

A City/Institutional Partnership

Northwestern University/Evanston Research Park

Presentation to Tri-Cities Research
District by Ron Kysiak, January 14,
2009

The Players

- **Evanston:**
 - **First suburb north of Chicago**
 - **75,000 people**
 - **Diverse population**
 - **City manager form of government**
 - **Seven largest employers non-profits**
 - **Highest property tax rate in region**
 - **Substantial “citizen input” in decision-making**

The Players

- **Northwestern University**
 - Private university
 - 12,000 students
 - 4,000 faculty & staff
 - Occupies 5% of land in city
 - \$440M research budget
 - \$6B endowment
 - History of conflict with city

Benefits to the City

- **Redevelopment of 20 acres of underused land (adjacent to downtown and the university campus) into a technology park**
- **Grow a new economic “knowledge sector”**
- **Expand tax base: create better jobs**
- **Position Evanston as a “cool” city**
- **Create a new and stronger partnership with the university**

Benefits to the University

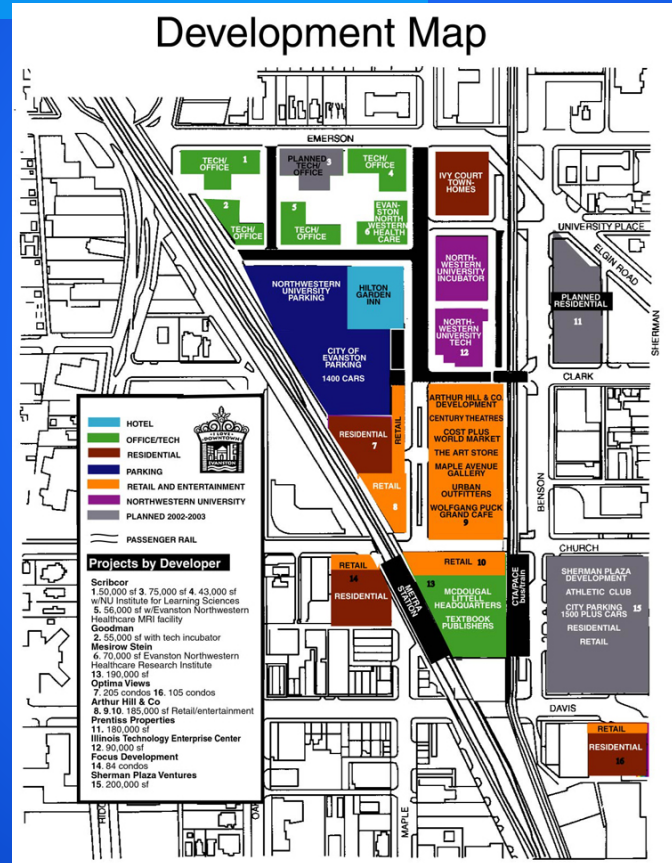
- **Needed off-campus site for \$25M Basic Industry Research Lab (BIRL)**
- **Wanted new industry connections for sponsored research & BIRL contracts**
- **Needed Park to lure “star” faculty**
- **Wanted increased stature (only Harvard, U of Chicago without parks)**
- **Jobs for students (undergrads & grads)**
- **Political points for helping city strengthen the local economy**

Description of Site

- **Adjacent to Evanston CBD and university campus**
- **Land owned equally by city, university, private owners**
- **Used by both for “backyard” uses**
 - auto pools
 - university building and grounds/shops
 - city dog pound, public works, salt storage, etc.

Site Map & Land Uses

- ✧ Light rail lines to Chicago on east and west borders (35 min. ride)
- ✧ New Transportation Center at lower apex of park
- ✧ Downtown has 300+ retail stores, 70 restaurants
- ✧ Lake Michigan five blocks east
- ✧ Technology buildings at the top
- ✧ Parking & hotel in center
- ✧ Theaters, retail at bottom



Northwestern University Campus



Downtown
Evanston



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The Deal

- **City to provide:**
 - public improvements
 - acquisition of remaining properties not owned by university
 - demolition and relocation re new sites
- **University to provide:**
 - marketing
 - management
 - university services and amenities to park companies

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The Deal (cont)

- **Both to provide:**
 - **Jointly-owned for-profit development corporation & operating expenses**
 - **Equally split board of directors (14)**
 - **Funds to run it (\$250K each per year)**
 - **Contribution of owned lands**
 - **Demolition/remediation of owned sites**

Power and Control

- **Two for-profit corporations**
 - **Research Park Inc, (RPI) operating entity with evenly split board of 14**
 - **Incl university trustees, attorneys, etc**
 - **TOPCORP, oversight organization, approves all land sales, budgets for RPI**
 - **Board of Mayor, City Manager, Chair of Econ Dev Ctte; NU president, Senior VP Biz/Finance, VP Institutional Relations**

Issues between city & university

- **History of conflict between partners**
 - e.g., which name first on Park
- **Council minority bloc opposition**
- **Who pays, who controls?**
- **Citizen concerns re:**
 - **Safety**
 - **Environment**
 - **Traffic/congestion**
 - **University as the “great Satan”**

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Other issues affecting the project

- **Large tech companies not moving R&D to urban sites (No market study)**
 - “Synergy” among companies not of interest to large R&D companies
- **Lack of easy east-west access to site**
- **Promised creation of 3,000 jobs in 10 years**
- **University sure of its ability to attract big users**

Better to Be Lucky than Good

- Large companies did not come
- But small, start-up companies did - were attracted to park because it had:
 - Tech Incubator
 - Seed capital fund
 - Technical assistance for start ups
 - Availability of good labor force (grad students)
 - Adjacency to downtown amenities, restaurants
 - Urban “cool,” a sense of “place”

Developer Requirements

- Had to build out entire park
- Had to pay 75% of marketing expenses
- No “munitions” research companies
- Design approval on bldgs required by Park
- Park shared in sale of buildings

Developer Issues (cont)

- **Could only lease land, option to buy after 10 years at appraised value**
- **Full control of tenant selection, but would use “best efforts” to choose tech**
- **Target of 80,000SF built in first 2 yrs**
- **Must start new bldg when last is 85% occupied within 18 months**

Early Success with Developer

- **Builds and fills two tech buildings (100,000SF) with tech tenants**
- **University leases most of first building for faculty business**
- **Warehouse rehabbed for incubator**
- **Positive national publicity**
- **Talks begin with large users**

Technology Innovation Center

- 55,000 SF; 35,000 SF for incubator



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Decline and Fall

- **Real estate melt-down of the 90's**
 - Major slowdown in real estate leasing
 - Inability of developer to finance spec multi-tenant buildings
 - Pressure on developer to reduce rents
 - Large corporate users back away
 - Park loses big tenant for lack of space
 - Developer in default – cannot build

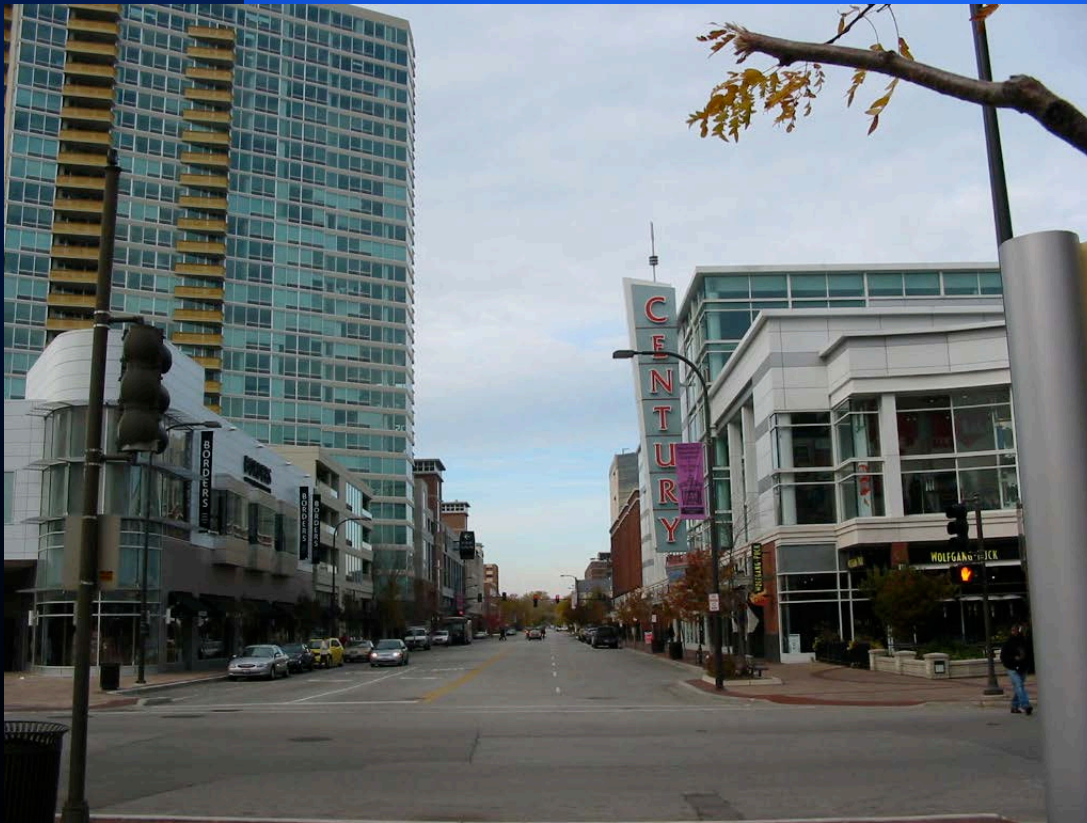
The Plan Changes

- **City demands “commercial development” to fill site**
- **University agrees, but forces a land swap, parking concessions**
- **City claims lower half of Park for parking and hotel**
- **University exits project**

Current Situation: Commercial Development

- **80,000 SF cinema with 100,000 SF retail. 18 screens, 6 arts screens**
- **Hilton hotel: 180 rooms**
- **1400 space city-financed parking structure (thru TIF)**
- **200 unit high rise condominium**
- **30 Town homes**
- **190,000 SF corporate headquarters**

“Downtown II”



Borders
Condo
Theatres
Retail
Parking Structure
Hilton Hotel
Tech Buildings
University
Research
Restaurants

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Current Situation: Research Park

- **Six technology buildings (400,000 SF, 25 companies, 700 jobs)**
- **University DOE research lab returned to university uses, some companies**
- **For-profit Park mgmt company shut down**
- **All sites spoken for but one**
- **Incubator privatized; moved out of park**

400,000 SF Tech Buildings



Technology Innovation Center, 55,000 SF

1033 University, 56,000 SF

Basic Industry Research Lab, 130,000 SF

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Final Result

- Increase in EAV: \$1.8M - \$135M
- Final \$11.8M from TIF used to pay down 1400 car parking garage
- Revitalized downtown; One million visitors to theaters per year
- 80 restaurants
- First “new urbanism,” mixed use technology park

Why Did the Partnership Fail?

- **Wrong focus on corporate R&D**
- **Project oversold to City Council**
- **University unable to attract large R&D “signature” company into park**
- **No city elected officials on board: little communication with City**
- **Changes in university & City Council leadership**
- **No plan when real estate market died**

Lessons Learned

- **Do not oversell the project: it took the RTP 10 years to get its first tenant**
- **Prepare for the long haul: Science Center in Philadelphia founded in 1965**
- **Keep lines of communication open between partners - always**
- **Encourage participation in decision-making**
- **Be prepared to change horses when economic climate changes**

Lessons Learned

- **Emphasize politics, organization & communications over land use plans and market strategies**
- **Don't ask local government to do what they do not know how to do, e.g. lend their credit to real estate developers**
- **Focus your attention on building new companies – they are your future**