regulations as developers. The city adopted a maximum parking ratio, which requires a specific number of parking spaces per square foot of the building being constructed.

**University Policies and Procedures**

Several departments within the university are involved in making and implementing decisions regarding real estate acquisition and development. The vice president and assistant vice president for finance and administration are most directly involved in
developing deals, but decisions are made with the support of the director of facilities, other vice presidents, and ultimately the university president. When the individuals involved in the decision-making process feel that they have a viable project, they rely upon attorneys to negotiate the deal on the university’s behalf.

The Office of Business Affairs is responsible for lease management and some aspects of the financial structuring of deals. The director of business affairs closes on every negotiation and transaction, signs all paperwork, arranges for the transfer of funds, and works with the attorneys to get the leases transitioned to the university. The Budget Department becomes involved when there are implications for the operating budget, especially when lease payments from third parties do not cover debt service. The Department of Finance and Administration is charged with acquiring and managing the university’s real estate.

The university assembles land for future development (land banking), however, it has limited financial resources (as a young university it lacks a large endowment to support these activities). When possible, the university buys a piece of a block to secure a foothold on it, especially if the properties generate revenue, such as office buildings. The university can issue revenue bonds to finance the purchase and use existing lease payments to cover debt service and operating expenses. When the leases expire, the university can make a decision about whether to convert the space for university use or to renew the lease.

**FINANCING REAL ESTATE ACQUISITION AND DEVELOPMENT**

Portland State University uses negotiated agreements to purchase the vast majorities of its properties. Although it has the right to acquire property through eminent domain, the university has not exercised this right. Eminent domain was used to acquire land needed to build the Urban Center, however, the transit authority had condemned the
property. The dislocated business (a copy shop) was relocated to another facility on campus.

The university relies on a number of sources to finance property acquisition. In some cases, lease payments cover acquisition costs. In other cases, donations may be used. Acquisition costs may also be combined with development costs and paid for with bond proceeds. Portland State is not able to rely on its foundation to support real estate acquisition as is the case for some universities. Again, because the university is relatively young, the foundation also lacks a large resource base. PSU has fewer established alumni than many older universities and may suffer from the fact that students often do not build as strong an allegiance with a commuter campus as they might with a more traditional campus.

State funds may be available to help finance real estate development, and donations from individuals and local foundations are used when possible. Donations were used to partially fund the Urban Center and the Native American Student and Community Center. The future engineering school will also be partially funded with a gift. However, tax-exempt bonds serve as the primary funding source for real estate development.

The Oregon University System issues bonds on behalf of the state’s public universities. It has two types of bonding authority: Article XI G bonds, for which the state pays the debt service, and Article XI F bonds, for which the university pays the debt service. Article XI F bonds are general obligation bonds that function like revenue bonds. Article XI G bonds are generally used to finance construction of academic buildings, while Article XI F bonds are often used for auxiliary enterprises that generate revenue. The state legislature must approve the sale of both types of bonds, but when Article XI G bonds are issued, the state appropriates money specifically for debt service. Because bonds are issued by the Oregon University System, the debt appears on its financial statement, not on the financial statements of individual universities. Most of the projects at PSU were at least partially financed with bond proceeds, including the Native
American Student and Community Center, the Urban Center and plaza, and the student housing complex that replaced the Birmingham building.

PSU, like many other public universities, is facing declines in state funding. As a result, the university is looking for creative financial tools to continue its development efforts. Public-private partnerships have become an attractive option.

The university is planning to partner with a private developer to build a 300-unit housing complex. The developer will establish a 501(c)(3) corporation, issue bonds from that corporation, and design and build a 300-unit housing complex with ground floor retail. The apartments will be rented to students; the university will give the developer an occupancy guarantee and some parking rights. At the end of a specified period (likely 25 to 35 years) and after the bonds have expired, the titles will be transferred to the university. This is a quick, easy, and less financially risky way for the university to develop student housing. The university only needs to provide the developer with an occupancy guarantee.

Another type of partnership is being established for the construction of a new engineering school. The partner is the Portland Development Commission (PDC). PDC’s involvement in this project is complicated because it can only invest in projects within defined urban renewal areas, and the designated location for the engineering school is outside such an area. The university and PDC reached an agreement whereby PDC will provide $5 million to the university in exchange for development rights to a property inside the urban renewal area. The university will use the $5 million for construction costs associated with the engineering school, but the investment is technically to secure development rights to land inside a renewal area.

UNIVERSITY – COMMUNITY RELATIONSHIP

Portland State University has developed a very positive relationship with other members of the community. The university and community view one another as assets that
contribute to the strength of the city and downtown area. Although there is a large downtown residential population, there has been very little friction between residents and the university. Expansion has not been seen as overly aggressive, and the university’s acquisition policies have caused little conflict. The Downtown Community Association, a volunteer group that addresses a range of issues affecting the downtown area, was invited to hold its meetings on campus. The feeling expressed by one member of the group is that the university has a welcoming attitude toward the community.

Interaction between the university and the Portland community is most visible with respect to planning processes. The university has worked cooperatively with the city, local development agency, and transit authority to develop coordinated plans for the downtown area. They all share a vision for a vital, mixed-use community. The interesting relationship between the university and city is illustrated by the creation of the University District Plan, an outgrowth of the Central City Plan. The Central City Plan was initiated by the Portland City Council in the mid-1980s and involved almost 10,000 citizens. The city was divided into eight different planning districts; Portland State University was included in the Downtown District, but the university was in a growth mode and had bought a lot of property in previous years. Recognizing that the university would continue to grow, the Central City plan called for the creation of a distinct university district to allow for better planning for the development of the area surrounding the campus and to provide some degree of certainty to surrounding land owners about future uses. A few years later, the Central City Plan was updated to include the University District Plan, which was based on the university’s vision plan and focused on the university as the leader in developing the area. Portland State University led the planning process for the University District, but worked alongside residents and other stakeholders. The Downtown Community Association participated in the development of the plan and public forums were held to solicit comments from a broad constituency. This process resulted in a coordinated vision for the development of the university and the district.
Portland State also works extensively with the Portland Development Commission (PDC), the primary development agency in the city of Portland. In addition to partnering on specific projects (such as the Urban Center and 1900 Building), they have established an on-going relationship to address the university’s future needs. The university and PDC will develop intergovernmental agreements on an annual basis that outline a work plan for PDC and PSU to collaborate on development opportunities.

The university has demonstrated an appreciation of careful planning for the future of the city and the region. The dean of the College of Urban and Public Affairs worked on the original plan for the region’s growth boundary, which has shaped regional development patterns. He has maintained close relationships with Portland’s mayors (across multiple administrations) and other civic leaders and was also behind the effort to extend the city’s light rail system to the campus. The university recognizes the importance of working with the city to maintain a healthy downtown that will continue to attract students and faculty. For example, the university and city work together to maintain the Park Blocks, a very large public greenspace that runs through the heart of the campus and serves an important asset for the university and the downtown community. The university has also been sensitive to the needs of the business community in developing their expansion plans. In response to the concerns of business leaders who opposed expansion in the core commercial district, the university made a promise not to grow beyond SW Market Street. The promise has not been broken, despite the fact that there is no legally binding agreement in place. The strong relationship that exists between the university and members of the larger community is based on the recognition that they share the common goal of creating and sustaining a vital city and region.

**Effects of University Real Estate Acquisition and Development on Surrounding Community**

The presence of the university in the downtown area contributes substantially to the strength of Portland. With approximately 25,000 students, faculty, and staff, and more
than two million visitors each year, the university is responsible for bringing a large number of people downtown on a daily basis. The university complements the business district. On the one occasion that university expansion displaced a business, the university and the business owner were able to reach an agreement that allowed the store to relocate to another university-owned facility.

The negative affects of university growth have been minimal. Some have expressed concern over the rising demand for housing and the increased cost that results, however, this is a concern throughout the city. Portland has experienced tremendous population growth in recent years and this has created pressure in the housing market. A good transit system helps to alleviate some of the demand for downtown housing since students are able to live in other areas without sacrificing easy access to the campus. The general consensus is that the university is an important asset to the Portland community.

CONCLUSIONS

As discussed early in this report, there are four key factors that influence the real estate acquisition and development activities of universities: the motivation for development, the characteristics of the physical environment, the degree of policy oversight, and the leadership style of top officials.

The Portland region has experienced tremendous growth in recent years and the same trends can be seen in the enrollment figures for Portland State University. The number of students taking classes at PSU has increased significantly since the 1990s and continued growth is expected. The university’s real estate acquisition and development activities are motivated by the need to meet additional demand for academic buildings, recreation facilities, office space, and student housing. The university is particularly interested in providing additional student housing units as it makes the transition from a commuter campus to a more traditional, residential campus. This goal is in line with the
city’s desire to build additional housing units throughout Portland, including the downtown area.

Portland State’s downtown location has also influenced its real estate development opportunities. In many cases, the university has been able to acquire existing buildings and renovate them to meet its needs. Although expansion may be somewhat limited by the adjacent business district, the university feels there is enough developable land to meet their requirements for many years to come. The fact that Portland is a growing city with a vital downtown has benefited the university tremendously. Many urban universities must struggle to provide the amenities the campus community desires, but PSU is surrounded by restaurants, retail establishments, and various service providers. The university’s downtown location is also important in that it limits the opposition to development that often faces institutions surrounded by residential neighborhoods. Although there are many apartment buildings in the downtown area, they are an important part of the mixed-use environment, and residents have a different perspective toward development than many who live in traditional residential communities.

As a public university, many of Portland State’s real estate acquisition and development activities are subject to approval by the state’s Board of Higher Education. Although this slows the process, it has not presented a significant obstacle for the university in meeting its goals. Local policy has had a greater impact on the development activities of the university. Local officials have little direct control over the university’s actions, however, the university and members of the Portland community have benefited from cooperative relationships and coordinated planning. Portland is a progressive city where the various actors recognize that the greatest benefits occur when they work together to plan the future of the city and region. This is clearly illustrated by the relationship between the university and the city’s planning and development agencies.

University leadership has been instrumental in shaping the real estate development activities of the institution. Top administrators have sought opportunities that will address the goals of the university as well as meet the needs of the city. Those in
academic positions have also had a role in shaping development policy, as demonstrated by the dean of the College of Urban and Public Affairs. Leaders realize that the university is not isolated from its environment and have chosen a proactive approach to university-community relations. Likewise, community members see the positive aspects of having a university located in the heart of their city. As a result, Portland State has encountered little opposition to its development plans.
WAYNE STATE UNIVERSITY

Wayne State University is a large research university located just north of Detroit’s central business district. The university’s beginnings can be traced back to 1933 when a number of unrelated colleges and schools were united to form Wayne University. In 1956, the institution became Wayne State University by action of the Governor and Michigan Legislature.

Wayne State is currently comprised of 14 schools and colleges that offer more than 300 degrees at the bachelor’s, master’s, and doctoral levels. Enrollment exceeds 31,000 graduate and undergraduate students. Most are drawn from the Detroit area and remain there after graduation. The university is the 10th largest employer in Detroit, with more than 7,700 regular employees, 2,100 student employees, and an annual payroll of nearly $265 million.

NEIGHBORHOOD CONTEXT

Wayne State University is located in Detroit’s Midtown district, an area that is also home to many of the city’s cultural institutions. Among them are The Detroit Institute of Arts, Detroit Public Library, C. H. Wright Museum of African American History, Detroit Symphony Orchestra Hall, and Masonic Temple. All are within walking distance of the campus. It is an area that has suffered disinvestment over the last several decades, but is experiencing a resurgence with many redevelopment projects underway.

Midtown Detroit is bounded by expressways. Interstate 94 (Ford Freeway) borders the area to the north, Interstate 75 (Chrysler Freeway) serves as the eastern border, and the John Lodge Expressway forms the western border. The Cass Park and Brush Park neighborhoods are immediately south of the campus, but they quickly encounter Interstate 96 (Fisher Freeway). Woodward Avenue, a major north-south thoroughfare in Detroit, bisects the area. The university’s main campus lies primarily west of Woodward and north of Warren Avenue, while the medical campus lies east of Woodward and is several blocks south of Warren, between Canfield and Mack.
This area is home to nearly 17,000 people. The neighborhoods surrounding the campus are primarily low-income African American communities. The population is 70 percent African-American and the median household income is just $14,571. There are few homeowners in the area; housing units are overwhelmingly renter-occupied (97%). Among the nine census tracts that comprise the area, eight have homeownership rates lower than five percent. The remaining tract has a homeownership rate of just 21 percent. Seventeen percent of the housing units in the area are vacant.

The area just north of Wayne State (across I-94) has shouldered some of the university’s recent development activities and the possibility exists for more development in the future. Known as the New Center, it was developed in the 1920s as an alternative to the congested downtown. This area is also showing signs of rebirth.

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11 The area referred to is bounded by Interstate 94 to the north, Interstate 75 to the east, the John Lodge Expressway to the west, and Interstate 96 to the south. Demographic data is reported for census tracts 5202, 5203, 5204, 5205, 5206, 5174, 5175, 5176, and 5180. For further demographic information, see Appendix B.
after years of decline, however, many vacant buildings and lots remain at the southern end, providing opportunities for Wayne State. Less than 500 people live in the area between Interstate 94 and Grand Boulevard,\(^\text{12}\) reflecting the commercial and industrial character of this section of New Center.

**Analytical Framework**

There are four primary factors that influence the real estate investment practices of universities: the motivation for development; the characteristics of the physical environment; the degree of policy oversight; and the leadership style of top officials influence all phases of the real estate development process.

Wayne State University’s real estate development activities are motivated by the university president’s desire to increase student enrollment and transform the university district into a 24-hour neighborhood. Investments have been targeted toward improving and expanding academic facilities to attract new students and the new student housing and amenities needed to create a vibrant urban community. In many ways, recent disinvestment in the physical environment has assisted university leadership in meeting these goals. There is a substantial amount of developable property surrounding the main campus, and a number of public and private sector developers are also engaged in redevelopment projects that will help create a more attractive neighborhood. Wayne State is further assisted by the rather “hands-off” approach taken by the state of Michigan with respect to its public universities. The state imposes few restrictions on the university, which allows it to function more efficiently in the local real estate market. University leadership has been instrumental in shaping the real estate investment priorities of Wayne State. The university’s aggressive approach to real estate development directly reflects the President’s vision for the future of the institution.

\(^{12}\) The area referred to is bounded by Grand Boulevard to the north, Interstate 75 to the east, the John Lodge Expressway to the west, and Interstate 94 to the south. Demographic data is reported for census tracts 5201 and 5181.
The combined effect of these factors influences the type of projects undertaken, the
decision-making processes employed, the availability of various financing methods, and
the extent of community involvement in university activities. Each of these issues will be discussed in detail in the sections that follow.

REAL ESTATE DEVELOPMENT ACTIVITIES

Recent Real Estate Development Projects
Wayne State University has initiated a number of major development projects in the last few years. These include new academic facilities, student housing, and a research and technology park.

Eugene Applebaum College of Pharmacy and Health Sciences
The College of Pharmacy and Health Sciences received a new home in spring 2002. A 270,000-square-foot, six-story building was constructed on the medical campus to allow the college to move from an outdated facility to one with high-tech classrooms and laboratories. The new building also includes a 198-seat auditorium, a patient simulator suite (with an emergency room critical care unit, operation room, and pediatrics room), distance learning facilities, exam lab, and occupation and physical therapy facilities.

A number of sources were used to finance construction of the $64 million building. The state of Michigan allocated $48 million, $16 million was generated from a fundraising campaign, and $250,000 was contributed by Meijer, Inc. (a family-owned and operated grocery and general merchandise retailer with stores in several states). Eugene Applebaum, founder of a drug company, donated $5 million for the naming rights.

Welcome Center
The Welcome Center is a 700,000-square-foot facility that recently opened at the corner of Woodward Avenue and Warren Avenue. It houses student support services and serves as a one-stop shop for new or prospective students to obtain general information about the university, registration procedures, financial aid, and other issues. The total
cost of the building was $18.5 million. The state contributed approximately $13.8 million.

Construction of the Welcome Center was controversial, since the university used the right of eminent domain to acquire the property on which the new facility is located. A multi-tenant commercial building was demolished to make room for the center and small businesses were forced to relocate. Although they were compensated for the move, some business owners and patrons were unhappy with the university’s decision to build at that location.

*Undergraduate Residence Hall*
In the fall of 2002, a new undergraduate housing complex opened on the eastern edge of campus. The 112,000-square-foot facility is the first residential building that has been constructed by the university since 1995. It houses 370 students in 190 dormitory-style rooms. The cost of the project was $18 million and it was financed with proceeds from the sale of general revenue bonds.

*Law School - Expansion and Renovation*
The law school recently underwent significant improvements including expansion and renovation. A new 50,000-square-foot, three-story building was constructed to replace a temporary annex built decades before, and outdated facilities in the library and classroom building were rehabilitated. The new building features a 250-seat auditorium, moot courtroom, multi-media distance learning room, seminar rooms, and offices for faculty and student organizations. The total project cost was $15.6 million. It was financed by a university bond issue and a capital campaign coordinated by the law school.

*Research and Technology Park*
Wayne State University’s research and technology park is one of its largest initiatives to date. The university has begun to develop the park on 75 acres directly north of the main campus. According to WSU President Irvin Reid, it is intended to “contribute to
the diversification of Michigan’s economy by attracting businesses that want to access the university’s intellectual and research resources.”

The project will be completed in three phases. Phase I, currently underway, involves renovation of a 40,000-square-foot building donated to the university by General Motors. The facility will house a business incubator and collaboration center with space for about 80 technology-based start-up businesses, support services, offices, and retail. A nonprofit corporation has been created to develop and own the incubator. Phase II, expected to begin in 2005, will add public facilities, make improvements to the collaboration center, and add 30,000 square feet. Phase III, which calls for further improvements and expansion, is expected to begin in 2009.

A number of funding sources were relied upon to make the Research and Technology Park a reality. Phase I is expected to cost $6.8 million. The Michigan Economic Development Corporation (MEDC) and City of Detroit Local Development Finance Authority (LDFA) played instrumental roles. MEDC issued a $2 million grant from the Core Communities Fund, which was established to finance urban redevelopment. The grant will be received by the LDFA, but the funds will be used to develop the park. In addition, MEDC designated the Woodward Technology Corridor (where the technology park resides) as a SmartZone. This designation made the corridor eligible for tax increment financing (TIF). The city of Detroit approved creation of a TIF district that allows for capturing the increase in local property taxes and up to 50 percent of school operating taxes for up to 15 years. In other words, additional tax revenue generated by the technology park will be used to repay debt incurred to develop the park. The LDFA will issue bonds to cover costs associated with developing the park and receive the additional tax revenue to service the debt. The maximum amount of additional tax revenue it can capture is $12.5 million. Any surplus revenue is returned to the taxing jurisdictions. If the tax revenue generated is not sufficient to make debt payments, Wayne State University is responsible for repaying the remaining debt.

Factors Motivating Real Estate Acquisition and Development
The primary motivation for Wayne State’s aggressive real estate development agenda is the desire to create a 24-hour community in the university district. When President Reid came to the university in 1997, he brought a new vision for the university. His goal is to grow the university to 36,000 students by 2020, and he recognizes that top quality facilities are needed to attract them. He also hopes that more students will choose to live on campus as the university works to create a more lively environment. President Reid wants to transition the university to a more residential campus and has put an emphasis on building student housing and bringing the types of services that students demand to the neighborhood.

DECISION-MAKING PROCESSES

State and Local Policy
Many public universities are subject to considerable oversight from state governing boards (i.e., Board of Regents). In addition, state legislatures may have some decision-making role in the actions of public universities. This is not the case in the state of Michigan. Michigan’s 15 public universities are constitutionally autonomous. Governing responsibility lies with the board of each institution.

The lack of state control frees Wayne State from some of the constraints that face public universities in other states, particularly in regard to property acquisition and development. For example, the university is not restricted in terms of the amount it can offer to purchase real estate (some public universities cannot make an offer that exceeds the appraisal price). The lack of state control also enables the university to act more quickly when opportunities arise, because it can avoid lengthy approval processes. Wayne State’s autonomy allows it to be a competitive player in the real estate market.

The city of Detroit has no direct role in the actions of Wayne State. The university is not required to present its plans to the city and is not subject to design review approval.
There are, however, instances when city officials have been able to influence university decisions. Because city council approval was needed to create the tax increment financing district, the development of the research and technology park provided an important opportunity for the council to force the university to address some of its concerns about Wayne State’s minority hiring practices. The city withheld its approval until it received assurances that minority-owned firms would be well-represented among the contractors, suppliers, and consultants that were hired to develop the park.

**University Policies and Procedures**

Wayne State University is presided over by a Board of Governors. The board is an elected body; the general population selects the eight members in a statewide election. With respect to real estate acquisition and development, the board serves several important functions. It must approve the Capital Outlay Request and Five-Year Capital Outlay Plan before they can be submitted to the state. It also approves all bond sales and approves any purchases that exceed $150,000. Finally, the Board of Governors must approve any use of eminent domain. The university has the right to condemn property, although it rarely exercises the right.

While board approval is needed to move forward with many deals, the day-to-day decisions generally fall in the hands of the senior vice President for finance and administration; assistant vice president for facilities, planning and management; university counsel; and the president. Technically, the assistant vice president of business handles acquisitions and the assistant vice president for facilities, planning and management handles construction, however, the lines have become blurred because the university has been very active in real estate development in recent years and the work loads have increased. However, the president maintains responsibility for making the final decisions before going to the board.

Decisions regarding real estate acquisition and development are guided by the university’s recently adopted campus master plan. The plan was developed over a three-year period. It reflects the desire of university leaders to create a vibrant 24-hour
community, calling for a critical mass of housing and associated amenities, as well as the improvement and expansion of academic facilities. The master plan has a 20-year horizon based on the belief that the university can meet its objectives within that timeframe. The plan includes short-term, intermediate, and long-term goals. University officials feel they are on track to meet their goals as described in the plan.

**FINANCING REAL ESTATE ACQUISITION AND DEVELOPMENT**

Over the last four years, Wayne State’s real estate expenses totaled approximately $315 million.

The university relies upon a number of sources to finance real estate acquisition and development, but the primary sources are state allocations and bonds.

Michigan’s public universities receive state support for capital expenditures based upon their Capital Outlay Request and Five-Year Capital Outlay Plan. After obtaining board approval, they are submitted by the university president to the state of Michigan’s Office of Management and Budget. Universities receive funding for capital improvements based on the 75/25 rule. According to this rule, the state agrees to pay 75 percent of the cost of project approved through the capital outlay process. The university must find ways to cover the remaining 25 percent. This is often done by issuing bonds or soliciting donations.

Wayne State University issues its own tax-exempt bonds; it has its own debt services and bond rating. In many other states, a state board or governing body issues bonds on behalf of public universities. The bond proceeds are generally project specific, and the debt is guaranteed by the university’s total resources for non-revenue generating projects (most academic facilities).
COMMUNITY INVOLVEMENT
This section describes the manner in which community groups have been involved with Wayne State University. It explores the role that community groups play in their neighborhood and the nature of their relationships with the university. This leads to a discussion of the extent to which community groups have been included in the decision-making processes when the university is undertaking major development projects.

Primary Community Groups
The University Cultural Center Association (UCCA) was formed in 1976 to support the physical maintenance and development of the area and to enhance public awareness, appreciation, and use of Midtown Detroit. Its activities include organizing a large annual arts festival, promoting housing opportunities, maintaining public spaces, and partnering with developers for residential and commercial revitalization. Wayne State University is located in the center of UCCA’s service area.

UCCA and Wayne State have a unique and interesting relationship that began with the formation of UCCA in 1976. At that time, the president of the university was community-oriented and believed that organizations in the area should work together to promote neighborhood institutions and special events, enhance the physical landscape, and plan for future development. He is credited with establishing UCCA, since he approached other institutional leaders and secured financial support from the state for a 20-year period. The university remains UCCA’s largest member and top university administrators serve on the board. UCCA is housed in a university-owned building and the university provides their technology infrastructure.

The New Center Council is a nonprofit business association that operates north of Wayne State’s main campus (north of I-94). New Center maintains public spaces, ensures safety patrols, coordinates youth programs, organizes neighborhood events, advocates for public improvements, and partners with developers to build new housing in the area. Their involvement with Wayne State relates to development in the southern
end of the New Center area. The university owns a considerable amount of property in the area and is also home to the university’s new research and technology park.

In addition to the professional development organizations, citizen district councils have been formed in various sections of the city to represent the interests of residents in urban renewal areas. There are several active councils in the neighborhoods near the university and, at times, they speak in opposition to Wayne’s development plans. Parking issues have been a particular point of contention.

**University – Community Relationship**

The history of university-community relations in Detroit is similar to that in many other cities. It might be more accurate to state that in the past, no relationship existed, rather than suggesting it was highly contentious. While neighborhood residents may have been unhappy with university development activities, they had little or no role in the decision-making process. In years past, Wayne State acquired and demolished many historic buildings in the neighborhood rather than consider reuse strategies. This angered many residents, but administrators gave little attention to their concerns. Wayne State also followed the path of many urban universities in trying to isolate itself from declining conditions in surrounding communities. One of the more obvious attempts was the creation of a grassy berm between the student center and the street. This was later removed, but it exemplified the attitude that the university once had toward the larger community.

The relationship between the university and the community has been greatly improved in recent years, although it remains tenuous. The university’s current President, Irvin Reid, has been in office since 1997. He placed renewed focus on Wayne State’s urban mission, and the university is trying to redefine its role in the community. President Reid initiated a large effort to enhance the physical infrastructure of the university and recognizes that relationships with community groups are important given the university’s significant development plans. From the perspective of administrators, communication
now flows more freely between the university and the community and efforts are being made to become more involved in neighborhood affairs.

Residents and community groups have a hopeful, yet cautious attitude toward the current administration. As one person described it, university-community relations have always been a struggle, but it appears that the university and local development organizations now share a similar vision for the surrounding area. All hope to create a 24-hour neighborhood by developing new housing and attracting retail. The university’s new master plan calls for the addition of 5,000 beds over the next few years. They recognize that they need to build the residential base in order to improve the commercial base. The University Cultural Center Association believes this can complement their efforts to revitalize the area. Similarly, the New Center Council has drafted plans for mixed-use redevelopment of the area surrounding the university’s new Technology Park. They have been very supportive of the plans for the Technology Park, because they see it as a bridge between the university community and the New Center neighborhood. Due to the large number of vacant buildings and abandoned lots, the area currently forms a “no man’s land” that separates the two communities.

Plans are encouraging, but there is still some hesitation on the part of community groups toward the university. Some feel that Wayne State is still too eager to use the wrecking ball and fear further destruction of the neighborhood’s historic building stock. Architectural design has also been a serious point of contention. Many people feel the university has not been sensitive to the character of the neighborhood when designing new buildings and has forsaken quality in order to reduce costs. Because of declining conditions in the neighborhoods around Wayne, this type of development occurred with limited opposition and the attitude that “any investment was better than no investment” tended to prevail. Many are waiting to see how things are carried out in the next few years before forming an opinion about the current administration. They see leadership as being critical and believe President Reid is open to collaboration and will bring positive change, but find that his top-level administrators still focus on their internal agenda rather than broader goals.
Impact of Community Participation on the Development Process

In the past, residents and community groups have had little opportunity to participate in Wayne State’s decision-making processes regarding land acquisition and development. Public opinion was not solicited or acknowledged. The current administration practices more open communication, but the extent to which community participation is welcomed is unclear. As might be expected, administrators see the process as being more open than do members of the community. In developing the master plan, university administrators led many community forums to discuss the contents of the plan. They viewed this as an opportunity for stakeholders to comment and provide input. Others acknowledge that the university presented their work to a wide range of stakeholders, including neighborhood groups and city officials, but they question whether the university was truly soliciting input or merely reporting facts. Although forums were held, the master planning process was primarily driven by the university’s internal stakeholders. Some expressed the feeling that the university was going to do what it wanted to do regardless of the feedback given in the forums.

On a positive note, many from the community were satisfied with the plan, despite their doubts about the sincerity of the university’s effort to solicit input. They felt the consultant hired by the university understood the important relationship between the campus and the surrounding neighborhoods and had developed a plan that would serve both communities. As mentioned previously, the master plan calls for more residential units, which community groups support as a means for attracting businesses. Furthermore, the plan calls for increased density within the core of the campus, thereby providing the additional population without calling for substantial land acquisition outside the campus. Perhaps the most important outcome of the master planning process was the simple fact that the university was willing to put its plans on paper. According to one community representative, this had not been done for many years. The attitude of past administrations had been to keep their plans quiet and act quickly when opportunities arose.
The general consensus is that the university has adopted better planning processes, but there is still little involvement of parties outside the university. University administrators admit there is no community involvement in acquisition decisions and that community needs are not always considered, although they cite recent examples where they have made efforts to do so. For example, the university plans to build a new bookstore and has decided to include a children’s section so it can serve neighborhoods residents as well as students.

Wayne State administrators also refer to the Research and Technology Park as an example of collaborative work between the university and the community. The New Center Council lobbied to have the area around the technology park rezoned, and the university supported their efforts. The university and New Center are trying to coordinate their plans for the area and Wayne State has representation on the board of the New Center Council. The New Center sees their relationship with the university as a planning relationship and is waiting to see how things develop during the implementation phase. They are hopeful that Wayne State will work toward the betterment of the community. While administrators refer to their work in this area as an example of university-community collaboration, New Center points out that the relationship was essentially forced by a third party. General Motors (GM) and the Henry Ford Health System own much of the land in the area and have provided leadership throughout the planning process. GM owned the building that houses the technology park. They agreed to give the facility to the university, but required the university to turn over some of its property to be used for parking for a new housing development planned by New Center. GM also required Wayne State to adhere to design principles called for in a GM-funded plan adopted by the neighborhood. This is important as New Center and Wayne State work together to coordinate the use of public space. New Center is hopeful that their relationship with the university will continue in a positive direction. They support the development of the university’s technology park as a means of bringing new life to the derelict portion of their neighborhood. They also see it as fitting in well with the mixed-use neighborhood they are trying to develop.
The work in the New Center area is encouraging, and community leaders hope it ushers in a new era of cooperation. UCCA is also hopeful about the new administration, but remains cautious as well, given the university’s past actions. There has always been some friction between the university and UCCA, because the development organization is staffed with individuals that are staunch preservation advocates and feel strongly that their new development designs fit in with the character of the community. This tension has existed despite the formal relationship between the organization and the university. UCCA recognizes that the university needs to grow, but feels that it is possible to find solutions that work for everyone and that there have been many missed opportunities. Wayne State has rarely involved outsiders in its decision-making processes or considered the needs and wishes of neighborhood residents. Administrators state that they are now trying to take community needs into consideration to create win-win situations. They want to open the campus to the surrounding community to create a more positive environment. Community leaders believe time will tell.

**Effects of University Real Estate Acquisition and Development on Surrounding Community**

Most residents agree that the university provides important amenities to Midtown Detroit and that the recent construction boom has helped attract other forms of investment as well. University administrators expect substantial changes in the neighborhood as a result of their activities and the development activities of other organizations and institutions in the area. Approximately $900 million is currently being invested in the neighborhood, including over 2,500 new housing units. The university’s development activities can complement this work and contribute to the momentum that exists in the neighborhood. Some of the projects being undertaken by the university have been high profile (e.g., the technology park and new housing), and this has boosted the confidence of lenders and others who might consider investing in the area. The plan to increase population density on campus is also seen as a very positive impact of university development activities, but community leaders stress that the improved
investment climate has been the most significant result of university development activities.

One issue the university has been forced to contend with has been that the tremendous amount of new construction has generated a rumor mill among area residents. They are concerned with how the university’s plans will affect their communities and fear being forced from their homes. The university has tried to address these concerns by communicating more often with people in the surrounding neighborhoods. Generally, the university has encountered little opposition to their development activities because the area has been neglected for many years. Much of their work has taken place on vacant lots or on lots with vacant buildings, and new construction has usually been viewed as an improvement by most residents. There has been very little displacement and, when it has occurred, it has involved businesses rather than homes or apartments. Businesses were compensated for relocation costs.

The largest complaint about university development is that buildings lack good design. Many people are concerned by the fact that the university demolishes historic buildings only to construct buildings that lack aesthetic appeal and fails to recognize the character of the neighborhood. Land banking is also a point of contention for some. The university will sometimes acquire land in strategic areas without a specific plan for its use. Until a plan is implemented, the land is sometimes put to marginal use. The university may also demolish buildings in order to assemble larger lots, yet leave the lots unused for a period of time. This is not looked upon favorably by local development organizations, and they hope to see less of this type of development now that a new master plan has been adopted.

Representatives from the university and community are optimistic about the impact that university development activities can have on surrounding neighborhoods. There is a considerable amount of new investment or planned investment for the area, and all parties hope that the university can contribute to the turnaround that is taking place. Community leaders believe the university is positioned to move in a very positive
direction. The university provides a strong market for housing, retail, and entertainment, and their plans to increase on-campus housing will add to their market strength. The university provides a demographic that community development organizations hope to capitalize on, and they feel that as the university pushes that demographic to live in the area, it will provide the most important catalyst for the neighborhood.

**CONCLUSIONS**

As discussed early in this report, there are four key factors that influence the real estate acquisition and development activities of universities: the motivation for development, the characteristics of the physical environment, the degree of policy oversight, and the leadership style of top officials.

The motivation behind the real estate investment activities of Wayne State University are clearly reflected in the types of projects that have been initiated in recent years. Improved academic facilities and more student housing have become the priorities of the current administration. The goal is to substantially increase student enrollment in the coming years and create a lively, 24-hour university neighborhood. The development projects initiated by the university are in support of these goals.

In some ways, Wayne State benefits from its location in a struggling part of the city. The area has suffered from disinvestment, and as a result, many surrounding properties are vacant. This has facilitated property acquisition and redevelopment. Whereas many urban universities find it difficult to assemble land needed for expansion, Wayne State has not found it to be a serious obstacle. Many consider the neighborhood to be in a transitional phase – other public and private sector developers are beginning to invest in the area. This may increase competition for land, but it also complements the work being carried out by the university.

The lack of oversight from a statewide body has provided Wayne State University with important advantages. Their autonomy allows them to be more competitive in the local
real estate market. Unlike public universities in many other states, those in Michigan do not face lengthy approval processes or tight restrictions when acquiring or developing real estate. This has made it much easier for Wayne State to launch its aggressive campaign to transform the physical landscape of the campus and university district.

The case of Wayne State points to the importance of the vision articulated by university leadership. The university’s aggressive approach to real estate development directly reflects its president’s goals for the future of the institution. President Reid has taken significant steps to advance the status of the university as well as improve the relationship between the university and community. Challenges remain, but people are optimistic about the future of the university and its role in the neighborhood. This shift in attitude appears to be a direct result of the message voiced by President Reid.
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APPENDIX A: INTERVIEW LISTS

UNIVERSITY OF ARIZONA

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Interview: November 16, 2001

Tracy Soska
Co-Director, Community Outreach Partnership Center
Director of Continuing Professional Specialties, School of Social Work
University of Pittsburgh
2025 Cathedral of Learning
Pittsburgh, PA 15260
Interview: December 4, 2001

John Wilds
Director, Community and Governmental Relations
University of Pittsburgh
4227 Fifth Avenue
Pittsburgh, PA 15260
Interview: November 30, 2001
PORTLAND STATE UNIVERSITY

Gary Aas
Chief Operating Officer, College Housing Northwest
2121 SW Broadway, Suite 111
Portland, OR 97201
Interview: August 14, 2002

Steve Dotterer
Principal Planner, City of Portland Bureau of Planning
1900 SW Fourth Street, Suite 4100
Portland OR 97201
Interview: August 13, 2002

Abraham Farkas
Director of Development, Portland Development Commission
1900 SW Fourth Avenue, Suite 7000
Portland, OR 97201
Interview: August 13, 2002

Susan Hartnett
Project Manager, City of Portland Bureau of Planning
1900 SW Fourth Street, Suite 4100
Portland OR 97201
Interview: August 13, 2002

Jay Kenton
Vice President for Finance and Administration
Portland State University
207 Extended Studies Building
Portland OR 97207-0751
Interview: August 15, 2002

Daniel Potter
Vice President, College Housing Northwest
2121 SW Broadway, Suite 111
Portland, OR 97201
Interview: August 14, 2002

Erika Silver
Vice Chair, Downtown Community Association
Interview: August 14, 2002

Nohad Toulan
Dean, College of Urban and Public Affairs
Portland State University
POB 751
Portland OR 97207-0751
Interview: August 15, 2002
WAYNE STATE UNIVERSITY

Marsha Bruhn
Director, City Planning Commission
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 202
Detroit, MI 48226
Interview: August 20, 2002

Andrea Zack Burg
Assistant Director, Design & Construction Services
Wayne State University
5454 Cass Avenue
Detroit, MI 48202
Interview: August 20, 2002

Sue Mosey
President, University Cultural Center Association
4735 Cass Avenue
Detroit, MI 48201
Interview: August 19, 2002

Jim Sears
Assistant Vice President, Facilities Planning and Management
Wayne State University
5454 Cass Avenue
Detroit, MI 48202
Interview: August 20, 2002

Michael Solaka,
President, New Center Area Council, Inc.
3011 West Grand Boulevard
Detroit, MI 48202
Interview: August 20, 2002

Carol Wells
Director, Community Affairs
Wayne State University
3006 Faculty Administration Building
Detroit, MI 48202
Interview: August 20, 2002
APPENDIX B: DEMOGRAPHIC CHARACTERISTICS OF UNIVERSITY NEIGHBORHOODS
## Demographic Characteristics:
### University of Arizona Neighborhoods and City of Tucson

<table>
<thead>
<tr>
<th>Demographics</th>
<th>University of Arizona Neighborhood 1990&lt;sup&gt;a&lt;/sup&gt;</th>
<th>City of Tucson 1990</th>
<th>University of Arizona Neighborhood 2000&lt;sup&gt;a&lt;/sup&gt;</th>
<th>City of Tucson 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>35,386</td>
<td>405,390</td>
<td>36,665</td>
<td>486,699</td>
</tr>
<tr>
<td>Families</td>
<td>5,631</td>
<td>97,019</td>
<td>5,219</td>
<td>112,515</td>
</tr>
<tr>
<td>Households</td>
<td>14,011</td>
<td>162,685</td>
<td>14,598</td>
<td>192,891</td>
</tr>
<tr>
<td>White</td>
<td>29,090 (82%)</td>
<td>305,055 (75%)</td>
<td>28,373 (77%)</td>
<td>341,424 (70%)</td>
</tr>
<tr>
<td>Black</td>
<td>1,540 (4%)</td>
<td>17,366 (4%)</td>
<td>1,340 (4%)</td>
<td>21,057 (4%)</td>
</tr>
<tr>
<td>American Indian, Eskimo, or Aleut</td>
<td>417 (1%)</td>
<td>6,464 (2%)</td>
<td>605 (2%)</td>
<td>11,038 (2%)</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>1,754 (5%)</td>
<td>8,901 (2%)</td>
<td>2,299 (6%)</td>
<td>12,755 (3%)</td>
</tr>
<tr>
<td>Other race</td>
<td>2,585 (7%)</td>
<td>67,604 (17%)</td>
<td>2,871 (8%)</td>
<td>81,988 (17%)</td>
</tr>
<tr>
<td>15-24 yrs</td>
<td>12,899</td>
<td>73,447</td>
<td>14,214</td>
<td>85,598</td>
</tr>
<tr>
<td>% of Total Population</td>
<td>36%</td>
<td>18%</td>
<td>39%</td>
<td>18%</td>
</tr>
<tr>
<td>Persons per household</td>
<td>2.6</td>
<td>2.4</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>15,153</td>
<td>183,338</td>
<td>15,483</td>
<td>209,609</td>
</tr>
<tr>
<td>Occupied</td>
<td>14,011 (92%)</td>
<td>162,685 (89%)</td>
<td>14,737 (95%)</td>
<td>192,891 (92%)</td>
</tr>
<tr>
<td>Vacant</td>
<td>1,142 (8%)</td>
<td>20,653 (11%)</td>
<td>885 (6%)</td>
<td>16,718 (8%)</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>5,903 (42%)</td>
<td>83,687 (46%)</td>
<td>6,622 (45%)</td>
<td>103,056 (53%)</td>
</tr>
<tr>
<td>Renter occupied</td>
<td>8,108 (58%)</td>
<td>78,998 (43%)</td>
<td>8,115 (55%)</td>
<td>89,835 (47%)</td>
</tr>
<tr>
<td>Median household income</td>
<td>$24,203</td>
<td>$29,142</td>
<td>$26,655</td>
<td>$30,981</td>
</tr>
<tr>
<td>Median family income</td>
<td>$38,834</td>
<td>$36,459</td>
<td>$40,723</td>
<td>$37,344</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$14,924</td>
<td>$14,987</td>
<td>$13,307</td>
<td>$16,322</td>
</tr>
</tbody>
</table>

<sup>a</sup> Includes census tracts 4, 5, 6, 7, 14, 15, and 16.

1989 dollars were inflated to 1999 dollars.

DEMOGRAPHIC PROFILE OF UNIVERSITY OF ARIZONA NEIGHBORHOODS
### Demographic Characteristics: Marquette University Neighborhoods and City of Milwaukee

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Marquette University Neighborhood 1990</th>
<th>City of Milwaukee 1990</th>
<th>Marquette University Neighborhood 2000</th>
<th>City of Milwaukee 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>24,398</td>
<td>628,088</td>
<td>20,071</td>
<td>596,974</td>
</tr>
<tr>
<td>Families</td>
<td>3,220</td>
<td>149,539</td>
<td>2,578</td>
<td>135,189</td>
</tr>
<tr>
<td>Households</td>
<td>9,514</td>
<td>240,540</td>
<td>8,434</td>
<td>232,188</td>
</tr>
<tr>
<td>White</td>
<td>11,353 (47%)</td>
<td>398,033 (63%)</td>
<td>8,182 (41%)</td>
<td>298,379 (50%)</td>
</tr>
<tr>
<td>Black</td>
<td>9,794 (40%)</td>
<td>191,255 (30%)</td>
<td>9,132 (45%)</td>
<td>222,933 (37%)</td>
</tr>
<tr>
<td>American Indian, Eskimo, or Aleut</td>
<td>255 (1%)</td>
<td>5,858 (1%)</td>
<td>164 (1%)</td>
<td>5,212 (1%)</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>2,228 (9%)</td>
<td>11,817 (2%)</td>
<td>1,367 (7%)</td>
<td>17,872 (3%)</td>
</tr>
<tr>
<td>Other race</td>
<td>768 (3%)</td>
<td>21,125 (3%)</td>
<td>683 (3%)</td>
<td>36,428 (6%)</td>
</tr>
<tr>
<td>15-24 yrs</td>
<td>7,701</td>
<td>100,669</td>
<td>7,549</td>
<td>99,045</td>
</tr>
<tr>
<td>% of Total Population</td>
<td>32%</td>
<td>16%</td>
<td>38%</td>
<td>17%</td>
</tr>
<tr>
<td>Persons per household</td>
<td>2.2</td>
<td>2.5</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>10,996</td>
<td>254,204</td>
<td>9,811</td>
<td>249,225</td>
</tr>
<tr>
<td>Occupied</td>
<td>9,514 (87%)</td>
<td>240,540 (95%)</td>
<td>8,434 (86%)</td>
<td>232,188 (93%)</td>
</tr>
<tr>
<td>Vacant</td>
<td>1,482 (13%)</td>
<td>13,664 (5%)</td>
<td>1,377 (14%)</td>
<td>17,037 (7%)</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>604 (6%)</td>
<td>107,682 (45%)</td>
<td>625 (7%)</td>
<td>105,235 (45%)</td>
</tr>
<tr>
<td>Renter occupied</td>
<td>8,910 (94%)</td>
<td>132,858 (55%)</td>
<td>7,809 (93%)</td>
<td>126,953 (55%)</td>
</tr>
<tr>
<td>Median household income</td>
<td>$13,056</td>
<td>$31,660</td>
<td>$15,111</td>
<td>$32,216</td>
</tr>
<tr>
<td>Median family income</td>
<td>$13,837</td>
<td>$37,911</td>
<td>$19,510</td>
<td>$37,879</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$8,835</td>
<td>$14,882</td>
<td>$10,619</td>
<td>$16,181</td>
</tr>
</tbody>
</table>

* Includes census tracts 134, 135, 136, 137, 146, 147, 148, 149, and 150.

1989 dollars were inflated to 1999 dollars.

DEMOGRAPHIC PROFILE OF MARQUETTE UNIVERSITY NEIGHBORHOODS
## Demographic Characteristics:
**University of Pittsburgh Neighborhoods and City of Pittsburgh**

<table>
<thead>
<tr>
<th>Demographics</th>
<th>University of Pittsburgh Neighborhood 1990</th>
<th>City of Pittsburgh 1990</th>
<th>University of Pittsburgh Neighborhood 2000</th>
<th>City of Pittsburgh 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>20,073</td>
<td>369,879</td>
<td>20,417</td>
<td>334,563</td>
</tr>
<tr>
<td>Families</td>
<td>2,226</td>
<td>87,455</td>
<td>1,984</td>
<td>74,104</td>
</tr>
<tr>
<td>Households</td>
<td>7,562</td>
<td>153,483</td>
<td>8,754</td>
<td>143,739</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>266,791</td>
<td></td>
<td>226,258</td>
</tr>
<tr>
<td>White</td>
<td>18,624 (75%)</td>
<td>266,791</td>
<td>16,869 (71%)</td>
<td>226,258</td>
</tr>
<tr>
<td>Black</td>
<td>3,401 (17%)</td>
<td>95,362</td>
<td>3,330 (16%)</td>
<td>90,750</td>
</tr>
<tr>
<td>American Indian, Eskimo, or Aleut</td>
<td>46 (&lt;1%)</td>
<td>671 (&lt;1%)</td>
<td>76 (&lt;1%)</td>
<td>628 (&lt;1%)</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>1,557 (8%)</td>
<td>5,937</td>
<td>1,858 (9%)</td>
<td>9,306</td>
</tr>
<tr>
<td>Other race</td>
<td>110 (1%)</td>
<td>1,118</td>
<td>106 (1%)</td>
<td>2,218</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-24 yrs</td>
<td>10,749</td>
<td>62,846</td>
<td>11,803</td>
<td>60,451</td>
</tr>
<tr>
<td>% Total of Population</td>
<td>54%</td>
<td>17%</td>
<td>58%</td>
<td>18%</td>
</tr>
<tr>
<td>Persons per household</td>
<td>2.4</td>
<td>2.4</td>
<td>2.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>8,361</td>
<td>170,159</td>
<td>8,754</td>
<td>163,366</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>153,483</td>
<td></td>
<td>143,739</td>
</tr>
<tr>
<td>Occupied</td>
<td>7,562 (90%)</td>
<td>7,888 (90%)</td>
<td></td>
<td>(88%)</td>
</tr>
<tr>
<td>Vacant</td>
<td>799 (10%)</td>
<td>16,676 (10%)</td>
<td>866 (10%)</td>
<td>19,627 (12%)</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>1,901 (25%)</td>
<td>80,199 (52%)</td>
<td>2,036 (26%)</td>
<td>74,927 (52%)</td>
</tr>
<tr>
<td>Renter occupied</td>
<td>5,661 (75%)</td>
<td>5,852 (74%)</td>
<td>5,852 (74%)</td>
<td>68,812 (48%)</td>
</tr>
<tr>
<td>Median household income</td>
<td>$26,895</td>
<td>$27,801</td>
<td>$28,868</td>
<td>$28,588</td>
</tr>
<tr>
<td>Median family income</td>
<td>$36,752</td>
<td>$36,829</td>
<td>$54,822</td>
<td>$38,795</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$15,627</td>
<td>$16,857</td>
<td>$14,273</td>
<td>$18,816</td>
</tr>
</tbody>
</table>

*a* Includes 1990 census tracts 402, 403, 404, 405, 406, 409, 411, 507, 701.97, 810.97, and 1401.97.

*b* Includes 2000 census tracts 402, 403, 404, 405, 406, 409, and 507.

1989 dollars were inflated to 1999 dollars.

DEMOGRAPHIC PROFILE OF UNIVERSITY OF PITTSBURGH NEIGHBORHOODS

- **North Oakland**
  - Population: 9,357
  - % 15-24: 64.6%
  - % Renter: 24.3%
  - Median Income: $22,262

- **Central Oakland**
  - Population: 5,281
  - % 15-24: 65.8%
  - % Renter: 19.7%
  - Median Income: $17,490

- **South Oakland**
  - Population: 2,917
  - % 15-24: 37.6%
  - % Renter: 46.4%
  - Median Income: $28,055

- **West Oakland**
  - Population: 2,272
  - % 15-24: 48.8%
  - % Renter: 43.3%
  - Median Income: $26,345

2 miles
1 mile

University of Pittsburgh

0.2  0.4  0.2  Miles
### Demographic Characteristics:
**Portland State University Neighborhoods and City of Portland**

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Portland State University Neighborhood 1990&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Portland State University Neighborhood 2000&lt;sup&gt;a&lt;/sup&gt;</th>
<th>City of Portland 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>3,433</td>
<td>3,753</td>
<td>529,121</td>
</tr>
<tr>
<td>White</td>
<td>2,760 (80%)</td>
<td>2,741 (73%)</td>
<td>412,241 (78%)</td>
</tr>
<tr>
<td>Black</td>
<td>71 (2%)</td>
<td>100 (3%)</td>
<td>35,115 (7%)</td>
</tr>
<tr>
<td>American Indian, Eskimo, or Aleut</td>
<td>24 (1%)</td>
<td>30 (1%)</td>
<td>5,587 (1%)</td>
</tr>
<tr>
<td>Asian</td>
<td>535 (16%)</td>
<td>636 (17%)</td>
<td>33,470 (6%)</td>
</tr>
<tr>
<td>Other</td>
<td>43 (1%)</td>
<td>65 (2%)</td>
<td>20,753 (4%)</td>
</tr>
<tr>
<td>Age 15-24</td>
<td>1,110</td>
<td>1,399</td>
<td>72,500</td>
</tr>
<tr>
<td>% of Total Population 15-24</td>
<td>32%</td>
<td>37%</td>
<td>14%</td>
</tr>
<tr>
<td>Average household size</td>
<td>381</td>
<td>369</td>
<td>118,447</td>
</tr>
<tr>
<td>House units</td>
<td>2,683</td>
<td>2,583</td>
<td>237,307</td>
</tr>
<tr>
<td>Occupied</td>
<td>2,479 (92%)</td>
<td>2,426 (94%)</td>
<td>223,737 (94%)</td>
</tr>
<tr>
<td>Vacant</td>
<td>204 (8%)</td>
<td>157 (6%)</td>
<td>13,570 (6%)</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>98 (4%)</td>
<td>122 (5%)</td>
<td>124,767 (56%)</td>
</tr>
<tr>
<td>Renter occupied</td>
<td>2,381 (96%)</td>
<td>2,304 (95%)</td>
<td>98,970 (44%)</td>
</tr>
<tr>
<td>Median household income</td>
<td>$13,434</td>
<td>$17,574</td>
<td>$40,146</td>
</tr>
<tr>
<td>Median family income</td>
<td>$37,520</td>
<td>$37,760</td>
<td>$50,271</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$17,354</td>
<td>$19,327</td>
<td>$22,643</td>
</tr>
</tbody>
</table>

<sup>a</sup> Includes census tract 56.

1989 dollars were inflated to 1999 dollars.

DEMOGRAPHIC PROFILE OF PORTLAND STATE UNIVERSITY NEIGHBORHOODS
## Demographic Characteristics: Wayne State University Neighborhoods and City of Detroit

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Wayne State University Neighborhood 1990&lt;sup&gt;a&lt;/sup&gt;</th>
<th>City of Detroit 1990</th>
<th>Wayne State University Neighborhood 2000&lt;sup&gt;a&lt;/sup&gt;</th>
<th>City of Detroit 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>16,692</td>
<td>1,027,974</td>
<td>16,877</td>
<td>951,270</td>
</tr>
<tr>
<td>Families</td>
<td>2,065</td>
<td>244,327</td>
<td>2,488</td>
<td>218,483</td>
</tr>
<tr>
<td>Households</td>
<td>9,578</td>
<td>374,057</td>
<td>8,427</td>
<td>336,428</td>
</tr>
<tr>
<td>White</td>
<td>4,401 (26%)</td>
<td>222,316 (22%)</td>
<td>3,236 (19%)</td>
<td>116,599 (12%)</td>
</tr>
<tr>
<td>Black</td>
<td>10,747 (64%)</td>
<td>777,916 (76%)</td>
<td>11,784 (70%)</td>
<td>775,772 (82%)</td>
</tr>
<tr>
<td>American Indian, Eskimo, or Aleut</td>
<td>103 (1%)</td>
<td>3,655 (&lt;1%)</td>
<td>77 (&lt;1%)</td>
<td>3,140 (&lt;1%)</td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>1,346 (8%)</td>
<td>8,461 (1%)</td>
<td>1,295 (8%)</td>
<td>9,519 (1%)</td>
</tr>
<tr>
<td>Other race</td>
<td>95 (1%)</td>
<td>15,626 (2%)</td>
<td>126 (1%)</td>
<td>24,199 (3%)</td>
</tr>
<tr>
<td>15-24 yrs</td>
<td>2,785</td>
<td>166,278</td>
<td>2,785</td>
<td>134,361</td>
</tr>
<tr>
<td>% of Total Population</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Persons per household</td>
<td>1.7</td>
<td>2.7</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>12,423</td>
<td>410,027</td>
<td>10,124</td>
<td>375,096</td>
</tr>
<tr>
<td>Occupied</td>
<td>9,578 (77%)</td>
<td>374,057 (91%)</td>
<td>8,427 (83%)</td>
<td>336,428 (90%)</td>
</tr>
<tr>
<td>Vacant</td>
<td>2,845 (23%)</td>
<td>35,970 (9%)</td>
<td>1,697 (17%)</td>
<td>38,668 (10%)</td>
</tr>
<tr>
<td>Owner occupied</td>
<td>236 (2%)</td>
<td>197,929 (53%)</td>
<td>251 (3%)</td>
<td>184,647 (55%)</td>
</tr>
<tr>
<td>Renter occupied</td>
<td>9,342 (98%)</td>
<td>176,128 (47%)</td>
<td>8,176 (97%)</td>
<td>151,781 (45%)</td>
</tr>
<tr>
<td>Median household income</td>
<td>$11,456</td>
<td>$25,114</td>
<td>$14,571</td>
<td>$29,526</td>
</tr>
<tr>
<td>Median family income</td>
<td>$17,944</td>
<td>$30,238</td>
<td>$20,787</td>
<td>$33,853</td>
</tr>
<tr>
<td>Per capita income</td>
<td>$10,647</td>
<td>$12,654</td>
<td>$12,255</td>
<td>$14,717</td>
</tr>
</tbody>
</table>

<sup>a</sup> 1989 dollars were inflated to 1999 dollars.  
DEMIGRAPHIC PROFILE OF WAYNE STATE UNIVERSITY NEIGHBORHOODS