

Student Housing Options in the Midway

**A Draft Report By University UNITED
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Submitted to:

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Concordia University
College of Visual Arts
Hamline University**

**Macalester College
University of Minnesota
College of St. Catherine
University of St. Thomas**

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INTRODUCTION

University UNITED has been exploring the collegiate student housing market to determine the feasibility of locating new mixed-used student housing developments along the University Avenue corridor. Discussions and meetings have been held with eight local colleges and other community stakeholders, and research has been undertaken on student housing projects throughout the country.

This report is a summary of findings to date, with a recommendation that such projects are potentially feasible and should be explored further. It is being submitted to the eight colleges and other community stakeholders for consideration. Since student housing could potentially be part of a larger program of community development, featuring closer cooperation between college and community, we have included examples of such collaborations from other cities. Finally, to better understand the context for such development, information is also included about the economic impact of higher education on the local economy.

University UNITED is a coalition of thirteen non-profit organizations working to promote the continued social, economic and physical vitality of the University Avenue corridor in St. Paul. Its membership is comprised of all of the neighborhood district councils along the Avenue, and includes such business organizations as the Midway Chamber of Commerce and the Snelling Area Business Initiative. UNITED was established twenty-five years ago to provide a forum for community residents and local businesses to work together on areas of mutual concern. In addition UNITED also operates a variety of programs and projects. Additional information about UNITED can be found on its web site: www.universityunited.com.

University UNITED appreciates the assistance of the colleges participating in this study. Gratitude is also expressed to Charlie Lenth, researcher at Minnesota's Private Colleges Council, and Mark Langseth Director of the Minnesota Campus Compact for their support.

Contents

1. Student Housing Shortage A National Problem
2. Local Implications of Student Housing Shortage
3. Overview of Local Student Housing Market
4. University UNITED Recommends A Student Housing Initiative
5. Models of Student Housing Projects
6. Development Guidelines and Options
7. Next Steps
8. Universities As Community Developers
 - University of Chicago, University Village
 - Ohio State University, Campus Partners Project
 - Trinity College, the SINA Initiative
 - University of Pennsylvania, University City
9. The Minnesota Campus Compact
10. Economic Impact of Higher Education on the Local Economy

1. Student Housing Shortage A National Problem

Dartmouth College accepted approximately 2,000 students this year, but because more students enrolled than projected, the college found itself with a serious housing shortage. The school's response was to offer freshmen one year free housing if they deferred their attendance for a year. Fourteen students accepted the offer, worth the equivalent of \$5,000. Cornell University Medical College offered a year's free tuition in 1996 to first-year medical students who agreed not to enroll for a year after discovering that it admitted more students than it had room to accommodate. It sent letters to 119 students offering one year's tuition, worth \$24,000 to the first 15 who deferred enrollment. Other colleges across the country facing similar challenges have embarked on a variety of efforts to increase the supply of student housing. Study lounges and common areas in dormitories are being converted to housing, including at the University of Arizona, and here locally at the University of Minnesota. Gonzaga University, in Spokane, Washington, couldn't find enough beds on campus for its 970 incoming freshmen this fall and was forced to place 80 first and second year students in a hotel next to campus. George Washington University also leased an entire hotel in downtown Washington to house its overflow students, and the University of Minnesota placed over 200 students at the Days Inn-University motel.

The two main reasons cited for the enrollment increases are the economy and the Internet. With the slowdown in the economy, more high school graduates – estimated at 2.8 million this year – are choosing college over jobs. A labor economist recently wrote:

As the U.S. workforce comes to rely increasingly on computer technology, including the Internet, higher levels of education are becoming necessary to produce efficient users, programmers, and inventors of new systems. The importance of higher education in this "new economy" is underscored by the tremendous increase in college enrollments over the last 10 years, despite a shrinking college age population: in 1987 there were about 18.8 million persons between the ages of 20 and 24 in the United States; by 1997 that figure dropped to less than 17.5 million. Yet college enrollments for this age group increased from 4.1 million in 1987 to 5.2 million in 1997. In other words, college

participation among members of this group increased from less than 22 percent to nearly 30 percent in those 10 years.

The Internet is also contributing to the student housing shortage in an unexpected way. Because the Internet has made applying to college easier, students are applying to more colleges, making it more difficult for admissions officers to predict acceptance rates. Bates College in Lewiston, Maine, is one of 227 schools that all use the same online undergraduate application form. Because of higher enrollment than expected, the college has had to house four students per dorm room instead of three in freshmen residence halls this year. At Dartmouth, 51.7% of accepted students enrolled compared to 49.7% last year and 48.2% five years ago.

The shortage of student housing appears to be a long-term problem. According to the American Council on Education, in the next decade, undergraduate and graduate school enrollment is projected to increase 20%, from 14.8 million in 1999 to 17.7 million by 2011. The Council also notes that more high school seniors are deciding to go straight to college than in years past. In 1980, only 49% of high school seniors went to college within 12 months of graduation, but that number jumped up to 63 % by 1999.

The above summary is based on information from an Associated Press article entitled "Colleges Using Hotels as Housing" by Harry R. Weber, published online on August 5, 2001, an article entitled "Expenditures of college-age students and non-students" by Geoffrey D. Paulin, published in Monthly Labor Review, July 2001, and several articles in the New York Times.

2. Local Implications of Student Housing Shortage

There are a number of colleges located in close proximity to the University Avenue corridor including University of Minnesota, University of St. Thomas, College of St. Catherine, Hamline University, Macalester College, Concordia University, College of Visual Arts, and Bethel College. Over the last several months, University UNITED has been meeting with each of these schools to better understand the local implications of the student housing shortage. An informal survey quickly revealed the extent of the problem. The University of St. Thomas, for instance, has over 1,000 students living in apartments in predominantly residential neighborhoods close to its campus. Macalester College has over 400 students and Concordia University has over 100 students living in private market off-campus housing. University UNITED estimates that there is an immediate need for thousands of additional student housing units in our area.

The student housing shortage in the Twin Cities makes it more difficult for students to attain a high quality residential experience in close proximity to campus at an affordable price. As students become less able to find housing near campus, they turn to locations that are distant from their college - often less desirable locations. The current housing shortage has led to a general increase in the cost of all housing, including off-campus

rental housing. This, in turn, increases the likelihood of overcrowding as students try to keep down their housing costs by bringing in additional roommates.

The student population is particularly vulnerable to the vagaries of the housing market. Many students come to the Twin Cities with little knowledge of local neighborhoods and real estate practices, but are under a deadline to quickly find housing. In 1999, the Minnesota Public Interest Research Group (MPIRG) released a report **“Finally on Your Own: How Minnesota’s Housing Crisis is Affecting College Students”**. Results of a student survey reveal that half of the respondents did not have a basic understanding of landlord tenant law. Fifty-eight percent did not know that a security deposit could be used to repair normal wear and tear on an apartment unit, and 80% did not know that landlords are required to pay interest on a security deposit. The report concluded, “Since many college students are entering the rental market for the first time they are particularly vulnerable to abuses by landlords.” This was certainly confirmed as over 40% of the students polled said that landlords made statements about the rental units that later proved to be untrue.

The report also indicated that 70% of respondents reported paying more than 30% of their monthly income for rent. Forty three percent of the students polled reported that it took three weeks or longer to find an apartment, and 14% reported it took over five weeks. Additionally, 84% of respondents reported that they share an apartment with another person, while over 40% reported having two or more roommates.

The shortage of student housing is not only harmful to the students, but it also has a negative impact on the neighborhoods. Many local colleges are in residential neighborhoods, and with the increasing number of college students seeking housing in these neighborhoods there is a significant impact on the local real estate market. Single-family homes and duplexes, which were historically owner occupied, are increasingly being converted to student housing to take advantage of the inflated rental market. As more and more students are moving to the adjacent neighborhoods there is an increasing conflict between the college-age lifestyle and that of the owner-occupied and family population. These conflicts further accelerate the conversion rate to rental housing. Virtually all of the colleges in the Midway area of St. Paul have had some problems associated with off-campus student activities.

The influx of students to the rental housing market further exacerbates what is already the worst rental housing shortage in the country. Students are increasingly competing in the marketplace with families and others for affordable housing units.

3. Overview of Local Student Housing Market

Locally, the shortage of student housing has been addressed in different ways. Hamline University recently completed construction of a new 147-bed apartment building called

Hamline University Apartments, following the recent trend of apartment-style on-campus housing. Units range from studios all the way up to 4 bedroom/4 person/2 bathroom apartments. Students pay \$25 per month for a parking stall or \$35 for an underground spot.

The University of St. Thomas estimates that 1,000 of its undergraduate students live off-campus within a radius of one or two miles. In order to help ease its housing shortfall, last year St. Thomas actually housed some of its students in Hamline dormitories (Hamline, it turns out, created a short-term student housing surplus with its recent addition).

Of the eight schools in the immediate vicinity, The University of Minnesota provides the most compelling example. The U of M is in the process of expanding its student housing stock by 420 beds. This is in addition to the privately developed University Village project, which has a master lease for 421 beds, and the Grand Marc, which offers apartment-style student housing adjacent to the campus. Several other privately developed projects are also currently under construction.

Why the tremendous increase in student housing at the University of Minnesota? An interesting trend documented by the “U” is a sharp decline in the number of undergraduates who live with their parents. In 1971, 42.5% lived with their parents, dropping to 30.9% by 1986, and the numbers more or less leveled off until 1996. Between 1996 and 2001, however, the percentage of U of M undergrads living with their parents declined from 32.6% to 14.1%. While the proportion of undergraduates living in University residence halls has increased substantially over the last 25 years, from 11.3% in 1976 to 25.2% in 2001, the construction of new student housing has not kept pace with rising demand. In 2001, one-fourth of all U of M undergrads either owned or rented a house, while another 28.2% shared an apartment. In total, 59% (or nearly 19,000) of “U” undergraduates are living off-campus, and not with their parents in 2001.

The accompanying chart gives additional information about enrollments, occupancy and costs.

[Return to our Home Page to see the accompanying Excel spreadsheet](#)

4. University UNITED Recommends A Student Housing Initiative

University UNITED is proposing an initiative to promote the development of mixed-use intercollegiate student housing projects along the University Avenue corridor. The current student housing shortage adversely impacts students, colleges, and the larger community. UNITED is responding to the concerns of its members about the expansion of student housing in residential neighborhoods. UNITED, is also responding to the special needs of the local colleges with an awareness of the enormous economic, cultural and intellectual benefits they bring to our community. UNITED is committed to promoting an increase of housing production and transit-oriented development along the University Avenue Corridor -- mixed-use intercollegiate student housing projects would help accomplish that goal and would provide numerous additional benefits.

Housing along University Avenue would provide students proximity to an excellent transportation system, and the benefits of an active commercial corridor, with its coffee shops, bookstores, and clubs. If housing were to be undertaken in collaboration with the university community it would be designed specifically for the student market. It would offer enhanced security and technology features, as well as a variety of social and academic programs. Larger intercollegiate student housing projects would also increase the likelihood of attracting such amenities as dormitory style cafeterias, customized transportation networks, and work-study programs, and would also provide an opportunity for students to socialize with students from other colleges in the area.

Relocating students to University Avenue from the residential neighborhoods would free up much needed housing for families and other renters and would bring life and vitality to the corridor. This initiative proposed by University UNITED is intended to complement the variety of student housing programs currently undertaken by the various

local colleges -- both on and off-campus. The goal is to create additional housing options for the off-campus student market. Ideally, such projects would involve the formal participation of the colleges, although there are numerous examples of privately developed student housing projects. Virtually every major college community in the country has developed a variety of housing options to cater to the rapidly changing student marketplace. These include projects that are developed and operated directly by colleges, projects that are developed entirely by the private sector, joint venture projects with colleges and private or non-profit developers, projects that are developed by a consortium of colleges, cooperative student housing projects, etc. A look at several national and local models reveals the full range of possibilities.

5. Models of Student Housing Projects

Chicago Consortium Joint Venture

The article below appeared in the Chronicle of Higher Education on September 26, 2001 and was forwarded to Brian McMahon by Doug Hennes from University of St. Thomas. It is reproduced in its entirety because it describes a project that may have special relevance to our current discussions.

“3 Chicago Colleges Plan Colossal Joint Venture in Student Housing

By Alex P. Kellogg

Three private colleges in Chicago have announced plans to open a jointly owned dormitory that officials from the three campuses say will be the largest such facility operated by multiple institutions.

The \$130-million, 18-floor building, which will house some 1,600 students and live-in staff members from Columbia College Chicago, Depaul University, and Roosevelt University, is expected to open by the fall of 2004, and will include retail outlets and a privately run, dormitory-style cafeteria.

The three institutions, historically commuter campuses, have witnessed a sharp rise in demand for on-campus housing in recent years as the makeup of their student bodies has begun to include more traditional-age students. That demand has far exceeded the supply of housing available on the respective

campuses, however. This fall alone, DePaul had 300 more students request housing than the university could accommodate. Likewise, more than 50 percent of Columbia College's applicants last year came from outside the normal range of commuting students – double the proportion of five years ago.

All three institutions have small endowments and rely on student fees for revenue, making it difficult for them to afford large expenditures on student housing, particularly with property values skyrocketing in the area. As a good-faith gesture, the City of Chicago will donate the land for the facility.

“We're quite excited about this,” said President Warrick L. Carter of Columbia College, who along with the other presidents supervised the brokering of the agreement. “This is actually a very innovative approach ... for three institutions to work together for a common cause and a common good.”

The facility will be built and managed by a nonprofit consortium established by the three institutions. The consortium will issue tax-exempt and taxable bonds to obtain the funds to construct the facility. Income from student rents will retire those bonds, and officials from the three campuses say they expect the building to turn a profit within a year or two of its opening.

The facility will include a range of housing options, from apartment-style suites with common living rooms and shared kitchens to more dormitory-style double rooms for freshmen. Internet access, cable television, and telephones will be included in all rooms. Common study areas, computer labs, and student lounges will be sprinkled across floors.”

Brian McMahon had a number of follow-up telephone conversations with the principals in the Chicago project that are summarized below.

The three partnering colleges had been working on this idea of collaboration for several years with the encouragement of the City of Chicago, which had designated their area as a cultural/ educational district. Because these colleges are adjacent to the Planetarium and other important cultural attractions, the City of Chicago was eager to promote compatible development. The site selected is a City-owned surface parking lot on the edge of each of the colleges, enabling students to walk to their respective campuses. Originally, the site was larger, a fourth college was involved, and a much more expansive project was envisioned with classrooms, laboratories and retail. However, the City had to give up part of the property for a public transit project. With the reduced site, and the elimination of the classrooms, the fourth college dropped out of the partnership. This process slowed the project down for a number of months. The City is donating the land to the project, valued at several million dollars.

The three colleges formed a new non-profit corporation called Educational Advancement Fund, Inc, based in Delaware. The three college presidents are the three officers, and the three college executive vice-presidents are its operating committee. Ownership of the corporation is divided among the three colleges, with Columbia and DePaul each at 40%, and Roosevelt at 20%. Their equity positions correspond to the percentages of residential units each college has in the project. The three schools initially capitalized the venture with cash contributions totaling approximately \$300,000 for various pre-development costs including legal, architectural, and financial. This money is entirely at risk. They hired the law firm of Sonnenschein, Nath, Rosenthal, and financial advisors Smith Barney.

What has evolved is a \$130-million, 18-story building, which will house 1,600 students and staff. It will have a variety of housing types including apartments, and dormitory type suites. The housing portion of the project is funded through tax-exempt bonds permitted through the Illinois higher education laws. The project also includes 32,000 square feet of retail, which is separately funded through taxable bonds, and this portion of the building is apparently subject to property taxes. All the financing is “off-balance sheet” and not reflected in the obligations of the individual colleges because none has a participation share larger than 50%. However, the colleges did have to assume responsibility for the first year’s operating costs after which time the bondholders assume complete liability. In addition, the schools are now posting a \$6 million letter of credit to complete pre-development work, which will be reimbursed from the proceeds of the bond sale.

Rather than “equity” ownership, the colleges have “participation percentages”, which provides the colleges the right of an annual election to determine the number of beds needed for the coming year. There is no long-term lease commitment from the colleges. Their principle liability is the carrying costs for the first year. Because of the strength of the student housing market generally, it appears that the bonds could be marketed without a long-term lease commitment from the colleges. In the event that the building is not fully rented up in future years, the bondholders would bear full liability. Even if the building were to default, the non-profit entity and the colleges would not have financial liability. A financial prospectus will be available within several months.

If the colleges wanted to sell the property down the road, they would be permitted to do so, and any surplus revenues, after paying off the bonds, would accrue to the colleges. The colleges do not generate administrative fees for managing the property.

Approximately half of the residential portion of the project is designed specifically for college dorm-type housing and could not be marketed as apartments without additional construction work.

Bert Gall, Executive Vice President of Columbia College, noted that organizing this type of collaboration is time consuming, taking the better part of two days a week for a year.

The colleges retained the Scion Group to do a feasibility study of the market for student housing and to create the program which spelled out the design parameters: how many

units, what kind of configuration, how much retail, what kind of finishes, how much rent to charge, etc. Rob Bronstein from the Scion Group described this project as quite different than a normal college construction project in that it was much more market driven. The building program and design had to make sense from an economic and marketing standpoint. "It was financially driven, the student was thought of as a customer." The Scion Group has a web page at www.scionlink.com.

When asked for suggestions on how to proceed on a possible project in St. Paul, Bronstein proposed that a Third Party Market Study be done that starts with a survey of approximately 5% of the student body at the private schools, and a smaller percentage at the U of M. He projected that it would take approximately 3 or 4 months and cost approximately \$50,000 to \$60,000. The second step would be the development of a business plan and program, which would run somewhat concurrently with the marketing study. It would develop the rough program including marketing information, construction costs, operating costs, financing, etc. This phase would cost approximately \$30,000 to \$40,000. The two studies could overlap and would take approximately 4 months.

The above information would then be turned over to an architect for schematic design, which is not yet tied to a specific site, taking perhaps a month or two. At this point it is time for the lawyers to get involved and negotiate the agreement among the partner schools and set up the non-profit entity. This could cost \$100,000 to \$200,000.

As rules of thumb, he figured total development costs are approximately \$50,000 to \$60,000 per bed, exclusive of land costs. This also does not include parking costs, and in fact, the Chicago project has no parking, as it is adjacent to a surface parking lot that can be used. It also appears that no more than 10% of the students have a car, as the housing is within walking distance. Construction costs are approximately \$175 per square foot.

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College Park, The Towers is a high rise apartment complex adjacent to the University of Wisconsin, Madison, and is representative of privately developed student housing. Its colorful brochure reads, “Forget everything you’ve ever heard about college living! The Dorms are an element of the past. Come to *live* in Madison, but come to life at ***The Towers***, where housing is designed with your needs in mind. And what’s more, it’s affordable!” It describes itself as “the finest full service private residence serving the University of Wisconsin, Madison.” It further boasts, “With amenities like a state of the art fitness center, quiet study lounge, complete computer lab, Ethernet access in every room, and an award-winning all-you-can-eat on-site restaurant, why would you even consider garden variety dormitory life?” This project also offers a 24-hour reception desk, resident assistant staff, centrally located laundry facilities, piano room, roof-top sun decks, pool table, and academic year leases. Its double units with kitchenette rent for approximately \$3,095 per semester. Additional information can be found at www.utowers.com.

Marymount Manhattan College, has an enrollment of 2,500 students and had its residential students scattered in four locations in New York City. It recently partnered with a private developer in a very innovative project enabling it to consolidate its students in one dormitory a mile from its east side campus. The building site was owned by a developer who was initially planning on constructing a 150-unit rental apartment building, but welcomed a joint venture with the college because it pre-leased 75 percent of the building and brought its own financing, taking away much of the market risk. According to an article in the New York Times, the 46-story building, completed last September, is actually two buildings in one, a dormitory for Marymount Manhattan College on the lower level topped by 40 upscale rental apartments. It is structured as two separate units, each with its own entrance, elevators, address and owner. The top 15 floors, called the Capri, have luxury apartments, and the lower 31 floors contain 112 suites, each averaging 700 square feet, with two bedrooms, a kitchen and a bathroom. The units accommodate four to six students. A total of 493 students will live in the dormitory, with an additional two apartments for resident directors.

The private developer and the college shared the expense of the \$57 million project. The developer secured private financing for his \$18 million portion of the project, and the college financed its \$39.5 million share from the sale of 30-year tax-exempt bonds issued by the Dormitory Authority of the State of New York. The cost for a student to live in the dormitory is \$8,500 for the academic year.

University Village, at 2515 University Avenue SE, Minneapolis, MN 55414, is a very innovative collaboration of the Wedum Foundation, a non-profit family foundation, and the University of Minnesota. Located two blocks from the U of M campus, the \$24.8 million mixed-use project offers housing for 420 university students through a master lease with the University Housing and Residential Life office. The project received a

HUD guarantee for \$23 million in low interest bonds issued by the city of Minneapolis. The Wedum Foundation spent \$1.8 million to acquire the land and finance the commercial portion of the project. It includes 24,000 square feet of retail space, and has an underground garage for 280 cars. Additional information can be found at www.universityvillage.com.

Riverton Community Housing has been a leader in cooperative student housing for thirty years in the Twin Cities. It started with the construction of the Chateau Student Housing Cooperative at 425 13th Avenue SE, in 1972 utilizing funds from the College Housing Program. This high-rise apartment complex holds a prominent place on the skyline at the University of Minnesota. It currently operates four buildings housing over 750 students. In 1995 Riverton worked with the City of Minneapolis to finance tax-exempt, non-rated housing revenue bonds to acquire the Franklin Student Housing Cooperative at 2300 East Franklin Avenue. Its mission statement reads, “The purpose of Riverton Community Housing is to develop and maintain quality student-oriented housing communities operating on a non-profit, democratic basis.” Additional information can be found at www.riverton.org.

Commonwealth Terrace Cooperative, at 1250 Fifield Avenue, Falcon Heights, is the oldest and largest family housing cooperative in North America. Only University of Minnesota student families, with or without children, or single parents who have 50% or greater legal custody of minor children are eligible for this 464 unit project. Rates range from \$363 per month for a one-bedroom apartment to \$603 per month for a three-bedroom apartment. This project has childcare facilities, community center, laundry, garden plots, weekly community newspaper, and a member-operated repair garage. It is located south of the St. Paul campus, west of the State Fair grounds and only a few blocks from the inter-campus bus line.

Como Student Community Cooperative, is located at 1024 27th Avenue SE, between Hennepin and Como Avenues – approximately halfway between the St. Paul and Minneapolis campuses. It is on the city bus line. It is a housing management cooperative for U of M student families. Under the terms of the management agreement between the CSCC and the University of Minnesota, the University retains the ownership of the buildings and grounds but entrusts the residents’ cooperative with all responsibilities for managing the facility. The project has 360 units and rents range from \$434 for a 2-bedroom townhouse to \$548 for a 3-bedroom townhouse. This complex features a community center, volleyball and basketball courts, softball field, laundry, auto repair garage, day care and a weekly newsletter.

Alberta Hall, on the St. Paul campus of the College of St. Catherine offers one floor of housing for student parents and their families. There are currently three different sizes of apartments: 1-bedroom/1-bath units; 2-bedroom/1-bath units; and 2-bedroom/2-bath units. The 2-bedroom units have a maximum occupancy of four people. The Alberta Apartments have two live-in Apartment Advisors who serve as resources to student residents and plan programming for the building. The rents range from \$3,056 per

semester for a 1-bedroom unit to \$4,278 per semester for the 2-bedroom/2-bath unit. Students have the option of purchasing a meal plan.

Grand Cambridge Macalester College has long recognized the value of supporting positive neighborhood development surrounding its urban campus. The High Winds Fund of the college, an endowment specifically set up for community development, has successfully supported small residential and commercial development in the area for over 40 years. The largest and most recent project was the Grand Cambridge mixed use development. Located at the corner of Grand Avenue and Cambridge Street, this 3 story, \$2.6 million infill project includes a successful neighborhood restaurant and eight 2 and 3 bedroom apartments. The apartments are currently leased to students but could also be used to meet future needs for faculty housing or could be released to the general market. The development was privately developed by Macalester College with the support and review of the local community council and the City of St. Paul.

Grand Marc, Seven Corners, Minneapolis is a privately developed luxury student housing project, with units aptly named, “The Windsor”, “The Duke”, and “The Oxford”. The attractively designed complex is located across the street from the University of Minnesota Law School, and less than two blocks from the Carlson School of Management, its target markets. It offers all the amenities typically found with student housing, but is more expensively packaged. Its web page is www.grandmarc.com.

6. Development Guidelines and Options

A study of the existing student housing market helps provide planning parameters for new projects. Because of the need to provide dormitory advisors and special services such as security, projects need to be of a certain minimum size to be cost effective -- most experts believe at least 300 beds. The student housing industry counts “beds” rather than “units,” as students typically are charged individually, no matter how many students share a room or a suite. A rough rule of thumb would suggest that three students typically share an apartment-sized unit. Therefore the preferred minimum size student housing project should be *no less than 100 units*.

Student housing requires high quality design and construction to minimize long-term operating and maintenance costs. Typical development costs for student housing are approximately \$60,000 per bed, exclusive of land costs. Therefore, a 300-bed project would cost approximately \$18 million, with perhaps another million or two in land costs. Most new projects include some commercial development as a way to lessen the “per bed” development cost.

While 300 beds may be a preferred minimum, there are many advantages to making projects larger. The tight housing market would certainly support more units. In addition, larger projects would be able to generate additional special features, such as dining facilities and special transportation programs. An increase in project size would also lessen the per/unit development cost.

Student housing beds would be expected to generate approximately \$500 per month, or \$6,000 per year. A 300-bed project would have annual gross revenues of \$1.8 million.

There are numerous ways to structure and finance projects, as seen in the summary of the various development models above. The Chicago collaborative has created a particularly innovative approach that may be instructive to the Midway Student Housing Group.

The University Avenue corridor has many potential sites of opportunity for various size development projects. UNITED has compiled a representative listing for purposes of discussion. All of these sites are at key transit nodes, which becomes more significant with the expected recommendation for a light rail project along the Avenue. Some of these sites are currently on the market, but most locations would require a concerted planning effort to assemble. This could potentially involve the City and its condemnation power. Going from east to west along the Avenue, the sites include:

- **Lexington Park, at the southwest corner of Lexington Parkway and University Avenue.** There are proposals now for approximately 300 housing units as part of a mixed-use urban village. Perhaps this site could include 100 units (300 beds) of student housing.
- **Snelling Avenue and University Avenue.** The northwest corner is currently occupied by a branch of Dakota Bank, which recently acquired the Midway National Bank on the southeast corner. There is a belief that both banks will consolidate in an expanded facility on the southeast corner. The vacated site on the northwest corner could be assembled with a number of adjoining parcels providing sufficient space to create a major development project.
- **University Avenue, from Fairview Avenue to Prior Avenue,** on both sides of the street holds particular promise as considerable redevelopment work is already underway. This includes the construction of 70 units of senior housing by Episcopal Homes, and the development of a new headquarters facility for Goodwill/Easter Seals. Additional development being planned is a major upgrading of the Griggs-Midway office building, and the construction of a new YMCA. The northern boundary of Iris Park opens to University Avenue, and should become a major amenity for this node.
- **The Prior Avenue intersection,** on both the north and south sides, would provide the potential for very sizable assemblage. This could permit a larger campus-type development, which could conceivably include related institutional buildings. The two areas could be linked by an attractive bridge platform as University Avenue

dips below an existing rail line bridge at this point. Menard's home improvement store is reported to be in contract for the northern portion, formerly owned by Knox Lumber.

- **Hampden Avenue and University Avenue**, on the north side of the street, is a 350,000 square foot industrial/warehouse/office complex. Formerly occupied by Johnson Brothers Liquors, that could be converted to housing and related institutional uses.
- **Raymond Avenue and University Avenue**, on the northeast corner is a branch of US Bank. The parcel has a sizeable parking area and possibilities of expansion to adjoining parcels

7. Next Steps

Colleges and Universities: The eight colleges that have participated in preliminary discussions need to quantify the potential market for student housing, their interest in collaborating with other schools, their willingness to commit both short-term pre-development financing and longer-term funding, site and transportation preferences, and program and design parameters. The schools must also resolve which development model is preferable.

University UNITED: Is willing to help facilitate the discussions among the colleges and is continuing to engage the broader community in the discussion about the desirability of this initiative. UNITED is also continuing to explore possible sites and development scenarios, including potential private partners.

City: The City of St. Paul has the potential of being a major partner in any development effort. A project of this magnitude would need to be coordinated with city comprehensive plans and zoning. In addition, it is very likely that city assistance would be needed in assembling developable sites, as well as providing financial support.

It is proposed that a meeting of all interested parties be held in early 2002 to review this report and consider further steps for a possible intercollegiate student housing project on University Avenue.

It is also recommended that over the longer term all parties continue to explore the possibility of a more encompassing collaborative community development initiative, similar to those described in the following section.

8. Universities as Community Developers

In recent years a number of colleges around the country have participated in large-scale redevelopment projects that go well beyond their campus boundaries. The article below from the New York Times gives an excellent overview.

University Develops Housing in Chicago

October 28, 2001

By ROBERT SHAROFF

CHICAGO

In an effort to both expand and enhance its downtown campus, the University of Illinois has teamed up with a consortium of private developers to transform a formerly blighted Near South Side neighborhood into a community with almost 1,000 new homes. About 80 percent of the homes will be sold at market rates, the remainder at lower prices with income ceilings for buyers.

The project, called University Village, also encompasses new and renovated buildings for the university, including two dormitories with rooms for 750 students and a new home for the campus security force in a historic police station. In addition, the university is developing 120,000 square feet of new retail space, and it has tentative plans for two new academic buildings on the 85-acre site, including a possible new home for the business school.

Over all, the project is to cost about \$750 million, with the housing component accounting for about \$300 million.

"For most of our history," said Ellen M. Hamilton, the university's director of real estate, "we've been considered a commuter university. There's long been a desire on campus to create a 24-hour neighborhood, where everyone doesn't leave at night."

The project, which has been in the planning stages for more than a decade and which broke ground last year, is the latest step in the growth of a campus that began after World War II as an offshoot of the main University of Illinois campus in the downstate cities of Champaign and

Urbana.

The Chicago campus was originally at Navy Pier, a onetime steamship wharf just north of downtown, and moved to its current location just southwest of the Loop in 1965. The campus grew considerably after merging with the University of Illinois Medical Center in 1982 and today has about 200 acres within a larger zone bounded roughly by Eisenhower Expressway on the north, 16th Street on the south, Halsted Street on the east and Damen Avenue on the west.

The institution's involvement in a commercial development aimed at revitalizing its neighborhood is not unique. According to a study being done by the Lincoln Institute of Land Policy in Cambridge, Mass., at least 60 such projects are under way at urban universities around the country.

"There's no question that there's an element of enlightened self-interest on the part of universities in these projects," said Terry Foegler, president of Campus Partners, a nonprofit real estate company set up by Ohio State University in Columbus to do neighborhood development in that city. "Unlike businesses, it's tough for universities to relocate when neighborhoods start deteriorating, so it makes sense for them to partner with various entities to try and revitalize these areas."

One of the most extensive programs of this type in recent years is in Philadelphia, where the University of Pennsylvania has spearheaded the redevelopment of a 63-block area. Among the projects it has undertaken is the construction of more than 1 million square feet of new commercial space, including a hotel, a grocery store and a multiplex movie theater. "We brought a lot of private capital as well as university investment to the table," said Dr. Judith Rodin, the university's president. "The neighborhood has been truly transformed."

The University of Illinois has similar aims in Chicago. University Village is at the southeast corner of the campus, a neighborhood with both a lot of history and a lot of problems. A century ago, the area teemed with Jewish immigrants, who founded the Maxwell Street Market, a colorful market and bazaar that endured in its original site until the early 1990's. "It was like Orchard Street on the Lower East Side of New York," said Eve Kronen, managing broker of a Coldwell Banker office in the area.

By the end of the 20th century, however, the neighborhood had deteriorated into a ramshackle area of largely one- and two- story flats and stores punctuated by a large number of vacant lots.

The developers who have teamed up with the university are the Chicago-based Mesirov Stein Real Estate Inc., the Harlem Irving Companies in suburban Norridge and the New Frontier Companies in Springfield, Ill. They have formed a partnership known as the South Campus Development Team.

"We're wearing two hats," said Larry D. Justice, project

executive of the consortium. "We're the developer of the private housing component and the program manager for the university's part of the development."

The consortium is constructing 930 new housing units on 26 acres at the southern end of the site. About 186 of the apartments will be contained in two old concrete warehouse buildings, while the rest will be a mix of new town houses and apartment buildings. Prices range between \$165,000 for a 671- square-foot loft to \$696,000 for a 3,000- square-foot town house. About 366 apartments have already been sold, and the first residents will move in early next year.

About 196 units are classified as affordable, meaning they are priced for buyers who make 80 to 120 percent of the median income for the metro area. Median income for a two-person household in Chicago, for example, is \$56,400 and for a four-person household, \$70,500. The affordable units are priced between \$143,000 and \$228,000.

"The location is very good," Ms. Kronen said. "Neighborhoods become successful when they are attached to other successful neighborhoods, and this one is in close proximity both to the West Loop and the Near South Side."

The project itself is what attracted Rafi Arbel, an attorney with West Group, a legal research firm. "What we liked about it is that the developers are building an entire community from the ground up right next to the university," said Mr. Arbel, who with his wife, Jennifer, recently purchased a 2,800- square-foot town house in the the project. "I like being near the university."

The university's part of the project is also well underway. The first of the two dormitory buildings opened this fall, while the second will be ready in 2003. "We're currently about 10 percent residential and 90 percent commuter," said Mark Rosati, the University's associate chancellor. "We want to increase residential to 25 percent by 2012. This project is a big step in that direction."

Work is also progressing on the construction of a retail district at Halsted and Maxwell Streets. Like the housing, the district combines new and old space. After a bruising fight with a neighborhood group determined to save what was left of the Maxwell Street Market, the university agreed to preserve eight buildings on Halsted Street and the facades of another 13 buildings in the area. The facades are being applied to the exterior of several large new structures that combine retail and parking space.

In addition, an old brick Chicago police station at the western edge of the site is being renovated as the new home for the university's campus security force. The station, a two-story red-brick affair that dates from 1889, will be familiar to many television viewers. During the 1980's, the facade served as the exterior of the police station that was the focus of the long-running series "Hill Street Blues." The station was vacated by the police in the late

1990's.

The new academic buildings will follow in 2004 and 2006 but must be preceded by additional fund raising.

"We feel we're a rising academic powerhouse," Mr. Rosati said. "But to service the city and state as we would like, we need facilities. University Village will benefit the campus on many levels. It will address some of our needs for academic space, enhance the teaching and research environment, alleviate the campus housing crunch and make the university a more attractive destination for students."

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Ohio State University and the Campus Partners Project

In 1994, Ohio State University created a neighborhood revitalization group called Campus Partners to help redevelop the area adjoining its Columbus, Ohio campus. A team of national consultants prepared a comprehensive plan for the University District, with substantive participation by residents, neighborhood organizations and the City of Columbus. In addition, a University group called the Interprofessional Commission of Ohio organized the Campus Collaborative for Educational Excellence, a consortium of 30 colleges and units at Ohio State, to work with Campus Partners to assess and address the social, economic, health and educational needs in the University District. Their participation was intended to stimulate courses, research, and other academic and service activities.

The Board of Ohio State University formally approved a 250-page proposal for the Campus Partners project, and committed \$25 million in endowment funds for property acquisition, noting that endowment funds could be used to invest in real estate assuming there is a reasonable chance of return over time. It also committed \$3 million in unrestricted gift money for operating costs, housing programs and other initiatives. These commitments were contingent upon concurrence from the Columbus City Council in the adoption of the plans as the guiding principles for revitalization for the area. The University established additional guidelines specifying that its funding should provide a financial base and serve as a catalyst to attract other support, not as a substitute for other support.

Campus Partners acquired a number of properties and issued an RFP to redevelop a 7.5 - acre commercial and residential tract at the southern edge of the campus. It also linked up with the Federal National Mortgage Association in a program offering down payment assistance to encourage more faculty and staff to live in the area.

Officials from other universities visited Ohio State University to learn from the Campus Partners project. University of Cincinnati officials expressed concern about their student housing problem. They noted that, "Sixty percent live in two zip codes adjacent to

campus. Residential neighborhoods around the university have a clash with the student neighborhoods. There is a lot of frustration. The neighborhoods surrounding them are not 24-hour neighborhoods.”

Trinity College/ SINA Initiative

In January 1996, Trinity College announced a comprehensive \$175-million neighborhood revitalization initiative for the community surrounding its campus in the heart of Hartford, Connecticut. The initiative linked neighborhood institutions in an effort to create a central hub of educational, health, family-support, and economic development activities. A Learning Corridor was created encompassing a 16-acre site, and ambitious plans developed to revitalize the formerly blighted 15-square block area. Trinity collaborated with the Southside Institutions Neighborhood Alliance (SINA), which included Hartford Hospital, the Institute of Living, Connecticut Children’s Medical Center, and Connecticut Public Television and Radio. The initiative will generate over \$130 million in new construction for new schools, homes and jobs, with support provided by the Aetna Foundation, the Hartford Foundation for Public Giving, the City of Hartford, and the State of Connecticut. The W.K. Kellogg Foundation also awarded Trinity College a \$5.1 million grant to support the College’s plans to build College-community connections emphasizing civic responsibility and educational innovation. The key components include;

- A Community Forum process that will bring together members of the Trinity community with the broadest possible spectrum of stakeholders to identify opportunities and implement programs to strengthen collaboration between the college and the community;
- A Professorship of Comparative Urban Studies to lead Trinity’s urban curricular initiatives and take charge of the College’s efforts to forge creative educational linkages with the community;
- A “Smart Neighborhood” Program which mobilizes the advanced information technology of the area’s major institutions to support educational programs in the community, provide access to this advanced learning and communications technology, and establish a base for expanded local entrepreneurial activity;
- Support for educational management and programming for an early childhood center, three new schools, and community facilities constructed adjacent to Trinity’s campus;
- A Cities Data Center that will assemble an extensive collection of data and studies on the Hartford region and eventually other urban sites in order to serve as both a repository of information and as the research link to the community for the existing Trinity Center for Neighborhoods.

The centerpiece of this collaboration is the Learning Corridor, which is the center of an extended community of learning stretching from Trinity College to the neighborhood and involving nearly 1,500 students from Hartford and the region. The 16-acre campus will house an interdistrict Montessori-style public elementary school, a City of Hartford public middle school, a science, mathematics, and technology high school resource center and the Greater Hartford Academy of the Arts. Trinity and SINA will partner with Hartford-area public school districts, the Capitol Region Education Council and other area higher education institutions to provide Learning Corridor teachers with professional development experiences. Teachers from the metropolitan Hartford area will have access to summer workshops, short-term workshops, and experimental laboratory experiences.

Developed to benefit the entire region, Learning Corridor outreach programming is providing services to teachers, students, and parents in the Capitol region by bringing in classes from other schools for short-term experiences utilizing the resources and educational specialists of the Learning Corridor. The Initiative also calls for the wiring of the neighborhood to connect major institutions and provide residential units access to computer networks and educational resources.

In 1999, the Boys and Girls Club at Trinity College was opened, the first to be affiliated with college or university. Trinity students assist in the operation of the club through work-study programs, internships, and volunteer opportunities.

In addition to spearheading the educational and social programs in the Learning Corridor, Trinity has reached out to the community in other ways. The college joined its SINA partners and the City of Hartford in a major street improvement program to help make the neighborhood more attractive, safer, and more welcoming. New and improved street lighting, wrought iron fencing, landscaping, and directional signage will dramatically improve sidewalks, intersections and streets creating a seamless campus in the neighborhood. Trinity also created a community policing program, and has recently been exploring opportunities to help establish small, community-based retail businesses that will serve local residents, students, and employees of the institutions in the neighborhood. A neighborhood retail assessment has been completed, and financing for small businesses in the area has been increased through the efforts of a local merchants association. In July 1999, the U.S. Department of Housing and Urban Development (HUD) awarded \$2 million in Economic Development Initiative Funds and an additional \$6.2 in loan funds to support key commercial and retail components of the neighborhood initiative. Planning has also begun for establishing local business access to a common electronic information server providing technology support for small business use.

Trinity College President Evan S. Dobbelle, in describing the collaboration noted, "Many individuals and institutions representing many different perspectives and interests have come together and worked together as partners. We have discovered that we share not just common zip codes but also, and more importantly, a common and deep commitment to our city, its residents, and the children who represent its future." He added, "We envision the College and the neighborhood as a single entity."

University of Pennsylvania, University City

The University of Pennsylvania conducted a year long community-based planning study to determine how it could work more closely with its immediate urban neighbors in Philadelphia. Judith Rodin, President of Penn stated, “We believe that the health and vitality of the University of Pennsylvania are inextricably tied to the health and vitality of our neighborhoods, and we are committed to working with other educational, health care and corporate institutions in University City, and with neighborhood groups and community organizations, in a broad based effort to stimulate and encourage neighborhood revitalization”. In a report entitled “Priorities for Neighborhood Revitalization: Goals for the Year 2000” the school proposed “that the areas adjacent to the campus... be developed in such a way as to promote a ‘University atmosphere’ providing for the casual interaction of faculty, staff and students”. It suggested that “... the types of establishments envisioned in this setting include: a café/ coffee house, restaurants, pubs, bookstores, newsstands and a poster shop. Night spots, sporting goods and flower stores and movie theaters that run international and classic films also would be positive additions to the area.”

The University made special efforts to focus on the 40th Street commercial corridor, working to make it cleaner, safer and more attractive. The 40th Street Action Team, a group of Penn administrators and members of the staff, was responsible for identifying and implementing improvements to the area by enhancing sidewalk lighting, planting trees, painting building facades, installing new awnings and signs, and the like. The University also played a key role in the development of the Sansome Common, a 300,000 square-foot retail, restaurant, and hotel complex featuring one of the largest bookstores in the country, operated by Barnes & Noble.

In the development of this project, the University worked to insure that local businesses and community residents were among those who benefited from the development’s construction. Some years earlier, Penn had established a “Buy West Philadelphia” initiative seeking to leverage the university’s considerable buying power to benefit businesses in the adjoining neighborhoods. During the 12-month period from July 1, 1998 through June 30, 1999, Penn purchased \$50 million worth of goods and services from businesses in West Philadelphia, a more than twofold increase over the corresponding amount for fiscal year 1997.

Penn established a mortgage enhancement program in 1965 to make it easier, more affordable and more attractive for University employees to purchase a home in the University City neighborhood, and over the years continued to strengthen that program. Employees are now eligible for up to five percent of the purchase for closing costs, and up to 15 percent of the purchase price for home improvements. For those who already own homes, the University offers up to \$7,500 in matching funds toward home improvements. No interest payments are required, and the loan is forgiven at 20 percent per year over five years as long as the home remains the employee’s principal residence.

In addition to the above initiatives, the University has taken a very proactive role in developing a major commercial property near the campus. It entered into a partnership with Dranoff Properties to convert the former General Electric Building at 31st and Chestnut Streets into a 282-unit luxury apartment house featuring retail and office space, an indoor parking facility and a dramatic atrium courtyard. Under the terms of the partnership, the University, which purchased the vacant warehouse in 1996, will maintain ownership of the building and will enter into a long-term lease with Dranoff Properties. The cost of the project – which will receive no University or public subsidy – is estimated at \$58 million. This complex, called “The Left Bank”, is filling a void in the luxury housing market of University City by providing living space to professionals and others associated with the academic and medical institutions just blocks away.

A program the Penn helped initiate in 1985 has grown to become a national model. In that year an honors history seminar selected the topic, “Urban Universities – Community Relationships: Penn-West Philadelphia, Past Present and Future, as a Case Study”. Each student in the class focused his or her research on a problem in the West Philadelphia neighborhood. Out of this course came a proposal to create a better and less expensive youth corps program, and the establishment of the West Philadelphia Improvement Corps (WEPIC). This is now a year-round program that involves approximately 10,000 children, their parents, and community members in educational and cultural programs, recreation, job training, community improvement and service activities. It is coordinated by the West Philadelphia Partnership – a mediating, non-profit community organization composed of institutions including, Penn, neighborhood organizations, and community leaders, in conjunction with the School District of Philadelphia.

Significant interest in WEPIC’s work has been expressed by institutions of higher education across the country. Following a two year planning period supported by the DeWitt Wallace-Reader’s Digest Fund, awarded a three year \$1 million grant to adapt the program at the University of Kentucky-Lexington, the University of Alabama at Birmingham, and Miami University. Additional levels of funding have expanded this program to numerous other schools.

9. The Minnesota Campus Compact

The Minnesota Campus Compact (MCC) is a coalition of 47 college and university presidents whose mission is to engage their students and institutions in strategic partnerships that strengthen communities and education for informed and active citizenship. As one of 25 state Campus Compact coalitions, MCC is also connected to a growing national network of over 670 college and university presidents committed to these same ends.

MCC serves as a consultant and resource-provider to campus administrators, faculty, staff, students and community partners interested in learning (i.e. “service learning”) or in other forms of campus-community collaboration. MCC educates key constituents, creates opportunities for networking and dialogue across institutions, provides grant opportunities, and responds to numerous requests for assistance. This organization is located in the Midway at 2356 University Avenue West. Their Director Mark Langseth has been especially helpful and supportive of our efforts. Additional information can be found at www.mncampuscompact.org.

10. Economic Impact of Higher Education on Local Economy

Colleges and universities have an enormous impact on our local economy. There are over 5,000 full time employees at the seven private colleges in the University UNITED study group, and approximately 21,000 at the U of M, for a total of 26,000 equivalent FTE’s. Total gross payroll expenses amount to almost \$1.08 billion annually. Overall institutional expenditures for the seven private colleges amounts to approximately \$375 million, and the U of M spends approximately \$1.9 billion annually. This brings the combined institutional expenditures to \$2.2 billion annually, much of which is spent locally.

In addition to payroll and general operating expenditures, local colleges spend heavily on construction projects. The seven private colleges estimate capital construction expenditures of over \$66 million last year, and the U of M spent approximately \$116 million for a total of \$180 million annually.

There are approximately 70,000 students at the eight colleges studied by UNITED. A recent national study reported that students each spend approximately \$10,000 annually for food, housing, apparel, transportation, and the like. Spending by students would therefore account for \$700 million in the local economy. A second study pegged the average annual student spending considerably higher, at \$17,000, which would greatly increase the impact on the local economy.

A recent article on the economic impact of higher education published by the Saint Paul Area Chamber of Commerce noted that college conferences and events provide another significant source of revenue for the community. On average, colleges support 190 programs per institution annually, with some offering more than 2,000 programs. Attendees at these conferences and events indicate that this is the primary reason for visiting the area, a visit that often extends beyond three or more days. An estimated 72 cents of every dollar spent locally is done so off campus, primarily on food, entertainment and tourism.

Colleges and universities also positively impact local economies in many indirect ways. Colleges offer a number of student service learning programs placing students in a

variety of outreach and volunteer efforts in the community. The University of Minnesota, for example, has more than 300 programs that serve children and youth, or assist organizations that benefit young people.

Universities typically attract sizeable research grants that often benefit local business efforts, or help attract new start-up companies. The U of M received nearly \$350 million in contract and grant awards alone in fiscal year 1998 creating thousands of jobs for Minnesotans. In that year, the U also received 40 U.S. patents. Close to \$200 million per year is raised in general contributions by these eight colleges, and much of these funds are applied to the approximately \$200 billion in local endowment funds.

Almost 75% of graduates of the local private colleges stay in Minnesota, and either go on to graduate school or enter the workforce. National rankings of cities as a place to live or work are greatly influenced by the availability of educational facilities, and the level of educational attainment in the general population.

Finally, in a recent report assessing the economic vulnerability of cities in the wake of the September 11 terrorist attack it was concluded that communities with colleges will probably be buffered as students tend to stay in colleges during recessions.

There can be little doubt that the higher education sector is a mainstay of the local economy and that public policy and community efforts should be supportive of this special industry.