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Real value in a changing world



Urban Land
Institute

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

	Helpful to Colleges/Universities	Harmful to Colleges/Universities
Internal	Strengths <ul style="list-style-type: none"> • People – strong leaders and experienced workforce • Ownership of enormous and valuable portfolios • Critical to the neighborhoods/Major contributors • Beacons of innovation and thought leadership 	Weaknesses <ul style="list-style-type: none"> • Sub-optimized footprint due to historical accumulation of assets • Limited expertise in working with developers and capital markets (“deal making skills”) • Institutional aversion to risk; not entrepreneurial • Urban campus limited expansion opportunities
External	Opportunities <ul style="list-style-type: none"> • Partner with local community and businesses • Review the re-use of aging facilities through public/private partnerships • Share redundant services across campus boundaries (recreation facilities, libraries, energy, waste water treatment, etc.) • Review energy efficiency of campuses 	Threats <ul style="list-style-type: none"> • Increasing pressure from policy makers in Washington DC (gainful employment, graduation rate, costs, increasing tuition) • Limited state- and board-level financial support • Unpredictable capital budgeting process • Historically high levels of deferred maintenance • Vulnerable power grid • Vulnerable cyber infrastructure

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

Services

- Facilities Operations Support
- Information Technology
- Security
- Finance and Accounting
- Medical Services
- Transportation Services
- Library Services
- Vehicle
- Maintenance
- Lodging

Facilities/Infrastructure

- Campus Modernization (housing, dining, etc.)
- Classroom meeting and Office Space
- Divesting of Underutilized Assets

Utilities

- Water Supply
- Wastewater Treatment
- Energy Security
- Renewable Energy

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

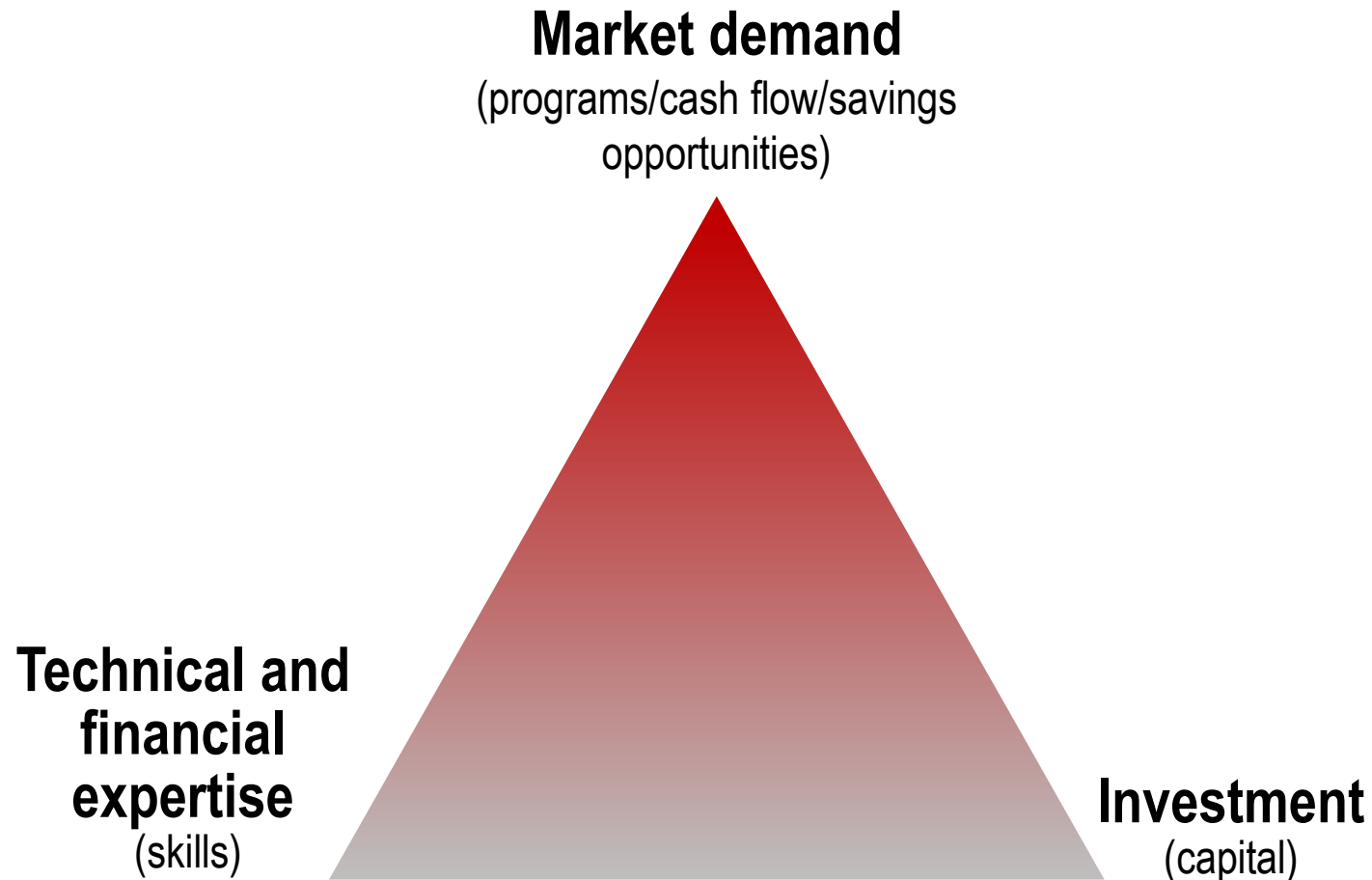
Human Capital

- 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



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

Service	Solution and results
Development management	Retained to oversee programming, development and financing of this major mixed-use project on the northern edge of the campus. <ul style="list-style-type: none">• 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



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Thank you

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