

RCLCO



10 PROVEN STRATEGIES FOR CREATING VIBRANT COLLEGE TOWN RETAIL

International Town & Gown Association
Eugene, Oregon | May 31, 2017

Adam Ducker | Managing Director

Strategy

- ▶ Corporate
- ▶ Portfolio
- ▶ Asset
- ▶ Green

Feasibility

- ▶ Market Demand Analysis
- ▶ Financial Optimization
- ▶ Fiscal & Economic Impact
- ▶ Consumer Research
- ▶ Product Segmentation, Positioning & Pricing
- ▶ Amenity Programming

Transaction

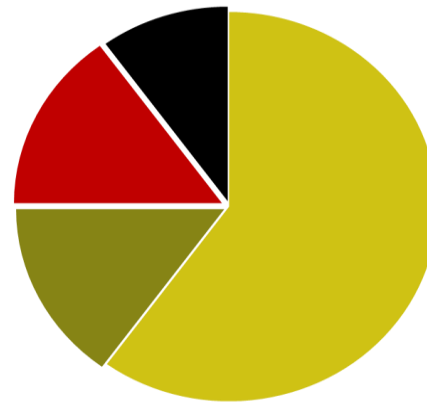
- ▶ Valuation Services
- ▶ Public/Private Partnerships
- ▶ Structured Finance (Public & Private)
- ▶ Mergers and Acquisitions
- ▶ Capital Formation Strategy
- ▶ Work-out & Restructuring

Implementation

- ▶ Entitlement Support
- ▶ Project Team Formation
- ▶ Development Concept & Design
- ▶ Stakeholder Engagement
- ▶ Management consulting



2010



- Developers
- Financial
- Public Sector
- Institutions

- Universities
- Corporation
- Medical
- Families

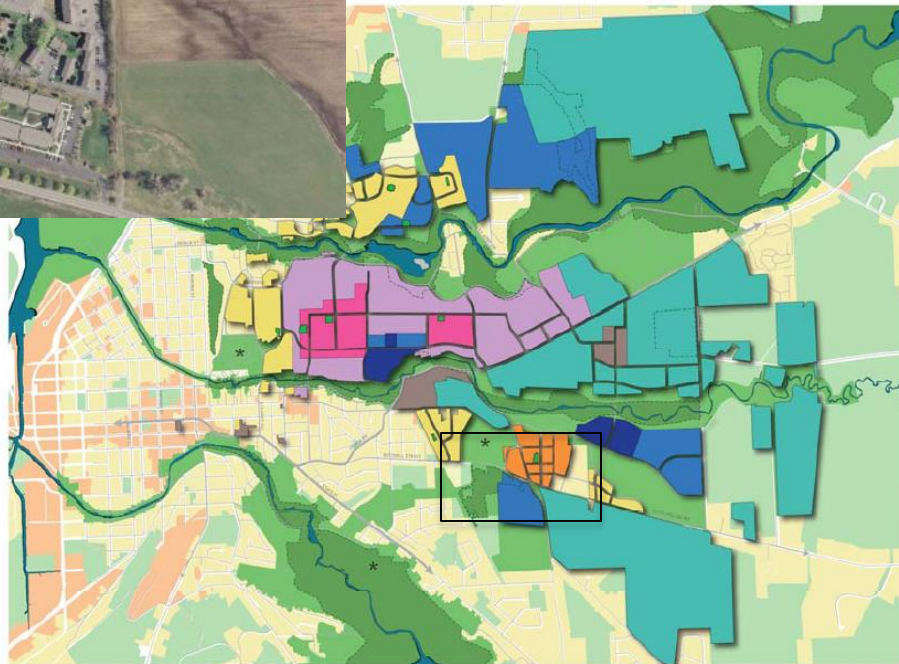


UNDERSTANDING COLLEGE TOWN RETAIL
THROUGH A PUBLIC/PRIVATE LENS

INSTITUTIONS INCREASINGLY SEE CAMPUS TOWN RETAIL AS “MISSION CRITICAL”



Hamilton Initiative (Colgate); Hamilton, NY



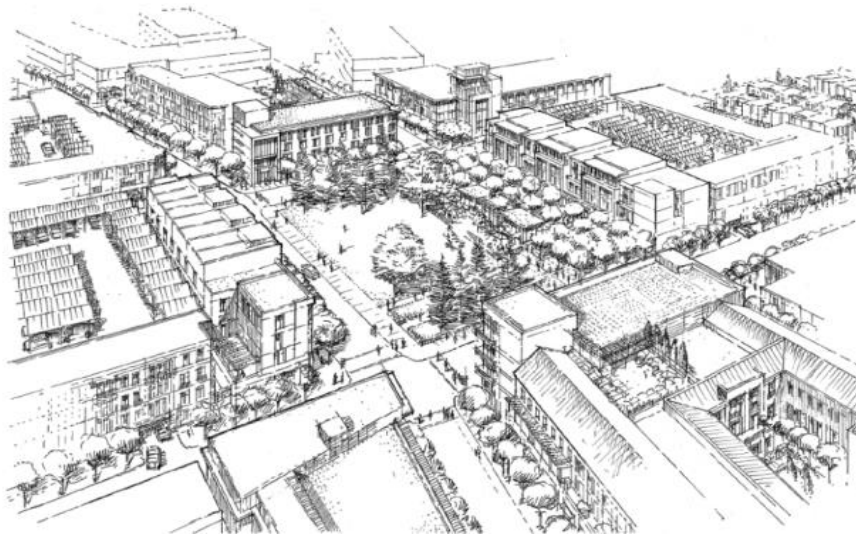
- unique natural areas
- natural areas
- academic/administration
- administration
- land based academic
- housing
- core mixed-use
- village mixed-use
- varsity fields/facilities
- intramural fields/facilities
- major social hubs
- * properties not owned by Cornell

Redevelopment Objectives

- Vibrant neighborhood for young faculty and graduate students
- University office space
- Hotel and conference facilities
- Positive financial result
- Compelling design statement

The three mixed-use areas provide the greatest opportunity to integrate uses in ways that enhance the campus experience for all.
Easthill Plaza, Cornell University

UNDERSTAND LEGACY/PROFIT BALANCE STRATEGIC PLANNING PROCESS – DESIRED OUTCOMES



High Legacy/Low Profits

★ *Easthill Plaza*

High Legacy/High Profits

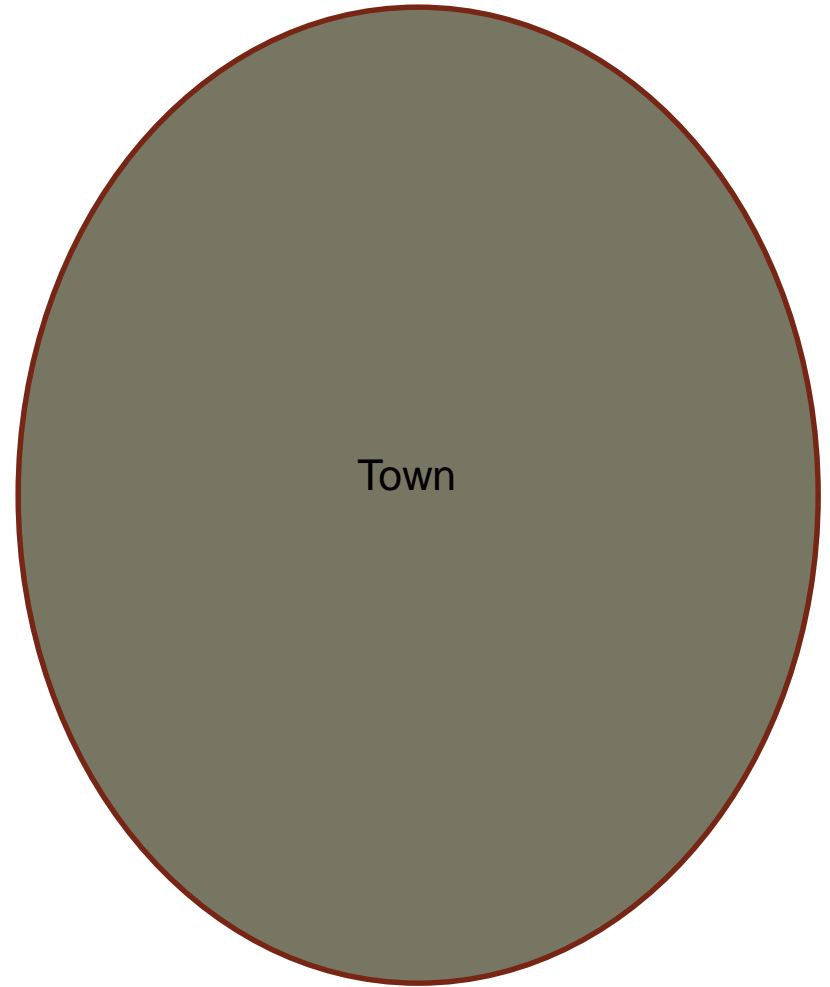
Low Legacy/Low Profits

Low Legacy/High Profits

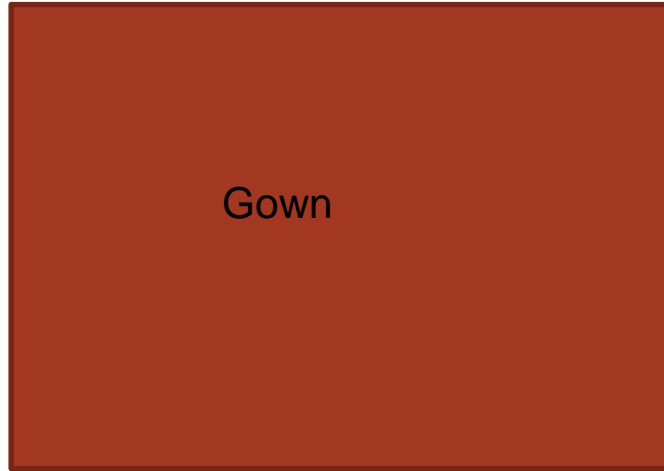
CLASSICAL AND MOST DESIRABLE TOWN/GOWN COMMERCIAL SPATIAL ORGANIZATION



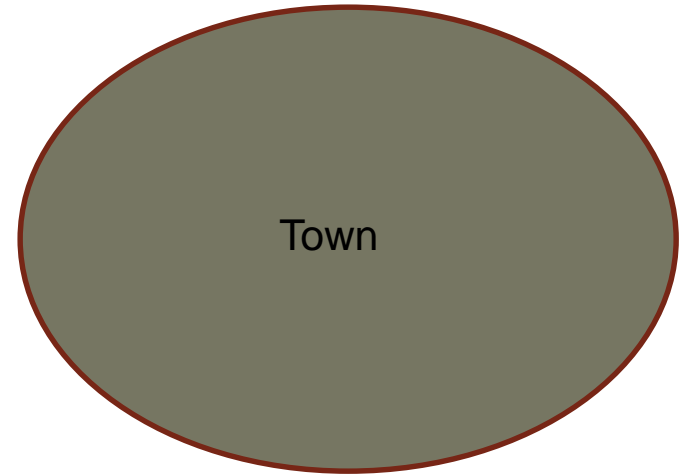
Commercial Zone



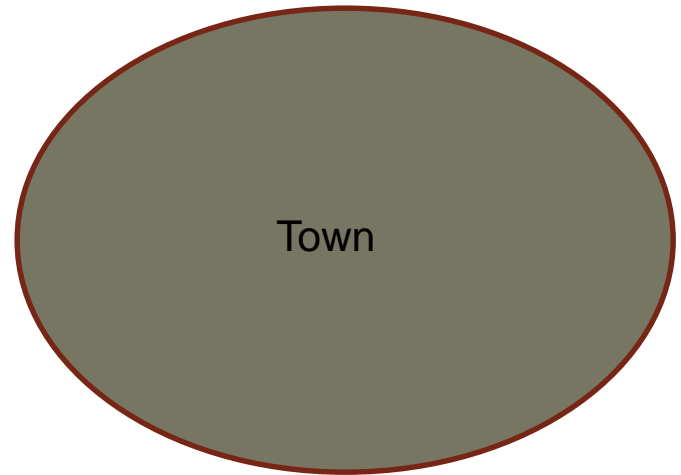
MORE TYPICAL “IMPERFECT” RELATIONSHIPS



Imperfect/ Non-Commercial Connection










Existing Retail



KEY CRITERIA FOR CREATIVE VIBRANT RETAIL CRITICAL STEPS TO “SEEDING” REDEVELOPMENT

Criteria:

Not at All Assessment Best in Class

- Clean & Green 
- Arts – functional infrastructure 
- University – porous and inviting 
- Historic Character – preserving and enhancing 
- Housing –diverse, eclectic, well operated and right priced 
- Entertainment & Retail - compelling options appealing to various audiences 
- Office Space – function, interesting, and affordable options 

The public partner creates the conditions for economic development

The private sector creates critical mass, an Action Plan “sets the table” for them to do so

***Reasons for Lack of Development
Community Engagement:******Limitation for the
Institution Today?***

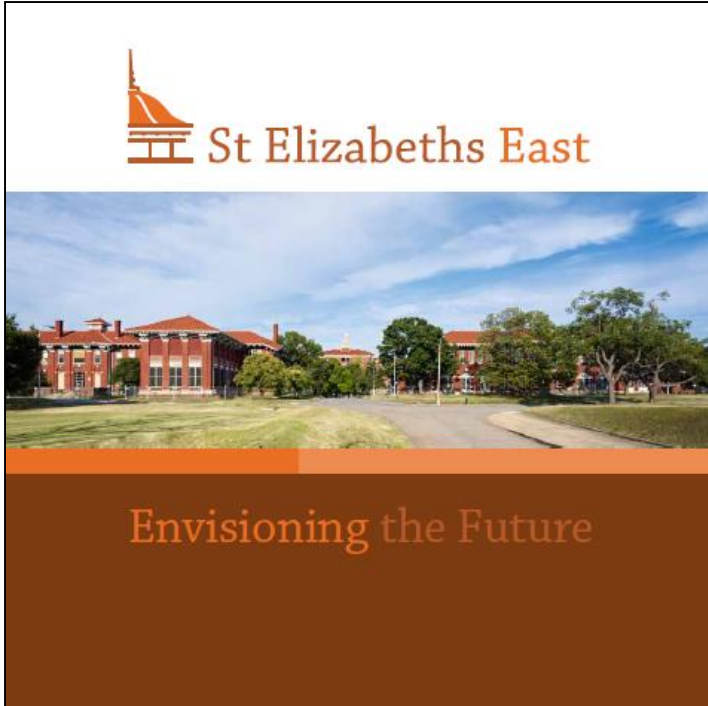
- | | |
|--|-----------|
| – Area not on developer’s radar for sophisticated developers | Yes |
| – Lack of compelling market story (no demonstrated market success) | Yes |
| – Ineffective local government | No |
| – Availability of land/redevelopment sites | No |
| – Financial feasibility gap (real or perceived) | Yes |
| – Regulatory hurdles | Improving |



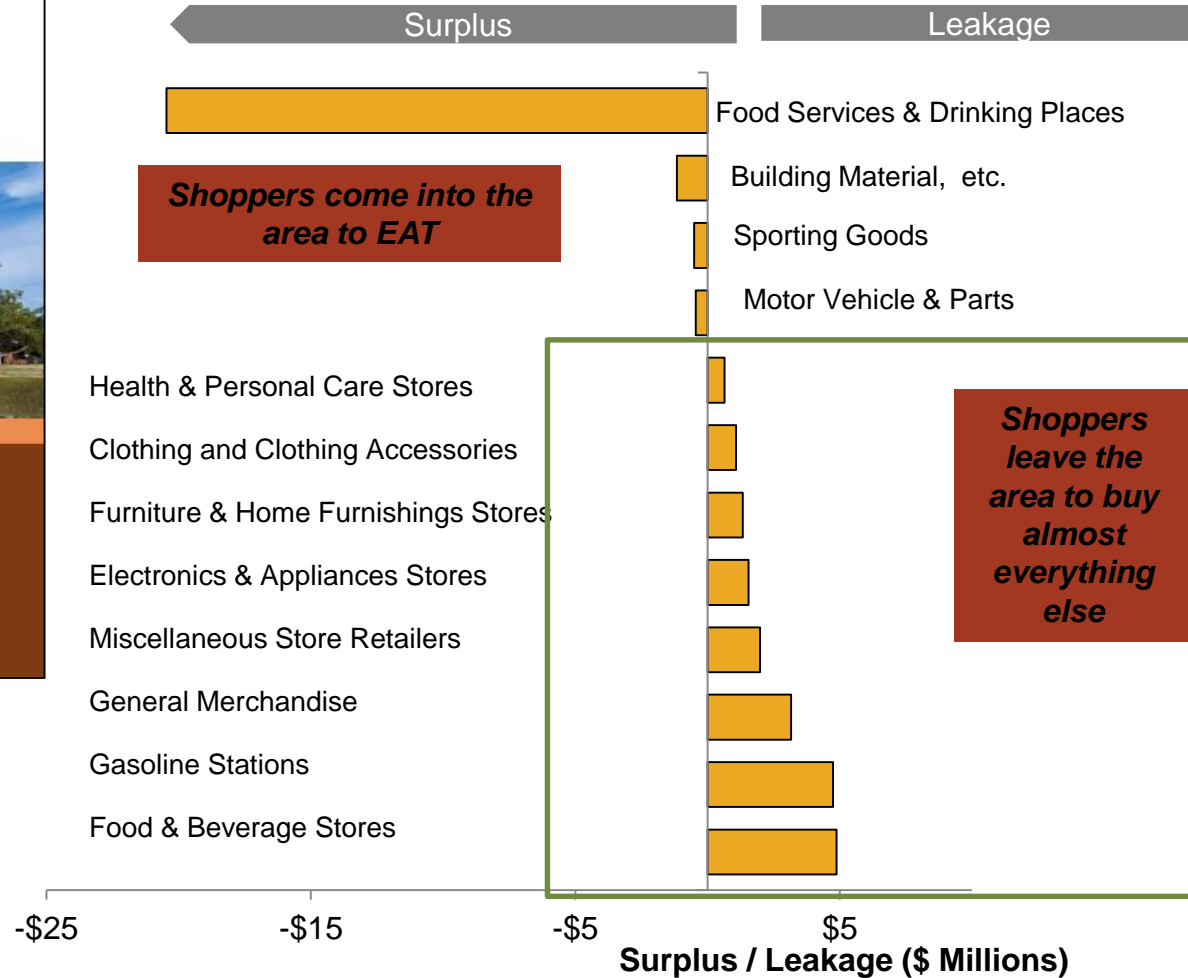
10 Strategies for Enhancing the Quality of Retail in Your College/University Town

- 1. MAKE THE CASE**
- 2. ADDRESS LIFE SAFETY ISSUES/EMBRACE THE BIKE**
- 3. ORGANIZE THE RETAILERS AND TRAIN THE RETAILERS**
- 4. FIND THE ENTREPRENEUR (OR BE HER/HIM YOURSELF)**
- 5. PROGRAM, PROGRAM, PROGRAM**
- 6. “PACKAGE” MIXED-USE DEVELOPMENT OPPORTUNITIES**
- 7. BRING THE UNIVERSITY “DOWNTOWN”**
- 8. CONTROL THE RETAIL AND COURT THE BROKERAGE COMMUNITY**
- 9. BUY SOME VICTORIES**
- 10. PLACEMAKING MATTERS**

1. MAKE THE CASE DEVELOP A "PITCH BOOK"



RETAIL LEAKAGE/SURPLUS FOR 10-MINUTE WALK AREA



St. Elizabeth's Campus Development; Washington, D.C.

1. MAKE THE CASE

ANSWER KEY QUESTIONS FOR THE RETAIL COMMUNITY

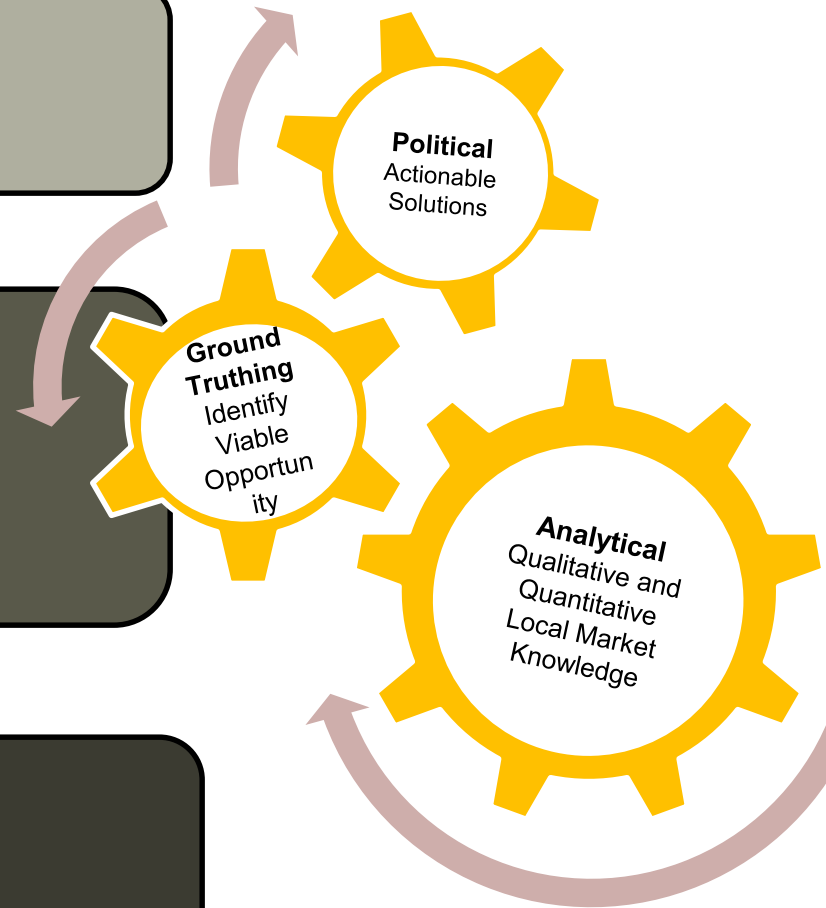
“Diagnostics”
 Who is the Retail Customer?
 How Much Retail can the Market Support?
 What Kind of Retail?



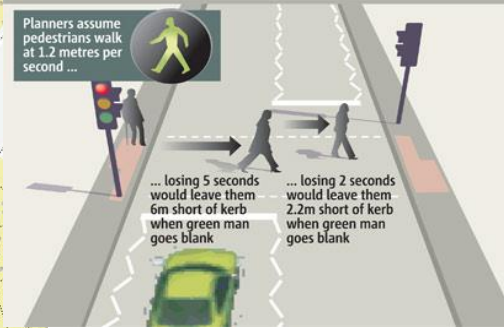
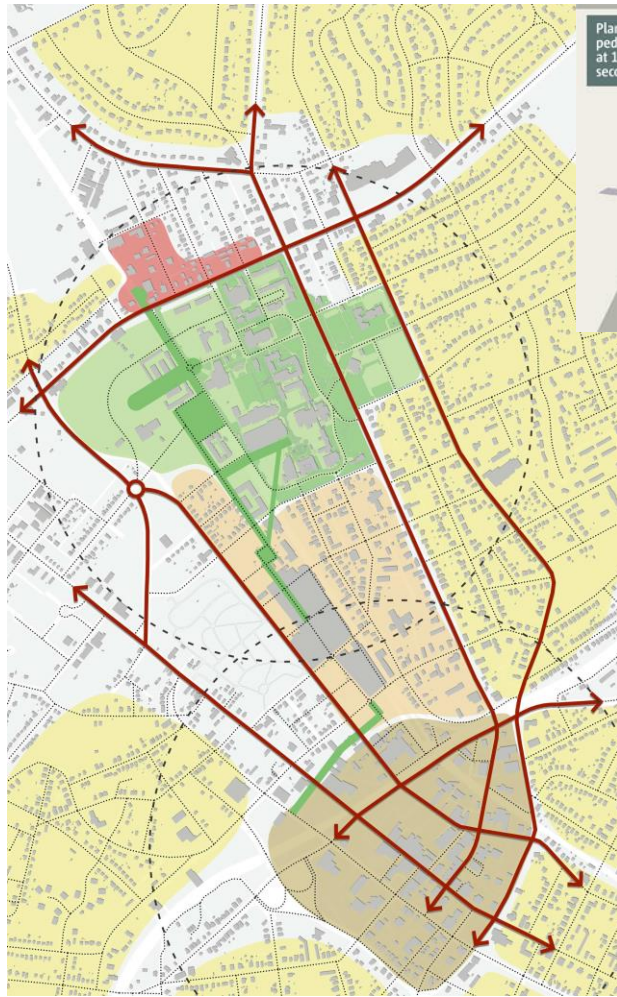
“Development Solutions”
 Where Should the Retail Go?
 Target Tenants?
 Clustering?
 Parking?
 Leveraging Anchor Stores



“Implementation”
 Shopping Experience/Branding Plan
 Implementation Framework
 Near-Term Marketing and Action Plan



2. ADDRESS LIFESAFETY ISSUES... AND EMBRACE THE BIKE

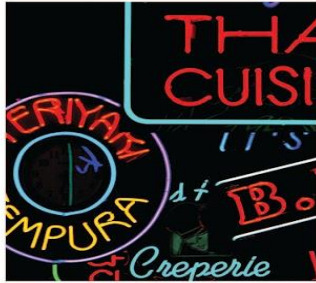


Winthrop University; Rock Hill, S.C.

3. ORGANIZE THE RETAILERS CREATE A BUSINESS IMPROVEMENT DISTRICT

The things you need
Right here

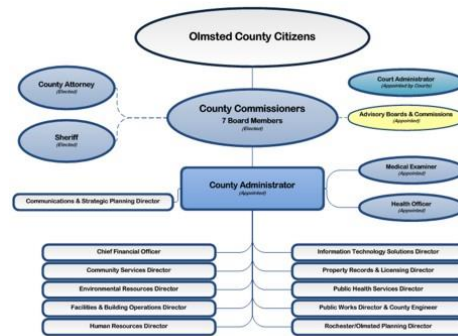
The things you want
Right now



Central AVENUE



Albany, N. Y.



Help for Neighborhoods
Business Improvement Districts

3. AND INVEST IN TRAINING THE RETAILERS (EVEN THOUGHT THEY SHOULD DO THIS FOR THEMSELVES)



4. FIND THE ENTREPRENEUR OR BE HER/HIM IF YOU HAVE TO

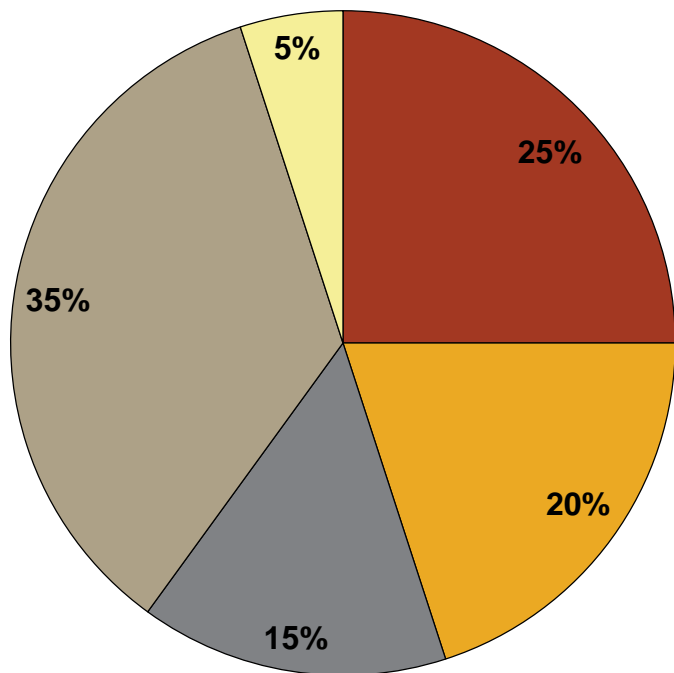


<i>Deal Structure</i>	“Starter Fluid”	“BID Executive Director”	JV Partnership	University As Developer
<i>Description</i>	C/U sets the “plan” and defers to marketplace	C/U coordinates branding, marketing, recruitment	C/U “controls” land/assets, JV w/developers	C/U buys and develops buildings
<i>Legacy Potential/ Control of Outcome</i>	Limited	Modest	High	Highest
<i>Level of Risk/ Financial Benefit</i>	Limited	Modest	High	Highest
<i>Mechanism</i>	Facilities/Real Estate Dept	TBD	Quasi Autonomous LLC	University Foundation
<i>University Precedent</i>	Winthrop Univ.	Washington Univ.	Cornell University	Colgate – Hamilton Initiative

5. PROGRAM, PROGRAM, PROGRAM

TURNING COLLEGE TOWNS IN RETAIL DESTINATIONS

Mix of Retail Expenditures by Market Audience



- Local Area Households
- Students
- Local Employees
- Visitors
- Other



6. "PACKAGE" MIXED-USE DEVEL. OPPORTUNITIES NO MORE FACELESS STUDENT HOUSING PROJECTS



Not This; U.S.A



University Village; USC

6. “PACKAGE” MIXED-USE DEVEL. OPPORTUNITIES STRATEGIES FOR RISK SHARING IN THE RETAIL ELEMENT

- **UNIVERSITY-OWNED:** Developer shoulders primary risk and commits to buy a “retail condominium” from the developer at project delivery, the university leases the space directly to tenants with the assistance of retail broker
Pros – total university control; Cons – requires significant capital outlay
- **MASTER-LEASE BY UNIVERSITY:** University commits up front to lease the entire space from developer for set length of time and re-leases individual spaces to tenants with the assistance of an outside broker
Pros – significant university control without major cost; Cons – university bears the market/leasing risk
- **GUARANTEED REVENUE:** Developer leases space to tenants but University guarantees a minimum amount of revenue and covers the difference if the developer is unable to lease the entire space.
Pros – unlikely to result in major cost to university; Cons – loss of control on tenaning, potential developer resistance, university still bears market risk
- **OUTSIDE INVESTOR:** Instead of the University bearing the risk of leasing space or guaranteeing revenue, an outside investor takes the risk.
Pros – unlikely to result in major cost to university, little market risk to the university; Cons – complicated. Unclear as to control on tenaning, potential developer resistance (yet a third party to deal with)

7. BRING THE UNIVERSITY DOWNTOWN BUT MORE CREATIVELY THAN JUST THE BOOKSTORE



Eddy Street Commons; South Bend, Indiana



Center for Contemporary at VCU; Richmond, Virginia

8. CONTROL THE RETAIL EVEN IF YOU DON'T OWN THE REAL ESTATE

Conventional Broker Driven Approach

Marketing disconnected from ownership

Fixed rent leases

High retailer startup cost/strong risk of failure

Tenant mix contracts to “fuel” providers

Doesn't reverse pattern of “compounding under investment”

Proactive Approach to “Seeding” the Retail

Improved aesthetics/safety

University takes greater control (owns/master leases) of the real estate

Performance based rents allow shared risk

Hand selected tenants help transform neighborhood

Existing and new retailers organized as BID

9. BUY SOME VICTORIES

PICK TARGET TENANTS AND “PROVE THE MARKET”

RETAILER	EST. SIZE	EXAMPLE
Pharmacy	10,000	Walgreens, Rite Aid, CVS
Convenience	5,000	Mini grocery, beer & wine store
Upscale Sandwich/Bakery/Prepared	4,500	Panera Bread
Fast Casual (3-4 restaurants)	7,500	Cici's Pizza Buffet, Five Guys, Starbucks, Local
Apparel/Shoes, etc. (2-3 stores)	5,000	Payless, the Gap, logo shop, local
Quality Pub/Brewery	4,000	Gordon Biersch
Hair/Nail Salon (1-2 stores)	3,000	Hair Cuttery, Great Clips or Local Salon
Computer Store/Hobby Shop (1-2)	1,500	Radio Shack, Gamestop, Cellphone Store
Dry Cleaner	1,000	Local (could be drop-off only)
Bank/ATM	2,500	Bank of America; First Niagara; Adirondack Bank; Citizens Bank
TOTAL OF 'LOGICAL' TENANTS	44,000	

Syracuse University; Syracuse, N.Y.

10. PLACEMAKING MATTERS

INVEST IN THE INFRASTRUCTURE OF “GREAT STREETS”



State Street; Madison, Wisconsin

University Avenue; Palo Alto, CA

