



Neighborly Negotiations



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December 2004

Extending a hand to the local community has given the University of Cincinnati the space—and the support—it needs to expand.

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How well do you know your neighbors? When considering growth issues and potential, the University of Cincinnati realized that it didn't have a strong community connection. Like other large, urban institutions with their roots in the 19th or early 20th century, UC located its campus on the outer reaches of the city's street grid. Most students lived at home, and faculty tended to live within several miles of the campus. An invisible wall of sorts grew up around the university, isolating us from neighboring areas and what happened in the rest of the city.

Working with master-planning consultant Hargreaves Associates, we launched a process to address the physical needs of the campus based on the academic vision that had developed. Soon it became clear that the university needed more laboratory buildings, updated student housing, additional open space, and new academic space to meet accreditation standards. In short, to thrive during the next 20 years, we had to add more than 3 million square feet of space. But where? And how?

Steady Growth

After the end of World War II and the subsequent passage of the G.I. Bill, the university's student body—and its need for space—quickly expanded. Between 1950 and 1954, the university took land from a city park and a residential neighborhood for eight new buildings, including residence halls and sports facilities. This was also a period of explosive growth in research funding from the federal government, which necessitated new facilities as well.

Then came the baby boomers. As the number of students topped 30,000 and full-time employment hit 9,000, the university increased its total space from 5 million to 7 million square feet. University borders expanded once again, resulting in the formation of two "super blocks"—one for the academic campus and one for the medical campus. The two blocks gradually closed in toward a common center, filling up parts of two neighborhoods and a city park with buildings, parking lots, and garages.

In the midst of a transformation from a city university to a national research institution in 1989, UC was experiencing steady growth in student population, housing, and research holdings. Just one problem: We didn't have enough land to accommodate the growth while preserving both campus green space and the strong, local neighborhood needed to attract students, faculty, and researchers.

A Different Approach

Buying new land in an urban area was a daunting prospect—and neighborhood relations had ranged from tense to nonexistent for years. In addition, the nearby neighborhoods had deteriorated to the point that many retail services—such as banks, dry cleaners, and food and clothing stores—had failed or moved away. Only 15 percent of the housing stock was owner-occupied, which translated into spotty maintenance, limited reinvestment, high-density occupancy, an absence of recreation space, and a parking nightmare. Neither employees nor students found these run-down neighborhoods attractive; they preferred exercising their spending power in the suburbs or in the city's "boutique" areas.

These constraints got our creative juices flowing. We began by setting aside the traditional approach to institutional expansion, which assumes that the university always takes the lead, maintains direct control, and has needs that supersede any neighborhood or community goals. We acknowledged that, ironically, the university's boom in population and research had contributed to the area's deterioration. We had built too fast, with neither a broad strategy to include neighborhood interests nor a consideration of employee and student housing needs.

We decided to try something new: integrated planning. After 18 months of work, the university published its first serious master plan in 1990. In the original plan—and in updates issued in 1994 and 2000—the university emphasized the need for an integrated, partnership view of the surrounding area.

To reflect the high level of commitment, the university's cabinet became its planning committee. Chaired by the president and including all vice presidents, the chair of the faculty senate, and the chair of the council of deans, this body could stand the heat of difficult decisions and enforce the plan, which had the board of trustees' approval. The university also asked the city to appoint a representative to the planning committee.

Wishing to minimize expansion beyond existing boundaries, the planning committee looked inward, not outward. Rather than filling up the limited open space on campus, the university initially committed \$55 million toward parking garages, later designating additional funds for converting parking lots into open spaces or building sites.

The committee also expressed a willingness to "stack" functions creatively to maximize the yield of limited land while maintaining a high quality of architecture. As an example, we combined housing, dining, recreation, and varsity athletics in a shared facility—an approach that required disparate parts of the campus community to work with one another and share land.

Seeing an Opportunity

The planning committee made another key decision: The university would stay inside its boundaries for 30 to 50 years (a time frame chosen, in part, to allow private investments to be made on the edges of campus and amortized over decades). The university would not purchase additional land

to accommodate growth, except for one seven-acre parcel in the Corryville neighborhood, which was located right between the two campus "super blocks."

The land contained an aging neighborhood recreation center, two softball fields, 20 absentee-landlord rental homes, and six empty houses left from a street-widening project a decade earlier. Still, based on previous experience, Corryville residents did not welcome the idea of yielding more land to the university.

After some digging, we discovered that Corryville had wanted a new recreation center for years, preferably located on the other side of the widened, six-lane street where most of the residents lived. The city, however, had never been able to come up with adequate funding for the project. Seeing an opening, the university proposed buying the land on which the recreation center and softball fields were located, with the

Expansion Joints

In the past eight years, the University of Cincinnati and its six community development corporations have undertaken a variety of construction projects. Here are examples of what they have accomplished.

Urban Outfitters—Although it had relocated, the congregation of this 70-year-old church refused to sell the building to anyone who might tear it down. After a study revealed that the building would not work well for student housing, the university approached several developers about the site, which sits across the street from the southern edge of campus.

After three unsuccessful attempts, the developers found a match with an Urban Outfitters store—but the offer was contingent on closing the loan for the project in only two weeks. The university board approved a \$3.3 million loan within the allotted time, and the store opened in September 2001. Attracting such a desirable retailer for this first development project

proceeds of the sale restricted to building a new recreation and senior citizens center.

The neighborhood support for the sale was immediate and widespread, and construction soon commenced. The new neighborhood center was dedicated in 1999, the same year as the university's Vontz Center for Molecular Studies, Kingsgate Conference Center and Hotel, University Hall, and University Commons. By working together, each party obtained what it wanted.

The Concept Spreads

The success of the Corryville Recreation Center, together with statements in the master plan that underscored the university's limited appetite for direct expansion, broke the ice with other community groups. It also helped that the university created a "gateway system" on its many edges—not to exclude the

fueled interest in other projects.

Bellevue Gardens—These two buildings, each with 20 rental units, occupy land on which several dilapidated crack houses once stood. Today, more than 80 percent of the tenants are students, residents, and visiting professors affiliated with the university's medical center.

After further study, the development corporation responsible for this transformation developed a plan that will eventually bring to the area 286 residential units (both rental and owner-occupied), 60,000 square feet of office space, and 15,000 square feet of retail space, plus underground parking for all functions.

Genome Research Institute—To accommodate this new institute, the university needed hundreds of thousands of square feet. It found it in Reading, 10 miles north of campus, where a series of pharmaceutical company mergers had left empty a research facility. After two years of persuasion, the French owners donated the property to the university, which then invested \$46 million in the building.

community but rather to allow branding, clear entry points, and way-finding. The gateway system implied that the university would maintain a fixed relationship with its immediate neighbors, which alleviated some of their long-standing apprehensions.

Since occupancy began in 2003, the city of Reading has become an energetic partner; it has provided free perimeter security and created a redevelopment plan centered around this revitalized facility.

Even before it opened, the recreation center had prompted the university to approach other neighborhoods about creating development corporations to support community and economic development. Early discussions centered on a name for the development corporations and the overall district around the university. We all agreed that incorporating the word *university* into any name would overemphasize the institution's intended role while ignoring the importance of neighborhood self-determination. Eventually, *Uptown* became the umbrella name for the district and has since crept into popular usage.

To date, UC has become a partner in six development organizations reflecting the different neighborhoods around its borders. In each case, representatives of the local neighborhood (or business association) hold the majority of votes in the corporation. This structure—which hasn't killed a project yet—allows community participants to be more creative about and committed to developing a workable plan.

In 2003, all of the local hospitals and the Cincinnati Zoo agreed to join the university in an areawide development council called the Uptown Consortium. The consortium's

members serve on local development corporation boards as needed, fund an annual operating budget of \$1.7 million to create the infrastructure needed to consistently manage Uptown development, and form an equity fund of at least \$50 million to co-invest in area projects.

Principles of Partnering

Based on eight years of working through six community organizations, we and our partners were able to develop these essential principles for working together.

Don't expand into a neighborhood if doing so will destroy the neighborhood's fabric. If, for example, a business district lies on an edge of campus, improve it rather than take it over for direct university functions. In fact, some university functions can be integrated into a business district by becoming tenants. The same principle applies to nearby housing areas; the availability of attractive housing can help recruit major faculty.

Give equal weight and attention to institutional and

Under Construction

The overall economic development goals of the University of Cincinnati's partnerships were established publicly by merging the University Master Plan, a major commercial/retail market study, and a land-use plan developed in conjunction with the development corporations.

The goals call for \$500 million in total investment by 2010—\$375 million from development corporation bonds, banks, city infrastructure, and private investors, plus \$125 million in loan co-investments from area institutions. An additional \$100 million is expected from private investments in retail and housing (rental and owner-occupied).

community goals.

Agreement on "market fundamentals" related to housing, retail, small business location, and commercial development will lead to a balanced plan that both the institution and the neighborhood find acceptable. The plan must also address architecture and support the building of long-lasting community assets.

As an example, UC originally planned part of its Calhoun Street project to include 50,000 square feet of retail space topped by six floors of student rental units. The community, however, expressed its preference for condominiums above the retail space.

Recognizing the stability that comes with having owner-occupied units in a neighborhood, the university agreed to the change.

Be willing to waive direct

Projects include the following:

Calhoun Street—This complex "mixed use" project carries a contract value of \$126 million. It aims to create a double-sided retail district with 90,000 square feet of commercial space; 800 beds of student housing (privately owned and managed); 400 beds of market housing (rental and for-sale) above the retail; and 1,200 parking spaces split among the university, the housing, and the shopping.

The university loan commitment is approximately \$40 million, and the student housing is being built to university standards (including a full technology network). The project also includes a public park—a major need in the community—which conforms to the green-space standards the university now adheres to on campus.

Stratford Heights—This residential neighborhood on the western edge of campus, home to a once-vibrant fraternity row, had many houses in generally poor condition. They met neither the suite-style floor plans nor the technology standards that today's students prefer.

After overcoming resistance from

ownership and operation of facilities. In some cases, institutional expansion goals may best be achieved through contract, lease, or partnership with private entities in surrounding neighborhoods.

Across from the University of Cincinnati Medical Center, for example, one of our community development corporation partners is constructing a 60,000-square-foot "swing space" building as part of a four-block development that includes new apartment buildings and condominiums. We will be a tenant in this building, which includes 15,000 square feet of retail space much needed in the area.

the Greek community—which arose because the student affairs office and the university architect were conducting separate conversations—the university participated in a mutual planning process and formed a development corporation controlled by a neighborhood partnership. Scheduled for completion in August 2005, the Stratford Heights project features housing for 630 students (half of which will be members of the Greek community), a full technology network, more than 400 parking spaces, and related green space.

Fraternity members will have their own "village" without being isolated from the general student body, and the open space gives local residents a buffer zone from student activities. The university gains a building that can be shared by the Greek organizations, other student organizations, and the local community.

Look for opportunities to "recycle" empty space, even if it is not contiguous to the main campus. The facilities fallout from mergers and acquisitions often leaves hospitals, factories, and corporate campuses boarded up. Putting them to institutional use is not only responsible land use but also preserves neighborhoods near the campus.

Recognize that each neighborhood is different. Local concerns and issues vary from one neighborhood to the next. Rather than merge all communities into a districtwide development organization, UC partners with six development corporations on its various borders.

Typically, an initial operating grant from the university enables each development corporation to fund an office, hire an executive director, obtain legal or consulting services, and contract with a consultant to facilitate the planning process (rather than using staff from the university). Operating grants may also take the form of leases and joint-use agreements. The corporations also gain stature when the university adds its loan capital to other investments of private capital to make projects feasible. This is done through subordinate loans at reasonable rates, which take the place of bond investments in the institution's portfolio.

Support an Employee-Assisted Housing program. It should provide meaningful incentives, such as assistance with down payments and mortgage costs, and be aimed at increasing the number of employees living in nearby, owner-occupied housing. Ensure that your plan addresses all income levels, for faculty as well as

The Role of Patient Capital

Large universities tend to have stable or growing employment, many high-income employees, and numerous visitors. These are all characteristics that typically attract private investment—but only if there is an organization, such as a development corporation, dedicated to capturing this potential.

Even with such organizations in

non-faculty positions.

Resolve differences before involving the city. In our experience, the city is neither a good initiator nor a good arbitrator. We have, however, seen the city take swift action on zoning decisions, land acquisition procedures, and tax abatements when the university, neighborhoods, and business districts have reached consensus in advance.

Make reasonable requests. Most older cities have declining local revenues and fewer dollars coming in from the federal and state governments for urban renewal. Thus, a request for a "gap filler" grant of 10, 15, or 20 percent of a project will fall on deaf ears. Instead of large subsidies, ask for street or infrastructure improvements as well as policy support (such as zoning, land assemblage procedures, and traffic engineering).

place, the University of Cincinnati discovered a funding gap in initial capital for projects. Urban redevelopment involves changing the economic conditions in an area so that it produces a higher economic output and can support higher prices. Until that change is well underway, the quality of projects desired is incompatible with existing prices for rents, retail sales, and home prices. In other words, traditional capital will support only the current rents and prices, not those desired 5 or 10 years into the future. That's where patient capital comes in.

With fewer public funds available, only a highly motivated second investor willing to recoup an investment over the long term can bridge the gap. And that's exactly what UC is doing from its endowment. We can underwrite, as fixed-income investments, loan agreements that are subordinate to the primary financing. These loans are substitutes for up to 40 percent of the endowment's bond allocation. Whether the primary financing is from student housing private activity bonds of the nonprofit corporation, life insurance companies (for market rental units), local community development banks, or industrial revenue bonds of the county (for

Going Forward Together

The university's College of Applied Science will soon put our partnership principles to a new test. Since 1989, this college has been housed on a former subsidiary campus of Xavier University—a good example of an old institutional property serving a new institutional purpose.

Now, however, growth and restructuring plans have doubled the college's space requirements. An expansion would put too much pressure on the existing land, and intruding into the neighborhood is unacceptable. Delicate negotiations—and perhaps another relocation of the college—may be necessary.

Whatever happens, the university remains committed to forming strong partnerships with neighborhood leadership groups, setting long-term goals that serve and satisfy both parties, and approaching local government in harmony with its partners. This requires blending institutional and neighborhood functions into integrated developments, where the university may be the tenant rather than the owner.

incubator facilities combined with retail), the secondary loan can be fashioned so that it is paid back with interest within the term of the primary financing.

It may well have to accrue all or part of its interest earnings in the early years of the project. Yet the "wedge" of positive cash flow that develops as prices rise and the primary debt service stays flat is sufficient to yield reasonable, bond-like returns over the life of the loan. This patient capital from the endowment can allow the full financing package for a project to proceed once our community partners have agreed to the project plan.

In UC's partnership model, community development is not someone else's responsibility but an essential institutional commitment. We believe it is possible to be a great institution *and* a great neighbor.

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