Building on Innovation

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Context of the Current Environment

- Need to increase global competitiveness & job creation
- Government is increasingly paying attention (gainful employment, etc.)
- College/University-level education still in high demand
- Need to educate a broader base (non-traditional students)
- Campus deferred maintenance

- More intense participation by governing boards
- Presidents & senior leaders coming from non-traditional backgrounds
- Improving town-gown relations (sharing services with local communities)
- Review energy savings contracting
- Research park innovation initiatives
- Commercializing patents & inventions
- Public Private Partnerships
## Colleges/Universities: SWOT Analysis

<table>
<thead>
<tr>
<th>Helpful to Colleges/Universities</th>
<th>Harmful to Colleges/Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal</strong></td>
<td><strong>Weaknesses</strong></td>
</tr>
<tr>
<td><strong>Strengths</strong></td>
<td>• Sub-optimized footprint due to historical accumulation of assets</td>
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<tr>
<td>• People – strong leaders and experienced workforce</td>
<td>• Limited expertise in working with developers and capital markets (“deal making skills”)</td>
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<tr>
<td>• Ownership of enormous and valuable portfolios</td>
<td>• Institutional aversion to risk; not entrepreneurial</td>
</tr>
<tr>
<td>• Critical to the neighborhoods/Major contributors</td>
<td>• Urban campus limited expansion opportunities</td>
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<tr>
<td>• Beacons of innovation and thought leadership</td>
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<tr>
<td><strong>Opportunities</strong></td>
<td><strong>Threats</strong></td>
</tr>
<tr>
<td>• Partner with local community and businesses</td>
<td>• Increasing pressure from policy makers in Washington DC (gainful employment, graduation rate, costs, increasing tuition)</td>
</tr>
<tr>
<td>• Review the re-use of aging facilities through public/private partnerships</td>
<td>• Limited state- and board-level financial support</td>
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<tr>
<td>• Share redundant services across campus boundaries (recreation facilities, libraries, energy, waste water treatment, etc.)</td>
<td>• Unpredictable capital budgeting process</td>
</tr>
<tr>
<td>• Review energy efficiency of campuses</td>
<td>• Historically high levels of deferred maintenance</td>
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**Jones Lang LaSalle**

**Urban Land Institute**
Mutual Benefits from Partnerships

**Benefits to the College/University**
- Leap-ahead innovation (best practices)
- Innovative financing from capital markets
- Benefit from industry’s efficiencies
- Benefit from industry’s deal making skills
- Industry has other skills and experience not resident in the college/university workforce
- Reduce overhead costs
- Reduce long-term personnel costs
- Create a surge capacity

**Benefits to Industry/Communities**
- Competitive business environment drives efficiencies
- Colleges/Universities generally good credit risk
- Institutional business can be counter-cyclical to national economic trends
- Potentially large untapped market
- Creates great opportunities for small businesses
- Enhance town-gown relations
Potential Partnership Opportunities

<table>
<thead>
<tr>
<th>Services</th>
<th>Facilities/Infrastructure</th>
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<tbody>
<tr>
<td>• Facilities Operations Support</td>
<td>• Campus Modernization (housing, dining, etc.)</td>
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<tr>
<td>• Information Technology</td>
<td>• Classroom meeting and Office Space</td>
</tr>
<tr>
<td>• Security</td>
<td>• Divesting of Underutilized Assets</td>
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<tr>
<td>• Finance and Accounting</td>
<td></td>
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<tr>
<td>• Medical Services</td>
<td></td>
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<tr>
<td>• Transportation Services</td>
<td></td>
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<tr>
<td>• Library Services</td>
<td></td>
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<tr>
<td>• Vehicle</td>
<td></td>
</tr>
<tr>
<td>• Maintenance</td>
<td></td>
</tr>
<tr>
<td>• Lodging</td>
<td></td>
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<tr>
<td>• Water Supply</td>
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<tr>
<td>• Wastewater Treatment</td>
</tr>
<tr>
<td>• Energy Security</td>
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<tr>
<td>• Renewable Energy</td>
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Challenges to Partnering

**Organizational**
- Identifying predictable revenue stream
- Aversion to Risk
- Lack of trust between college/university and industry
- Resistance to change
- Least cost mentality vs. best lifecycle value
  - Asset Management is critical

**Human Capital**
- Training in business sector
- Threat to job security
- Trending losses of experienced personnel (retirements, etc.)
- Limited deal making skills
- Mismatch of skills and emerging requirements

**Legislative/Policy**
- Governing Boards
- Legislative Authorities
- Budget Allocation Shortfalls
- Policy (procurement process, hiring, etc.)
- State procurement process
Elements of a Successful Partnership

Market demand
(programs/cash flow/savings opportunities)

Technical and financial expertise
(skills)

Investment
(capital)
Competing Interests within a Partnership

Private sector interests
- Quick financial return
- Building to commercial standards
- Discipline of market forces

University/College interests
- Patience, long-term view
- Building to institutional standards
- Flexibility
Case Study: U of Pennsylvania

**Situation:** Jones Lang LaSalle was engaged by the University of Pennsylvania as their real estate and financial advisor to assist in evaluating several large-scale development opportunities to spur revitalization and economic development in and around its West Philadelphia campus location. In addition, Jones Lang LaSalle implemented best-practices across the University of Pennsylvania’s existing real estate portfolio.

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<th>Service</th>
<th>Solution and results</th>
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| Development management       | Retained to oversee programming, development and financing of this major mixed-use project on the northern edge of the campus.  
  • Provided recommendations on conceptual development, while securing entitlements and approvals, and coordinating design processes and construction documentation  
  • Studied all financing alternatives, reviewing and developing project and construction budgets and schedules, and monitoring reports  
  • Managed the competitive bidding, assisted in selection and oversight of an experienced retail management firm, prepared a marketing plan for the project and leased the retail space |
| Advisory services            | Underwrote the acquisition, projected the market value and planned for the development of the 24-acre Post Office portfolio that separated the U Penn campus from the Schuylkill river. The portfolio included over 1MSF of industrial space and surface and structured parking facilities. |
| Community portfolio planning | Performed planning & implementation for a local K-8 school.  
  Managed a housing transition plan.                                                                                                                           |
| Property management          | Manages the university owned retail facilities                                                                                                                                                                         |
| Financial management         | Provided financial management services for off-campus real estate portfolio                                                                                                                                             |
Conclusion

Process
• Remove obstacles to creating partnerships (the Colleges/Universities, Industry, and Local/National Policy Makers)
• Invest in driving innovation and community development by linking best-in-class facility & portfolio strategies with the long-term goals & values of individual colleges/universities

People
• Identify senior champions for every partnership/opportunity
• Retain the best deal structuring expertise available

Profit
• In a partnership, profits are shared
• Seek maximum opportunities in the college/university environment
Thank you

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