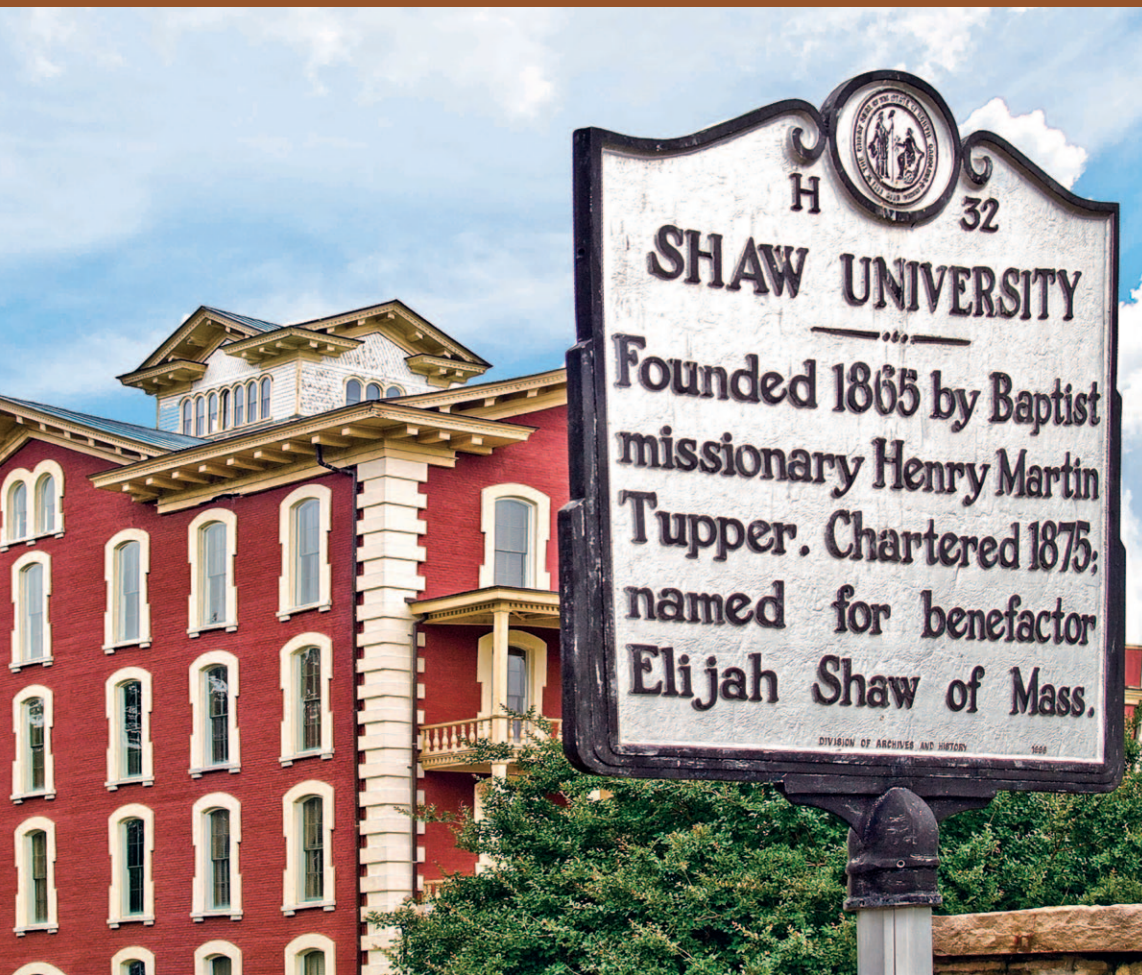


Shaw University Raleigh, North Carolina

A ULI Advisory Services Panel Report

November 10–15, 2019



ULI Urban Land
Institute
Advisory Services

Shaw University Raleigh, North Carolina

Advancing the Mission through Real Estate
and Community Partnerships

A ULI Advisory Services Panel Report

November 10–15, 2019



Urban Land Institute
2001 L Street, NW
Suite 200
Washington, DC 20036-4948
uli.org

About the Urban Land Institute

THE URBAN LAND INSTITUTE is a global, member-driven organization comprising more than 45,000 real estate and urban development professionals dedicated to advancing the Institute's mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 80 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

Peer-to-peer learning is achieved through the knowledge shared by members at thousands of convenings each year that reinforce ULI's position as a global authority on land use and real estate. In 2019 alone, more than 2,400 events were held in about 330 cities around the world.

Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

More information is available at uli.org. Follow ULI on Twitter, Facebook, LinkedIn, and Instagram.

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About ULI Advisory Services

THE GOAL OF THE ULI ADVISORY SERVICES program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled more than 700 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfield redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and are screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a five-day panel assignment is intensive. It includes an in-depth briefing day composed of a tour of the site and meetings with sponsor representatives, a day of hour-long interviews of typically 50 to 100 key community representatives, and two days of formulating recommendations. Long nights of discussion precede the panel's conclusions. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. A written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's five-day panel assignments are able to make accurate assessments of a sponsor's issues and to provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective



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advice that will promote the responsible use of land to enhance the environment.

ULI Program Staff

Paul Bernard

Executive Vice President, Advisory Services

Thomas W. Eitler

Senior Vice President, Advisory Services

Deborah Kerson Bilek

Vice President, Advisory Services

Paul Angelone

Director, Advisory Services

Lauren Callaghan

Director, Advisory Services

Jacqueline Canales

Director, Advisory Services

Ashley Robertson

Senior Associate, UrbanPlan and Advisory Services

Georgia Gempler

Senior Associate, Advisory Services

James A. Mulligan

Senior Editor

Laura Glassman, Publications Professionals LLC

Manuscript Editor

Brandon Weil

Art Director

Deanna Pineda, Muse Advertising Design

Graphic Designer

Craig Chapman

Senior Director, Publishing Operations



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There was a clear dedication to the university's mission to "advance knowledge, facilitate student learning and achievement, to enhance the spiritual and ethical values of its students, and to transform a diverse community of learners into future global leaders." At each engagement, the community communicated its love for and pride in Shaw University, a passion which pushed the panel to strategize transformative recommendations that respect the legacy and promise of this historic institution.

The panel wishes to thank Shaw University for sponsoring this important panel. A special thank you goes to Dr. Paulette Dillard and Dr. Michael West for leading this effort and to Kendra Moody for spearheading critical logistics. Additional thanks are due to the Shaw University board of trustees, the entire Shaw Executive Leadership team, Jechel Briggs and Ian Finley from the SGA, and Robin Hillard and Natasha Walker from ULI Triangle for all their coordination and guidance throughout the panel week.

Contents

2

Panel and ULI Project Staff

3

Assignment, Key
Recommendations,
and Background

7

Study Area and
Surrounding Context

12

A Proud History and
Bright Future

14

Non-Real Estate
Opportunity

18

Real Estate Opportunity

25

Capital Formation: Manage
the Credit Story

28

Placemaking Strategy

32

Brand and Communications
Strategy and Plan

35

Board Governance and
Executive Leadership
Empowerment

37

Shaw Stabilization and
Transformation Action Plan

39

Conclusion

41

About the Panel

Panel and ULI Project Staff

Panel Chair

Lyneir Richardson

Executive Director
Center for Urban Entrepreneurship and
Economic Development
Rutgers Business School
Newark, New Jersey

Panel Members

Paul Bernard

Executive Vice President, Advisory Services
Urban Land Institute
Washington, D.C.

Juanita Hardy

Tiger Management Consulting Group LLC
Silver Spring, Maryland

Nitasha Rajora

Owner's Representative and Consultant
Make Projects LTD
Vancouver, British Columbia

Richard Rogers

Retired President
College for Creative Studies
Grosse Pointe Farms, Michigan

Dawveed Scully

Associate
Skidmore, Owings & Merrill LLP
Chicago, Illinois

Sam Swiller

Senior Adviser of Real Estate and
Economic Development
Gallaudet University
Washington, D.C.

Panel Adviser

Mitchell J. Silver

Former Raleigh Planning Director
Brooklyn, New York

ULI Project Staff

Ashley Robertson

Senior Associate, Advisory Services and UrbanPlan

Rebecca Hill

Associate, Meetings and Events



Assignment, Key Recommendations, and Background

SHAW UNIVERSITY IS A PRIVATE LIBERAL ARTS INSTITUTION located in downtown Raleigh, North Carolina. Shaw holds the distinction of being the first historically black university in the southern United States and among the oldest historically black colleges and universities (HBCUs) in the nation. As such, Shaw has a distinguished history of educating African Americans in business, arts, and sciences—a legacy it proudly continues today. Like many small private institutions, Shaw is challenged by a changing postsecondary educational landscape, declining enrollment, aging facilities, and a limited endowment—issues that both the board and administration are well aware of. However, unlike some of those same institutions, Shaw’s downtown Raleigh location and real estate portfolio are among its most significant assets.

The university’s physical setting is at the southern edge of Raleigh’s central business district, in proximity to the state capitol, Dorothea Dix Park, the campus of North Carolina State University as well as four other colleges and universities, and thriving adjacent residential neighborhoods. In addition, the institution owns several properties outside its core campus both in Raleigh and in other cities across North Carolina. To date, Shaw has elected to leverage these assets to address immediate needs and provide stopgap repair to facilities as the university develops a strategic plan of action for a more prosperous future.

Shaw engaged the Urban Land Institute to convene an Advisory Services panel as the initial step in developing a more robust long-term vision to create campus and community consensus about how to tackle critical challenges and position the institution to evolve over the next 10 years. The panel’s charge was to take a wide-lens view of the market dynamics, identifying untapped links to nearby assets and opportunities to advance the academic and university-wide mission through placemaking on and around Shaw’s core campus. Central to the panel’s directive was to identify land use and real estate property strategies that would support Shaw as it seeks to



SHAW SPIRIT

The word *resilient* epitomizes the Shaw spirit. Established in 1865 immediately following the Civil War, Shaw University was the first historically black institution of higher education in the south. In 1882, Shaw became the first college in the United States to launch a four-year medical program. Building on this legacy of activism, Shaw was the first HBCU to open its doors to women and in 1960 became the birthplace of the Student Non-Violent Coordinating Committee (SNCC).

unleash the untapped potential of its real estate assets to meet its near- and long-term mission and strategic goals.

The Panel's Assignment

Shaw University identified the following 10 questions for the panel:

- What are the land economic/market forces affecting the study area? How can Shaw best leverage these tendencies?
- How can the campus be activated, used, or both to make Shaw more interesting and exciting for students, faculty, and staff, as well as welcoming and attractive to the larger community?
- How can Shaw improve the definition of points of entry (psychological and physical) to the campus?
- How can links be improved with downtown, Dorothea Dix Park, the campus of North Carolina State University (N.C. State) and Cooperating Raleigh College (CRC) institutions, the emerging Downtown South district, and the Southeast Raleigh area and other neighborhood activity centers?

- Can specific catalytic uses on, adjacent to, or off campus better help Shaw meet its current academic goals and its university-wide mission?
- Can any current university-owned properties be leveraged, and what procedure and chronological order should be used to best take advantage of these opportunities?
- What mobility, connectivity, and parking strategies should be pursued by the university?
- What are best practices around capital formation and strategic partnership development?
 - Do specific capital resources or partnerships need to be pursued in the short or long term?
 - Should the university contract with a third-party firm specializing in capital campaigns?
- What is the best organizational structure to ensure efficient and inclusive pursuit of ULI Advisory Services panel recommendations for the preceding questions?
- What is the best use of the university property located on Rock Quarry Road? How can that land asset factor into the growth of the university or provide development opportunities that will create another revenue source for the university?

Summary of the Panel's Major Recommendations

The panel believes that Shaw's success is contingent not only upon unlocking its real estate potential, but also on the institution's ability to rethink its current business model. Therefore, the panel's recommendations address the sponsor's questions through a combination of strategies that propose a multifaceted approach to reorienting the university onto a path of growth. These recommendations fall broadly into the following six categories:

- Non-real estate opportunities;
- Real estate opportunities;
- Capital formation;
- Placemaking strategy;
- Branding and communications; and
- Governance.

To guide implementation of the recommendations, the panel summarized proposed next steps in the Stabilization and Transformation Action Plan (S&T Plan; see "Shaw Stabilization

and Transformation Action Plan” section of this report). The plan provides an estimated range of costs for each action item to increase Shaw’s flexibility as the university seeks to generate the capital to fund implementation activities.

Non–Real Estate Opportunities

Shaw’s ability to achieve its mission can be reinforced by proper leveraging of real estate assets. However, a rich legacy of non–real estate assets should be preserved and designated for future investment. The panel strongly recommends that these non–real estate opportunities remain a priority as Shaw implements a transformative real estate strategy. These recommendations include the following:

- Reinforce and modernize the Shaw brand.
- Ensure that academic programs are aligned with high-growth industries, and take advantage of Shaw’s prime location.
- Embrace and establish partnerships in the community that align with Shaw’s mission.
- Build on successes and tell their story.

Real Estate Opportunities

Continue land analysis to ensure clear understanding of land values and potential for premiums before taking any further action. Shaw should explore the following:

- Use of by-right, unencumbered developable lots;
- Joint-development opportunities;
- Land lease opportunities;
- Disposition or utilization of nonstrategic fringe and outlying properties;
- Enhancement of land value through upzoning and land swaps; and
- Strategic partnership with the city.

Capital Formation

Managing Shaw’s credit story will be key to unlocking and reducing the cost of additional credit and financial opportunities from the capital markets. Shaw should take the following steps:

- Use short-term sales proceeds to stabilize physical and financial operations.
- Develop and share a strategic plan for addressing ongoing concerns.



INFILL DEVELOPMENT

Infill development is the process of developing vacant or underdeveloped parcels located in dense urban settings, increasing their value and creating dynamic uses in neighborhoods where developable land is limited. The economic, environmental, and social benefits of infill development make it an attractive option for cities and institutions that own underused property downtown.

Infill developments are usually located in growth areas already serviced by utilities and infrastructure, thereby reducing redevelopment costs and risk of sprawl. Their urban location means the sites often enjoy increased access to public transit options, jobs, retail, and other amenities.

- Seek the assistance of a “public finance” financial adviser.
- Explore the feasibility of establishing Opportunity Zone partnerships.
- Begin discussions to explore other forms of public financing.

Placemaking Strategy

As Shaw University undertakes a new real estate strategy, the panel strongly recommends Shaw create a sense of place as a downtown campus in an urban setting, including by implementing the following strategies:

- Eliminate the fences where possible to foster greater connectivity with downtown.
- Redevelop the eastern campus block as a joint development deal.
- Reimagine the Blount Street canyon.

- Create accessible and multifunctional green spaces with parklike amenities.
- Integrate design elements to create a sense of place.
- Become an arts and cultural hub for Raleigh and North Carolina's rich African American history.

Branding and Communications

The panel recommends that Shaw's bold, new vision be matched by clear, concise, and consistent communications. A communication strategy should be developed to

- Promote Shaw's visibility among its stakeholders;
- Enhance the community's awareness and understanding about Shaw's past, present, and future;
- Gain stakeholder buy-in and support for a future vision; and
- Identify clear next steps for prioritizing and accomplishing goals.

Governance

Bold and effective leadership is key to successfully implementing the recommendations in this report and setting Shaw University on a path to sustainability and growth. The panel recommendations include the following:

- Ensure that the president and the board work collaboratively and speak in one voice.
- Select future board of trustee members whose skill sets and profiles support Shaw's vision and desired direction.
- Empower the president to take immediate actions toward addressing urgent challenges.

Shaw Stabilization and Transformation Plan

Shaw needs an infusion of cash for long-term transformation and short-term crisis management. The president should be empowered to take immediate action to formulate and implement an S&T Plan.

To fund this endeavor, Shaw should explore multiple avenues for generating roughly \$6 million to \$12 million. One avenue could include selling, at maximum market value, all noncore or nonessential real estate assets. In the S&T Plan, the panel proposes key spending priorities for each of its recommendations. All proceeds should be used for the following purposes:

- Fund short-term operating deficits;
- Fund critical facility and infrastructure maintenance issues;
- Hire best-in-class real estate advisers to identify and lead the advancement of strategic real estate investment programs with the goal of implementing long-term solutions;
- Renovate dormitories;
- Contract governance consulting services;
- Engage a financial adviser familiar with federal debt;
- Hire full-time staff or a contractor to bolster communications; and
- Initiate placemaking projects.



Study Area and Surrounding Context

THE PANEL'S PRIMARY STUDY AREA is Shaw University's 27-acre core campus in Raleigh's thriving downtown. Recent economic and population growth in the city and the region has created opportunities for Shaw and its students. Understanding and leveraging these opportunities is key to the institution's ability to bolster its competitive edge and provide the best educational product to its students, present and future.

The Triangle Region and Raleigh

The Research Triangle (the Triangle) is a dynamic region of North Carolina, anchored by three cities and the major research institutions that call them home: Raleigh (North Carolina State University), Durham (Duke University), and Chapel Hill (University of North Carolina at Chapel Hill). At the heart of the region is Research Triangle Park (RTP). Founded in 1959, RTP is an engine of economic growth and high-tech innovation. With more than 300 companies employing 50,000 workers, RTP is the largest research park in the United States. Notable employers include Microsoft, Lenovo, and Cisco.

The city of Raleigh plays a critical role in the region. Located in the heart of the state, the city serves as the county seat of Wake County and state capital. The city is located in a combined metropolitan statistical area (MSA) consisting of the Raleigh-Cary MSA, the Durham–Chapel Hill MSA, and the Henderson MSA. The population for this combined MSA as of July 1, 2018, was estimated to be 2.2 million.

The U.S. Department of Commerce, U.S. Census Bureau, has recorded Raleigh's population growth as follows:

1990	2000	2010
212,092	276,093	403,892

The Census Bureau released 2018 population information in June 2019, which recorded the city's population estimate as of July 2018 at 469,298, a 16.19 percent increase from the 2010 census figure. This places the city as the 41st-largest city in the United States. Proximity One, a national research organization, has predicted that the city will continue to be among the nation's "population gainers" in the coming decade, based on the census data, as well as historical birth, death, migration, and economic data.

The implications of this growth are not going unnoticed. RTP's success, paired with N.C. State brain power and a blossoming startup community, helped transform Raleigh from a sleepy capital city to a booming hub of innovation and burgeoning cultural center. For example, local software company Red Hat grew from the campus of N.C. State and chose downtown Raleigh as its headquarters. Since that time, it has doubled its Raleigh employment base to 2,200 people.

Downtown Raleigh

Red Hat is far from an anomaly. The success of homegrown companies and institutions has fueled a resident boom in Raleigh's downtown and made it an attractive place to live and invest. The population of downtown Raleigh has grown 55 percent since 2010 with recent and future development set to attract an additional 7,500 new downtown residents. Job growth in downtown has increased 25 percent over that same time, and new office space is anticipated to bring 12,500 new employees. This increased demand has placed additional pressure on affordability. Downtown has seen a 106 percent increase in land values since 2010 and a 39 percent increase in property values.

Downtown Raleigh's attractiveness can also be attributed to its growth as a cultural and culinary destination. In 2018, 3.4 million people visited downtown Raleigh's major attractions. More than 50 galleries, performance spaces, arts hubs, and entertainment venues dot the downtown landscape and make Raleigh a year-round destination. Several James Beard–nominated chefs and restaurants, along with other culinary innovators large and small, have cultivated a buzz around Raleigh's booming food scene. This investment in place has paid off. Raleigh has received significant national acclaim for both its robust local economy and its attractive quality of life; 2019 accolades include the following:

- Best City to Drive In (September 2019, wallethub.com);
- Eleventh Best Big City to Live In (July 2019, wallethub.com);



Downtown Raleigh has experienced steady growth over the past 10 years, a trend that is expected to continue.

- Second on list of Top 100 Best Places to Live (May 2019, livability.com);
- Third Best Quality of Life in the World (March 2019, NUMBEO); and
- Second Most Family-Friendly City (February 2019, Homes.com).

Shaw University sits at the southern edge of this award-winning downtown. It is a short three-block walk from Red Hat Tower. It shares a block with the Center for the Performing Arts. The university is surrounded by established neighborhoods that have historically embraced the university as an anchor for education, activism, and service. As development pressures extend Raleigh's downtown southward, Shaw will find opportunities to position itself confidently within the new downtown context.

DESIGNED FOR GROWTH: HOW THE COLLEGE OF CREATIVE STUDIES REINVENTED ITSELF

The College for Creative Studies (CCS) in Detroit is widely regarded as one of the world's top institutions for an art and design education. As of fall 2019, the college had 1,467 students enrolled—1,414 undergraduates and 53 graduate students. A 2.95 percent increase from 2018, this not only exceeded enrollment goals, but also represented the highest total enrollment and second-largest incoming freshman class in the college's history. More than 240 companies, domestic and international, recruit at the college annually, bolstering CCS's reputation for high-performing students and strong career placement. But while the college's future looks bright today, its outlook was not always so promising.

In 1994, the then Center for Creative Studies, which included the college of art and design and a community music school, was marking its seventh year of declining enrollment. Mounting financial deficits, aging facilities, deferred maintenance, low graduation rates, poor faculty and staff morale, unstable presidential leadership, and division within the board of trustees plagued the institution. These factors greatly impeded CCS's ability to meet its core mission: education of students for careers in art and design. A visit

from one of its accrediting bodies in 1993 had provided a wakeup call: CCS was given three years to address key issues or face sanctions—or worse, loss of accreditation.

These were the conditions Richard Rogers inherited when he became president in 1994. It was clear the college needed a new, comprehensive strategy centered on growth to survive and, eventually, thrive.

Setting a New Course

The first year of Rogers's tenure focused on survival of the institution. It was critical that CCS demonstrate to prospective students and funders that the college had staying power and could be managed effectively. Key to this effort was improving the culture of the institution and building a leadership team equipped to address the challenges facing the college. The new leadership team focused on the fundamentals: balancing the budget, improving enrollment, restructuring management of financial aid, developing a more participatory governance structure, fostering a spirit of collaboration among departments, building a strong board

continued next page

Core Campus and Fringe Properties

Shaw's core campus is bounded by South Street to the north, South Person Street to the east, Martin Luther King Jr. Boulevard to the south, and South Salisbury Street to the west. South Wilmington Street and South Blount Street trisect the campus, creating distinct environments. The campus east of Blount Street houses Shaw's residential and student life functions, while the campus west of Blount houses academic and administrative functions. There are 32 buildings within this core boundary.

Shaw owns multiple properties outside the core campus. Some of these properties, like the Early Childhood Education and Development Center, are located within downtown Raleigh, near

the core campus. Other properties, like the 28-acre undeveloped "Farm," are in Raleigh but located several miles outside of downtown. Still others, like Shaw's Adult Degree Program campuses, are located in other North Carolina cities such as Fayetteville, Greenville, High Point, and Wilmington.

As the city and the region continue to grow, Shaw's real estate holdings are a tremendous asset. They vary from actively used classroom and lab spaces to vacant buildings and lots. Each should be used to address institutional challenges and support Shaw's long-term mission and strategic goals.

DESIGNED FOR GROWTH *continued*

of trustees, improving the student experience, and aligning planning efforts with the college's overall growth strategy.

Rogers launched campuswide strategic planning and campus master-planning processes and appointed committees to define faculty responsibilities, address curricular issues, and develop a student assessment plan. He sought out new ideas, consulted with peer institutions, and drew from his own experience to apply best practices for partnership development, fundraising, student engagement, and community relations. Beyond the boundaries of CCS, Rogers became a fixture in the Detroit community, spreading the news that the college was headed in a new direction and sharing its progress.

Board Empowerment

Critical to CCS's success was the board of trustees. Before the college's new growth strategy, the board was largely disengaged, and conflict within the board hampered its ability to act. Members, while passionate about the institution, were not galvanized to provide the support needed to help the college make its pivot to a best-in-class institution. Board restructuring began with the election of a new chair, Keith Crain, and aggressive recruitment. As a small, private institution, CCS could not rely solely on recruiting alumni. Rather, the college targeted members of Detroit's corporate community and recognized civic leaders, particularly those with fundraising skills and extensive networks in corporations interested in hiring the type of graduates CCS would produce. Trustees were also valued for their professional expertise. With growth as a goal, CCS recruited a major local developer, the chief executive officer of a construction company, and trustees with financial, marketing, and architecture and design skills. Recruitment was a team effort. Crain, prominent in both the city and the automotive industry, leveraged his networks to engage corporate executives. Soon CCS had what was eventually regarded as one of the strongest, most prestigious boards in the city.

The board's roles and responsibilities were clearly defined. Board members were expected to give financially and help raise funds, attend meetings regularly, and advise on major projects and challenges facing the college. Trustees used their professional skills to advance the goals of the college

and to vet and engage industry experts with whom CCS could partner. Fundraising was a major role of the board. CCS's size made it impossible for the college to depend on giving by individual donors or alumni, as some larger universities do. CCS had to adapt its fundraising strategy to meet the culture of the city. In Detroit, corporate philanthropy is strong, and trustees with corporate connections helped make the college extremely successful at accessing corporate dollars. Trustees also introduced the president to their networks and invited Rogers to events where key influencers could be engaged.

Most important, the board and the president formed a relationship of trust and transparency. The president was empowered to make important decisions quickly, and the board ensured accountability.

Brand and Identity

Establishing the CCS brand was an important step in shifting the college's direction. In 2001, the decision was made to change the institution's name from the Center for Creative Studies to the College for Creative Studies. This change clearly communicated that the college was a degree-granting institution and positively affected enrollment. After assessing its strongest program offerings and industry prospects, CCS decided to establish itself as a premier institution exclusively dedicated to visual arts and design. As such, leadership made the difficult decision to discontinue low-performing or unrelated programs, such as the community music school, to focus resources on the visual art and design sector.

Marketing efforts helped communicate the refinement of the college's mission. The internal marketing team was expanded, and a trustee connected the college with a well-known ad agency that supported the college's marketing efforts and created a clear and professional marketing campaign. This multiyear initiative helped hone the college's brand as an institution training the next generation of transportation, product, graphic, and game designers; animators; and illustrators, as well as those in more traditional fine arts and crafts fields. Emphasizing these niches strengthened CCS's relationship with companies in the industries it serves and created pipelines for students to those companies.

Sense of Place

As an urban campus primarily serving commuters, CCS lacked a formal campus. The existing buildings were in need of repair, and new facilities were required to support the programs. The board established a Facilities Committee, chaired by a member who was a successful real estate and retail developer. The college engaged a firm to develop a master plan and launched a campus development initiative. In 1997, CCS purchased an adjacent property and converted the existing building into a library. A gallery that had been off site was moved into the building, further centralizing college activities. A parking structure was built toward the rear of campus to address critical parking demand. In 2001, a new design education building was built to facilitate enhanced learning and accommodate enrollment growth.

A few years later, a landscaped and publicly accessible quad was developed in collaboration with the Detroit Institute of Arts (DIA). Now called the Josephine F. Ford Sculpture Garden, the two-acre garden boasts 11 sculptures from DIA's permanent collection and includes trees, rose shrubs, benches, and lighting designed by an alumnus. Efforts were made to encourage more students to live on campus, and the population housed by the college increased from 120 in 1994 to 625 today.

Community Engagement

CCS took its role as a member of the Detroit community seriously. Leadership saw an opportunity to pivot from an inward-focused institution to an active community partner by reaching beyond the campus to have a positive impact on the city's youth. Noting the loss of art education in public schools, CCS decided to step up and provide the art education it had built its reputation around. The college launched a community-based education program focused on art and design by partnering with social service organizations, local community development groups, schools, and churches to bring instructors into Detroit neighborhoods to work with kindergarten through 12th-grade students. Soon this program would go on to reach 3,000 kids a year.

In 2009, the college doubled down on this value, launching the Henry Ford Academy: School for Creative Studies with two partner organizations. This charter school (now

called University Prep Art and Design) provides inner-city K–12 students with a full college preparatory curriculum supplemented by daily art and design instruction, creates pathways to higher education, and connects students to careers in art and design. CCS also worked with local policymakers to support Detroit's creative economy by establishing Design Core Detroit, which serves as CCS's economic development arm, advancing initiatives to support design-driven businesses in the region. Design Core led the successful effort to designate Detroit as the first and only UNESCO City of Design in the United States.

The College for Creative Studies' presence and engagement with its community did not go unnoticed. Not only were outreach efforts a testament of the college's dedication to its mission, but they also demonstrated CCS's commitment to the well-being of the city and its residents—a commitment that would prove to be mutual.

In June 2019, after 25 years as president, Rogers retired from the college. Over the length of his tenure, enrollment more than doubled, seven new undergraduate majors were added, CCS started its first graduate programs, and it developed what has been called a national model for community engagement. The endowment increased from \$6 million to over \$80 million, including a \$50 million bequest from Josephine F. Ford, the largest gift to a private art and design college.

In 2009, the college expanded to a second site less than a mile from its main campus when it redeveloped the original, 760,000-square-foot General Motors research center into a multiuse facility housing the college's undergraduate and graduate design programs, the charter school's middle and high schools, 300 beds of student housing, the college's community outreach and economic development programs, dining facilities, a gallery, a book and art supply store, a conference center, and the headquarters of Shinola, a manufacturer of watches, leather goods, and other lifestyle products. A second parking structure was built adjacent to the building. The main campus was then reconfigured so the programs that remained there could expand into the space vacated by the programs that moved to the new facility. This project increased the college's physical space to about 1.5 million square feet from 280,000 square feet in 1994.



A Proud History and Bright Future

SHAW UNIVERSITY, SINCE ITS FOUNDING, has been a pioneer in providing higher education to African Americans, giving them the opportunity to be productive citizens, support their families, achieve personal and professional fulfillment, and contribute to the larger society. Shaw has provided generations of African American women and men—and particularly those from rural areas, from vulnerable populations, or with limited options—with a high-quality education. Its graduates have gone on to distinction in a wide variety of fields and to be prominent civic leaders. Shaw is an anchor in the Raleigh community. It is a beacon of hope for those who understand the power of education to transform lives.

Shaw's founders responded to the pressing needs of their time, establishing a visionary institution that created a new form of higher learning for a renewed nation. Their prescience calls upon and inspires Shaw today to reimagine itself for this still-young century. A new Shaw—just as pioneering and innovative—is needed for a new economy in a dynamic and growing city. Shaw's ancestors left it a great spiritual and academic legacy and a great gift of land to sustain it. Shaw must use that legacy and land wisely to ensure that it can continue to serve the African American community and the larger society for many generations to come.

Even so, Shaw also recognizes that its capacity for reinvention is severely challenged. Like many small, liberal arts colleges, Shaw is financially constrained by low enrollment and mounting debts. The university has identified several capital projects requiring immediate action both within and outside the core campus. Many HBCUs are similarly threatened, and many have closed, which is a great loss to the nation. University leadership has worked tirelessly to prioritize investments and source funds, but a long-term solution must be found. Shaw understands that it is facing a significant challenge and that now is a pivotal moment in determining the future of the institution.

Empowered, courageous, and decisive leadership is needed. Trusted, sophisticated advisers should be retained and hired to inform decisions that must be made. In recent years, Shaw has had several plans for renewal that have not come to fruition. An ambitious, comprehensive, and feasible plan must be developed with urgency to address Shaw's needs and to grasp the extraordinary opportunities that a thriving Raleigh offers it. Shaw must reassert its position as one of the premier institutions in the city and region and reclaim its rightful place as an influential force in the city's development. Leveraging its real estate assets, history, reputation, and location is critical to Shaw's renewal.

The panel firmly believes that Shaw has a bright and hopeful future. Shaw's leadership and its entire community demonstrate the commitment and determination to overcome the problems of the past and build a robust educational institution for the 21st century. The recommendations in this report provide guidance and insight into best practices that will support Shaw as the university seeks to advance actions necessary for short-term survival, consistent operational sustainability, and generational transformation. Shaw will emerge stronger than ever.



TERRENCE JONES

Non-Real Estate Opportunity

THROUGHOUT THE PANEL WEEK AND VARIOUS INTERVIEWS, the panel learned about Shaw's legacy, past and present. Shaw is a land-rich institution with several real estate assets at its disposal; however, the panel was deeply encouraged by the non-real estate assets that lie at the core of the institution's resilience in the hearts and minds of its students and community.

From the resilience of Shaw's brand, to the devotion of its faculty who routinely go above and beyond their mandate, to the successful programs that have thrived despite financial challenges, Shaw's competitive edge stretches beyond its zip code. As a plan for stabilization and transformation is devised, the panel believes that these non-real estate assets should be preserved, incorporated into future plans, and celebrated in real time.

Capitalize on the Shaw Brand

Since its inception, Shaw has been a beacon of tradition, activism, and service, playing a role with regard to its students and the broader community that goes far beyond that of

traditional educator. This passion is still clearly reflected in Shaw's faculty, staff, and administrators who have invested in their students beyond just academic success. It is also reflected in the student body whose activism on campus and in the community elevates key social issues. Today, Shaw can still transform that passion into a catalyst for change in the city and North Carolina more broadly.

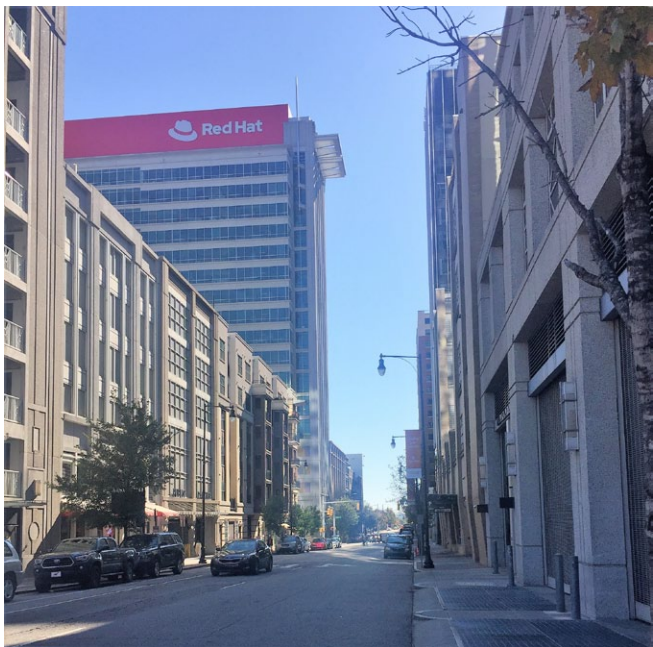
The historically African American Southeast Raleigh neighborhood has a lasting bond with Shaw. Some residents even express the view that their destinies are tied together. However, pressures from gentrification, demographic shifts, and community change threaten to strain both entities and their symbiotic relationship. Shaw has an opportunity to use

its strengths in service to the community and to invite the community in as a partner in its transformation. By supporting and launching initiatives that are mutually beneficial and in line with Shaw's value of equity and inclusion, the university reinforces the relevance of its brand.

Similarly, Shaw serves a niche student. Like many HBCUs Shaw invests in the education of African American students. Many of Shaw's students are first-generation college students, come from low-income families, or are traveling to Raleigh from small to medium-sized communities across North Carolina. In a state and country challenged by widening inequality, Shaw is playing a significant role by creating ladders of opportunity for students and facilitating their economic mobility.

Leverage Location beyond Real Estate Value

Shaw's proximity to downtown creates massive opportunities for students. Major companies located in downtown Raleigh and the broader Triangle region provide access to careers in high-growth and in-demand industries. Shaw has the opportunity and the proximity to serve as a talent pipeline for these industries. As Shaw looks to make the most of its location, it should seek new ways to cultivate an environment of connectivity between students and the career opportunities at their doorstep. The opportunity exists to mobilize vacant



Companies and universities can form symbiotic partnerships to cultivate innovative collaborations and solve critical challenges facing both organizations. Shaw and downtown companies like Red Hat should continue to explore new opportunities to forge deeper connections.

properties to empower existing student initiatives. Soft-skill development may also be needed to support students looking to access careers.

Embrace and Establish Partnerships

Shaw is creating a new vision. Although many in the community are eager to be partners, they are unclear on the best ways to support the institution. As Shaw develops its plan for transformation, proactively identifying and delegating opportunities for partners to advance efforts is key to creating lasting relationships and meaningful change. It is also important to think creatively about partnership development. Explore opportunities to reach out to alumni. Identify and participate in external efforts that align with Shaw's vision and affect its campus. These engagements should be strategically prioritized and pull on the full strength of Shaw's leadership and staff.

Build on Successes

Shaw has proven its ability to excel in academia and in partnership development. Leadership should build on these successes, identify transferrable tactics, and apply them to other academic programs and partnership development opportunities.



Downtown visitors are eager to explore their surroundings. Branded, recognizable wayfinding is a popular way for colleges and universities to mark their presence in the community. Wayfinding not only directs visitors to the institution, but can also be used to advertise milestones, celebrate major achievements, or share school pride. These uses are especially important for colleges and universities with a smaller footprint. Consistent imagery that extends beyond the core campus knits the campus to its surrounding community, further enhancing their symbiotic relationship.

EMBRACE AND ESTABLISH PARTNERSHIPS

Universities and colleges of all sizes are identifying their core strengths and cultivating strategic industry partnerships that stretch beyond the traditional transactional approach of academia-industry collaborations to foster dynamic, lasting connections that benefit both organizations.

Smaller universities, colleges, and community colleges are particularly attractive partners for companies looking to grow their local talent pipeline or provide training to their existing workforce. GE funds its employees to receive certificates or training for skills related to manufacturing or the global supply chain. GE employees are funneled through the community colleges local to GE sites. To support these programs, GE provides the community colleges with funding, operational support, and equipment. In this way, GE enables community colleges to develop programs in high-demand disciplines and industries without bearing the full costs traditionally associated with creating a brand-new program.

Central Piedmont Community College (CPCC) in Charlotte, North Carolina, takes the proactive approach of meeting with potential partners to identify their needs and solutions the college could provide. These solutions may include internships, apprenticeship programs, or short-term career exploration opportunities. CPCC prides itself on being nimble and responsive to target industries.

North Carolina Central University (NCCU), an HBCU in Durham, North Carolina, invites business leaders with specific industry expertise to contribute their knowledge to the advancement of the institution.

At the business school, industry experts can serve on the board of visitors. The board of visitors' role is to assess the business school's programs and advise on ways the

school can enhance the learning environment. Schools and departments often seek input from members of their board of visitors on ways to strengthen teaching, scholarship, and service. Members can represent a cross section of industries and provide both private-sector and public-sector competencies. They can be alumni, parents, or friends of the institution who are chosen for their demonstrated expertise, industry networks, and ability to leverage this access to the benefit of the program.

NCCU also has departmental Advisory Councils. Council members help NCCU and its students keep a finger on the pulse of industry trends, provide internship and externship opportunities, and enhance the curriculum by serving as guest speakers, lecturers, and mentors. Like visitors, council members are able to expand the university's network by connecting the institution with their colleagues and outside organizations.

At the other end of the scale is Johns Hopkins University in Baltimore. A world-class research institution, Johns Hopkins established the Johns Hopkins Technology Ventures office (JHTV) to focus on establishing and managing university-industry research partnerships. JHTV's niche focus positions it as the front door of the university for potential industry partners. Resources such as a research agreement summary terms document that explains key terms in its research contract help ease the negotiation process and expedite deal execution. JHTV has managed over \$100 million in corporate collaboration since 2015. Although the scale of such an endeavor may be prohibitive for some smaller institutions, Johns Hopkins's clear communication of a streamlined partnership-formation process is a key strategy in its success and is transferrable to institutions of all sizes.

One example is the Center for Early Childhood Education, Development and Research. This center consistently graduates teachers who immediately enter the workforce in a career aligned with their degree focus. From the start, the center has welcomed the broader community into its research and training facility. This has resulted in meaningful partnerships with the city of Raleigh and Wake County school system. Jobs for child, family, and school social workers are listed as a five-star occupation by North Carolina Five-Star Jobs, which indexes occupations to identify those that have promising career prospects. The center is a meaningful example of a program

that has stayed relevant and connected to the community in the midst of a transforming city.

Another example is the Cooperating Raleigh Colleges. This consortium of six colleges and universities in Raleigh and Wake County allows students to study and experience campus life at different institutions of higher learning. For students interested in studying applied science, business administration, criminal justice, early childhood education, and human services technology, Shaw has a university partnership with Wake Tech. Through the 2+2 agreement, students can spend two years at Wake Tech and two years at Shaw University.

INNOVATION CENTERS

Shaw's partnership with the Carolina Small Business Development Fund to create the Innovation and Entrepreneurship Center is a great example of organizations with aligned goals, working together to advance their missions. The Innovation and Entrepreneurship Center, which opened in 2017, provides small business owners and students with the technical expertise and tools needed to build thriving companies.

Through trainings hosted by the center, entrepreneurs learn how to access venture capital, how to develop a successful crowdfunding campaign, and how to identify the right technology to power their ideas. The partnership also has the added benefit of creating a place where students, alumni, and small business owners have intellectual "collisions," which fosters the opportunity for mutually beneficial collaborations, exchange of ideas, recruitment, and product exposure.

The Innovation and Entrepreneurship Center is clearly a valued resource to the community. As it continues to grow and gain momentum, the center presents a powerful opportunity to serve as the face of campus innovation.

Institutions of higher education across the country are turning to innovation centers, maker hubs, and incubators to bridge academia and industry. In fact, corporate partners often see a benefit in sponsoring innovation hubs because it affords them access to a university's startup portfolio, top talent, and research capacity. Incubators on and off campus can house business operations and serve as hands-on learning laboratories for students. Incubators are not limited to science, technology, engineering, and mathematics (STEM)-related ventures. Food incubators are seeing growing relevance. Cities like Raleigh have become foodie destinations, with a concentration of local food entrepreneurs and

award-winning restaurants. The emphasis on eating local and sustainable food, expanded vegan options, and finding solutions for urban food deserts has created a wealth of market opportunities for food startups.

Hospitality is another industry option. Hotel demand in downtown Raleigh is outpacing supply, especially for visitors looking for easy access to the Convention Center. A focus on a hospitality lab that allows students to learn critical skills while meeting a local need would serve student career interests and address a critical need for downtown Raleigh. The Hospitality Innovation and Technology Lab (HIT Lab) at West Virginia University serves as a platform for problem-solving the hospitality and tourism industry's challenges. The lab offers experiential learning, works on real-life projects, and closely follows industry trends. It conducts research, provides training for the workforce, and designs tech solutions to common problems. Based in the university's College of Business and Economics, the lab partners with convention and visitors bureaus, hotel brands, innovative companies, and management teams.

Inclusive Innovation Incubator (In3) is listed by the city of Washington, D.C., as a resource for the local hospitality industry. This partnership between Howard University and the city is an affordable co-working incubator focusing on diversity and inclusion. Launched in 2017, In3 is operated by Luma Lab, a STEM education program run by Clearly Innovative. Clearly Innovative brings its experience in mobile and web development to enhance In3's programming and to provide members with expert technical guidance. In3 actively solicits sponsorships on its website with various support levels from venue name sponsorship to membership underwriting, to provision of in-kind services or equipment.



Real Estate Opportunity

SPECIFIC TO THE SCOPE, this panel's primary responsibility was to review the potential of Shaw University's real estate holdings as a generator and storehouse for value. This section provides an overview of the Raleigh real estate context, Shaw's real estate holdings, and the challenges that are defining Shaw's current real estate environment. The panel's recommendations identify options that would support the university as it seeks to survive, stabilize, and ultimately thrive.

The Role of Real Estate

Real estate is land and any property attached directly to it, including any subset of land that has been improved through legal human actions. Real estate also entails the right to use, control, and dispose of the land and its attached objects. The power of real estate is often recognized through permitted and/or actual land use or its trading/transactional value.

Real estate may also assume roles beyond development or trade, including placemaking, sustainability, historic preservation, passive recreation, and the like. In the panel's

assignment, Shaw University asked the panel to focus on three potential roles of real estate for this engagement:

- Generator of near-term cash flow;
- Facilitator for longer-term financial stability; and
- Resource for mission-based transformational initiatives.

Unlike some other smaller universities, who are both cash and asset poor, Shaw finds itself in an advantaged position of being somewhat cash challenged but asset rich. The question then is whether the value of Shaw's real estate asset base can be unlocked to address its short-term and longer-term needs and growth objectives.

In addition to generating precious capital, unlocking the value of real estate brings other strategic benefits. These benefits for Shaw include, but are not limited to, the following:

- Diversification and generation of new sources of income;
- Recognized or freed collateral or security for borrowing;
- Consideration of new opportunities and platforms for cultural, placemaking, and improved student amenities;
- Capital source to address immediate campus infrastructure and building conditions and a potential rainy-day fund;
- Potential to further catalyze new investment for the downtown area and rebuild trust within the business community and bridge relations to local residential community and city government; and
- Potential to positively affect capital formation opportunities through positioning on real estate transactions or strategies to enhance Shaw's credit profile.

The Raleigh Real Estate Opportunity

The city of Raleigh is experiencing a moment of tremendous growth. Shaw University is at the doorstep of several potential opportunities. Giving Raleigh an Aaa municipal credit rating, Moody's Analytics maintains a stable and positive credit outlook for the city, stating in a recent report that the Raleigh credit rating may exceed that of the state and nation in the near term. Moody's believes that job growth will remain broad-based, population gains will fuel demand in consumer industries, and knowledge-based industries will expand thanks to an increasing tech presence.

The city derives its economic profile from a diverse combination of business and employment centers including state government, higher education, health care, technology, and retail trade. The city is the home of the principal executive, judicial, and regulatory offices of the state government, as well as six public and private institutions of higher education,

LEGEND

BLUE Glenwood South District **ORANGE** Capital District **PURPLE** Moore Square District **YELLOW** Fayetteville Street District **GRAY** Warehouse District



DOWNTOWN RALEIGH

Pulling from RTP's success, Raleigh has transitioned from a predominantly government area to a vibrant 18-hour city with a booming technology sector and a startup culture that competes with Silicon Valley.

NO. 1
BEST CITIES FOR STARTUPS
YOU'LL WANT TO BE BASED IN
IBISDSTAT

NO. 2
MOST EDUCATED CITY
IN THE COUNTRY
FORBES

NO. 3
AMERICA'S BEST CITY FOR
YOUNG PROFESSIONALS
FORBES

NO. 2
AMERICA'S HOTTEST
SPOTS FOR TECH JOBS
FORBES

- ▶ Glenwood South District
- ▶ Capital District
- ▶ Moore Square District
- ▶ Fayetteville Street District
- ▶ Warehouse District

Colleges and universities located in urban settings have the benefit of being able to integrate their campuses physically and programmatically into the fabric of the cities they call home. Students benefit from expanded internship, networking, and career opportunities, as well as access to social and cultural amenities.

obligations are coming due in the medium term with the university's bond payment deferral ending in 2023 (which will add an additional \$2.4 million obligation annually for seven years). It is not certain Shaw could withstand an economic recession or further decline in student enrollment without severe or catastrophic effect.

Unlocking the Value of Real Estate

To position Shaw University on a path out of crisis and on the road toward success, Shaw must work quickly to convert the value stored in its real estate assets into an accessible financial resource. Shaw must act immediately on a three-step real estate strategy: survive, stabilize, and thrive. Although these steps need to be carried out in order, they may or may not overlap.

Survive: Generate Near-Term Cash Flow

Shaw must continue its effort to execute real estate initiatives, in a strategic fashion:

1. Identify which of its assets are fringe, noncore, nonstrategic, and not part of its placemaking plan.
2. Identify opportunities to quickly enhance the value of these assets, including renovations to maximize curb appeal, zoning that can be enhanced quickly, and adjacent properties that can be assembled or joint-ventured with Shaw's into larger parcels.
3. Divest assets to generate a minimum of \$6.2 million in cash within six months.

At the same time, Shaw must review and update its Facilities Maintenance Plan and quantify the magnitude of urgent facility and infrastructure needs. The university must move to carry out best facility management practices:

1. Develop a list of prequalified contractors, moving away from vendors with longstanding relationships to those who complete repairs and maintenance on budget, on time, and in full.
2. Secure a minimum of three bids for each assignment to ensure bids are competitive.
3. Allocate funding for deferred maintenance that goes beyond immediate fixes and provides long-term solutions.



Students spend more time in their dorms than almost any other building on campus. High-quality dorms can be a powerful recruitment tool for prospective students while fostering a sense of community that enriches the college experience for existing students.

Stabilize: Facilitate Long-Term Financial Stability

Given that the university's largest financial asset is its real estate, with a value more than 10 times that of its endowment, Shaw needs to increase its organizational real estate capacity. Currently, no staff is dedicated to the stewardship of the institution's real assets. As such, the university is unable to evaluate and execute real estate strategy quickly or with confidence, preventing its assets from positively contributing to the school's operations. Shaw must continue its efforts to develop in-house real estate capacity.

The university must move to hire or reallocate an existing employee to be dedicated to day-to-day real estate operations. Shaw's existing real estate management and property entities should be properly positioned to shelter the university from legal, financial, and tax liabilities and quickly execute real estate initiatives. A memorandum of understanding between Shaw and its management entity should establish the roles and responsibilities of this entity as an instrument of change that would assist in enabling the mission of the university by serving the university's real estate needs. Further, the entity should be positioned as a valued connection between Shaw and the land use industry. Shaw should bring on as board members independent individuals with deep real estate expertise and networks and the capacity to mobilize these assets on behalf of the university.

Second, the university must finalize a strategic plan that builds on previous planning efforts and optimizes the campus core to the university's operations, student experience, and financial

CASE STUDY: GALLAUDET UNIVERSITY

Gallaudet University is the world's only university in which all programs and services are specifically designed to accommodate deaf and hard-of-hearing students. Founded in 1864, in the northeast quadrant of Washington, D.C., it currently enrolls 1,860 students on its 99-acre campus. In 2011, Gallaudet University initiated the development of a 10-year master plan, an update to its campus master plan. As a launch for this effort, the university engaged the Urban Land Institute to conduct an Advisory Services panel to provide guidance and recommendations. The panel realized that like many liberal art colleges, Gallaudet was faced with significant organizational, financial, and operational challenges. However, the opportunities and resilience of the community outweighed these challenges. Among the panel's recommendations were the need to build bridges to the surrounding neighborhood and the city through placemaking efforts and a dramatic pedestrian entrance. The university was encouraged to execute a development agreement with a developer for the transformation of a key site into a mixed-use development with neighborhood-scale retail and multifamily housing. The panel strongly recommended the creation of a full-time real estate adviser position tasked with pursuing off-campus ventures with an entrepreneurial spirit.

Today, Gallaudet has a nine-person Real Estate Development team in charge of vetting developers and advancing projects. The team brings together diverse experiences and backgrounds. The members represent the legal sector, architects, developers, and university executive staff. The team's major project is the Sixth Street redevelopment. The team vetted and selected JBG Smith as its development partner and is beginning the second stage of the Planned Unit Development process, which is set to take eight to 10 months to complete. See the full Gallaudet University Advisory Services panel report at <http://americas.uli.org/wp-content/uploads/sites/2/ULI-Documents/2011DCGallaudetReport.pdf>.



PHOTO: WIKIMEDIA COMMONS

position. Through its newly established real estate capacity, Shaw must identify which portions of the campus core are most valuable for university use and which could better serve as a financial resource for the university. Shaw should further explore how to best maximize and extract value from these assets, whether via joint ventures, enhanced sales, or other approaches.

Third, Shaw must recognize its responsibilities as an owner of large real estate assets. It must operate with transparency and engagement. This could include identifying what buildings represent the institution's heritage and are underused assets that can help preserve said heritage. Shaw needs to develop a credit story to increase credit markets' faith in the university. Shaw should also engage city officials to strengthen relationships and begin partnership conversations. As Shaw stabilizes, leadership should pursue opportunities for the university to take its rightful place at the table of the major institutions and corporations of Raleigh and be a confident partner in advancing change on and around Shaw's campus.

Students, current and prospective, are a key part of Shaw's future stabilization. To quickly enhance the student experience, Shaw must consolidate on-campus students into a single dormitory, with genders alternating floors. This will free up other dormitories for building-wide renovations focusing on bathrooms, dorm rooms, mechanical systems, and windows.

Timing of these stabilization initiatives is dependent on many factors and is not easily predictable. However, Shaw should anticipate a five- to six-year time horizon focused on stabilizing and setting the foundation for thriving.

Thrive: Create Resources for Mission-Based Transformational Initiatives

Once stability has been achieved, Shaw should be in the driver's seat of deal structuring. Using the mission as a guide, the institution should devise and execute a bold vision for realizing large opportunities and marketing large opportunities. Examples of this include the following:

- Evaluate the option to market the approximately 4.6-acre campus parcel south of Fleming Key (including Fleming Key), east of Blount Street, west of Person Street, and north of Martin Luther King Boulevard with an estimated land value of \$30 million to \$40 million.
- Evaluate the option to market the campus parcel south of Martin Luther King Boulevard, east of Wilmington Street, west of Blount Street, and north of Bledsoe Avenue,

HOWARD UNIVERSITY TAPS THE VALUE OF VACANT OR UNDERUSED LAND IN ITS FAST-GROWING NEIGHBORHOOD

Howard University has engaged in an ongoing strategy of diversifying revenue by monetizing its greatest asset, its location in a highly desirable neighborhood of Washington, D.C. The university identified more than a half-dozen properties that were no longer needed by the university and could be transformed into mixed-use redevelopments. These properties included older dorms, surface parking lots, and vacant buildings. Adamant not to sell, Howard looks to engage developers in long-term leases that would create mutually beneficial projects and support the historic community.

In a \$22 million deal, Howard University and Jair Lynch Real Estate Partners entered into a 99-year ground lease for the Meridian Hill Hall dormitory. The dorm was originally constructed in 1942 as a hotel for young women and served as off-campus housing for Howard from 1969 to 2014. In a joint venture with MacFarlane Partners, Jair Lynch Real Estate redeveloped the building into an eight-story, 206-unit apartment community. The project broke ground in April 2017 and was completed in 2018. Financing included construction financing from EagleBank and historic tax credit equity from JPMorgan Chase.

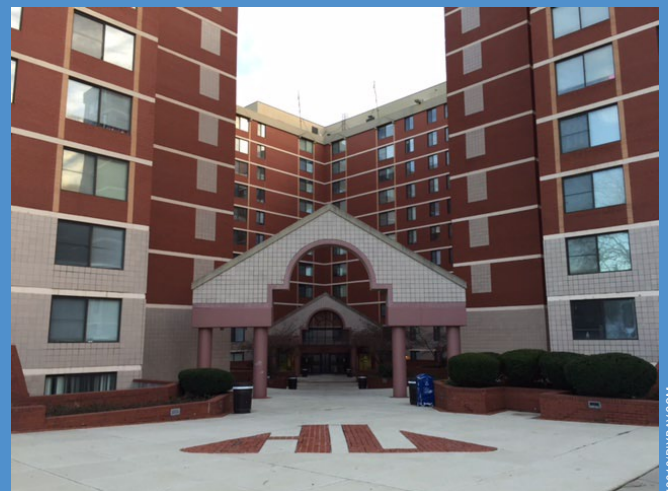
In another deal, Howard University signed a 99-year ground lease with development team Urban Investment Partners (UIP) and Neighborhood Development Company (NDC). In this \$50 million deal, the team will develop former residence halls Carver Hall and Slowe Hall into a 162-unit apartment community. Howard chose UIP and NDC from a competitive group of developers who responded to the university's request for proposals for the sites. Howard maintains fee simple ownership of the site and negotiated the engagement of minority equity investors and trade contractors. The terms also include scholarships for Howard University students. This deal was widely publicized by Howard's department of communication as well as local industry news outlets. It was championed by the university's president, Wayne A.I. Frederick, who is spearheading Howard's real estate strategy.

"The strategy to diversify and improve university revenue streams is being furthered by innovative transactions such as these," said Dr. Frederick. "They will deliver capital to fund other campus modernization initiatives such as a new undergraduate library, renovated program space for the

School of Nursing and Allied Health, and the necessary pre-planning work for a new building for the School of Communications."

To address Howard's own need for on-campus housing, the university partnered with Corvias to renovate two residential towers. The renovation of Howard Plaza Towers West and Howard Plaza Towers East was staggered to enable some students to move into the 327 units of the west tower while the east tower was under construction. The 10-story towers cost an estimated \$35.5 million each to renovate and allow for more bedrooms, modern kitchen appliances, new bathroom amenities, and more. Corvias will also manage the building according to its 40-year agreement with the university. In addition to housing, Corvias was a partner in the university's first on-campus barbershop, which is conveniently located in the tower. This \$25,000 amenity offers free haircuts and grooming services along with educational programming.

Howard University's urban campus provides an opportunity to transform underutilized and vacant property into dynamic projects that generate capital to support Howard's core mission, and support the city's need for housing and amenities. This effort is enhanced by the fact that Howard's campus blends seamlessly with the surrounding community, drawing development and social and cultural amenities right to student's doorsteps. This access is a major recruitment tool for both students and faculty.



12019/PXBAY.COM

comprising 2.9 acres with an estimated land value of \$12 million to \$16 million.

Real Estate Strategies for Tapping into Value

The panel recommends Shaw continue analysis of properties to ensure it has a clear understanding of the land values for all owned sites, including any premium related to the upzoning potential of the sites, before any further action is taken.

The panel has identified the following opportunities for the university to access the untapped potential in its real estate holdings.

- *By-right, unencumbered developable lots:* The eastern half of campus is zoned OX-12. This means it has outright zoning to build 12 stories, while the western portion is zoned OX-5, which allows a maximum five stories. By-right zoning means the rezoning process, which can take six months, can be bypassed, allowing a new development to come online more quickly.
 - *Joint development:* Various partnership models can be used for sites that the university wishes to retain ownership of and where some university-related uses are required. Once a site is identified, such as a student residence or academic space, a partner (usually a private-sector company) is competitively selected to design, build, and finance the facility. Maintenance and operations are sometimes also included within the private-sector scope. In this model, the developer builds the project, which will include some university-related programming with the remaining area provided for market uses. The private-sector developer would pay the university an annual lease payment for a specified term for the use of its portion of the land for market uses.
 - *Land lease:* An outright land lease would allow the university to lease its land to a private developer to construct a project. The benefit of the approach is a continuous revenue stream and ability to retain ownership of the land. Land leases are typically for longer durations of 50 or 99 years, after which ownership is returned to the landowner. Renewal clauses are often built into land lease arrangements. The downside of this approach versus an outright sale of land is that the value of the leasehold is often less than that of properties sold on a freehold land basis. Some of this discount is mitigated by providing a longer lease duration. Financing can also be affected in leasehold situations, because some banks will not consider non-freehold land or may charge higher rates, and refinancing can be difficult once the remaining lease term is less than 30 years.
- *Disposition of nonstrategic fringe and outlying properties:* Currently, Shaw has a number of noncore, nonstrategic properties. The disposition of these nonessential properties could free up short-term cash and address urgent facility needs.
 - *Enhancing land value through upzoning, land swaps, and acquisition of strategic adjacent properties:* The Raleigh Future Land Use map shows areas that are available for upzoning. Shaw should work with its designated real estate team to determine which sites have greatest potential for upzoning to increase density and property value for future co-development or disposition.
 - *Partnerships with the city:* Shaw should be working closely with the city to plan infrastructure updates such as streetscape and transportation improvements that are needed if any future development occurs on campus. The utilities serving the university need to be updated and may need to be upsized if any future development occurs on campus. Being on the edge of downtown, Shaw is well positioned to work with the city to plan for these upgrades so that the site servicing is in place when the development occurs.



Capital Formation: Manage the Credit Story

EFFECTIVE CAPITAL FORMATION IS THE LIFEblood of any well-functioning business, institution, or real estate transaction. Thus, the inability to attract or have access to appropriate levels of capital impedes the ability to grow, have flexible options, or perhaps even survive. This is a concern, in part, because Shaw is often forced to liquidate longer-term, potentially strategic assets to fund short-term gaps—a classic asset-matching dilemma. The panel believes that by strategically positioning and leveraging its real estate portfolio, Shaw could potentially optimize its capital formation process to meet both short-term and long-term needs. The guidance in this section provides one approach.

Access to capital largely depends on collateral (value of existing assets) and creditworthiness or the credit story. Managing Shaw's credit story will be key in unlocking or reducing the cost of additional debt, as well as in generating financial opportunities from the capital markets. As mentioned earlier, a portion of Shaw's real estate portfolio is geographically located within downtown Raleigh, a city with an Aaa Moody's municipal credit rating and strong fundamentals. All things being equal, well-positioned real estate should have the ability to serve as strong collateral, attract smart capital, or maximize yield if sold.

Unfortunately, Shaw's current credit story is tied to its challenged business and educational performance metrics, looming maintenance and operational uncertainties, and current

debt load. Moreover, accompanying these issues is a less than clear strategic plan and growth story. These all impede Shaw's ability to present a stand-alone credit story. With the assistance of a financial adviser, Shaw might consider pursuing the following steps to manage its credit story:

- Use short-term proceeds to stabilize physical and financial operations and create a programmed financial buffer.
- Adopt the practice of surplus-based budgeting if this has not already been implemented.
- Maintain a rainy-day or reserve fund.

OPPORTUNITY ZONES

Opportunity Zones, or O-Zones, were part of the 2017 Tax Cuts and Jobs Act.

The Opportunity Zone (OZ) legislation created three separate tax benefits. Individual and corporate investors may defer capital gains tax until 2026 if those gains are reinvested into new construction or major rehabilitation of projects in economically depressed areas through Qualified Opportunity Funds (QOFs). If the investment is held for five years, the original amount of capital gains tax due is reduced by 10 percent; if held for seven years, it is reduced by 15 percent. If the investment is held for at least 10 years, gains on the invested amount accrue tax free. At least 90 percent of the opportunity fund assets must be invested in qualified opportunity zones (QOZs).

Key to the intent of the legislation is that the zones, designated by each state governor, were designed to spur economic development and job creation in economically distressed areas.

Where OZs Stand in 2019

What has become strikingly clear is that although the potential is extraordinary, implementation remains murky. As of early August 2019, the U.S. Department of the Treasury is still formalizing rules and policies to give investors clarity and confidence. The Internal Revenue Service has released two sets of proposed regulations. The first, in October 2018, dealt principally with real estate investment. The second, in

April 2019, clarified a number of issues primarily related to operating businesses. More is still to come, with the next set of regulations reportedly focusing on impact metrics.

Some of the key real estate clarifications in the second round of guidance include the following:

- The initial regulations provided a 31-month working capital safe harbor as long as the funds are to be used to acquire, construct, or substantially improve tangible property and there is a written plan of deployment—a nod to the realities of a real estate development process. The April guidance further makes an exemption that allows extension beyond 31 months if the delay is attributable to waiting for government action (such as permitting) as long as application documents have been submitted.
- Leased property qualifies as long as “substantially all” of the property is used for QOZ purposes for “substantially all” of the lease term.
- The tax benefit is linked to the duration of the taxpayer’s investment in the QOF, not the duration of the QOF’s investment in a specific asset or business. With very limited exceptions (e.g., banks, including community development financial institutions), almost anyone (individuals, corporations, trusts, and so on) can set up their own Qualified Opportunity Zone Fund, invest for their own account, and defer capital gains. Capital gains must be invested into a Qualified Opportunity Zone Fund within 180 days of gain recognition.

- Develop and share with the credit markets a strategic plan that addresses ongoing concerns and issues and reinforces pathways for stability and growth.
- Consult with other HBCUs on their approach to managing federal debt and impending balloon payments. (Johnson C. Smith University appears to have structured a favorable restructuring program with a local lender. This is particularly important because this debt is collateralized by portions of the downtown campus.)
- Consult a “public finance” financial adviser to broach the possibility of defeasance, if restructuring or refinancing of the federal bond should prove problematic. Defeasance is a provision in a contract that voids a bond or loan on a balance sheet when the borrower sets aside cash or bonds sufficient to service the debt. Shaw should seek new

debt terms that take advantage of this low-interest-rate environment, extend the term, and provide for capitalized interest.

As Shaw develops a cogent strategic plan and begins to manage its credit story, conversations with other nontraditional capital resources may be available to round out the capital formation plan. A few of these sources are as follows:

- Explore feasible Opportunity Zone partnerships, which would provide access to other forms of capital.
- Investigate other forms of public financing and support on the debt and equity side, such as the following:
 - City community development block grants, Home, Section 108, or other resources;

OZs' Intent versus Potential

Outside of funds set up for individual projects, numerous multi-investor, multi-asset funds have been created, structured to ensure that the investors can take full advantage of the tax benefits. Capital deployment in these multi-asset funds remains spotty because of timing challenges and the availability of readily investable assets. Investments to date have primarily circled around previously vetted single-asset transactions.

Over time, we hope to see long-term investment in jobs, businesses, and assets in distressed and underserved communities that enhance the very fabric of these neighborhoods. Done well, this kind of investment will support communities already in positive transition and gives rise to great promise and a more flexible approach for under-resourced communities. The QOZ tax benefits essentially provide for a buydown in the cost of capital. This can propel transactions on the margin over the finish line and expedite good deals already in process.

Some cities and states are coinvesting to spur private-sector development and business relocation; others are layering financial and/or development incentives on top as a carrot. In Mississippi, housing projects proposed in OZs are receiving additional points on their low-income housing tax credit applications. Maryland and Ohio, among others, have instituted state tax credits for investments in QOZ projects

and businesses. In many areas, both private and public-sector entities are taking the lead. For example, through Louisville Forward, the city and local economic development agency have created programs to proactively reach out to investors and highlight opportunities for development. In Fargo, North Dakota, and Erie, Pennsylvania, local private-sector business and community members have created their own Opportunity Funds to funnel capital into redevelopment of QOZ areas. In Erie, private leadership led by Erie Insurance and other businesses with capital gains has raised in excess of \$40 million for an Opportunity Zone Fund focused on local investments.

With limited guardrails, outcomes will be driven by community engagement and investors' choices within the context of OZ regulations, and investors' ability to meet the dual objectives of impact and return will require opportunities, disciplined investing, and understanding of community desires and interests.

It is important to note that the legislation, as currently written, sunsets without a provision for renewal. Unless this changes, there is a limited time period—maybe five years—to prove that Opportunity Zones produce the outcomes that communities and investors expect.

Source: HaydenTanner, "Executing on the Promise of O-Zones," *Emerging Trends in Real Estate*® 2020 (Washington, DC: PwC and the Urban Land Institute, 2019).

- New Markets Tax Credits, 4 percent and 9 percent Low-Income Housing Tax Credits for commercial and housing transactions, respectively;
- Some U.S. Department of Transportation and Federal Transit Administration financings that could be used beyond the transportation corridor footprint for adjacent economic development or related facility development;
- North Carolina Housing Finance Authority opportunities to prioritize funding support for affordable or attainable housing;
- Partnerships with the city and Federal Home Loan Bank, which has the power to provide low-interest-rate housing financing or enter into structured partnerships that provide for more use creativity; and
- Community Reinvestment Act (CRA)-motivated banks in Raleigh that might be encouraged to have a conversation with a good credit story. (That is, either sponsor's credit is strong or the underlying transaction's credit is solid.)



Placemaking Strategy

REAL ESTATE ALSO HAS THE POWER TO TELL A STORY about the history, values, and aspirations of an institution. Shaw University has valued its physical location near the Southeast Raleigh neighborhood, a proximity that has allowed them to grow together. As Shaw embarks on its journey to preserve its legacy and future, it is presented with an opportunity to employ thoughtful and strategic placemaking initiatives that celebrate the university's role as an anchor institution and create lasting links to the surrounding community.

Connecting to Context

Placemaking simply means creating a place by creating an experience for the visitor. Shaw should deploy placemaking strategies to welcome students and visitors to the campus to enjoy the unique experience the historic campus has to offer.

Shaw University's historic campus is surrounded by a rapidly urbanizing downtown. Since its creation in the 1865, Shaw has sat at the southern edge of downtown in the heart of the black community. In 2004, Raleigh adopted a "5 and 5" strategy, which aimed to transform downtown Raleigh into a 21st-century downtown by transforming Fayetteville Street, constructing a convention center, creating unique districts,

undertaking regulatory reforms, and establishing a Downtown Improvement District.

The "5 and 5" strategy was implemented in five years. The strategy attracted close to \$3 billion in investment. In 2009, Raleigh's Comprehensive Plan reinforced downtown Raleigh as the new business center for the city and region and sought to expand and densify the downtown core. As development pressure intensified, new construction and redevelopment moved north, west, and eventually to the east of downtown, leapfrogging over Shaw University to East Raleigh and South Park (historically African American communities).

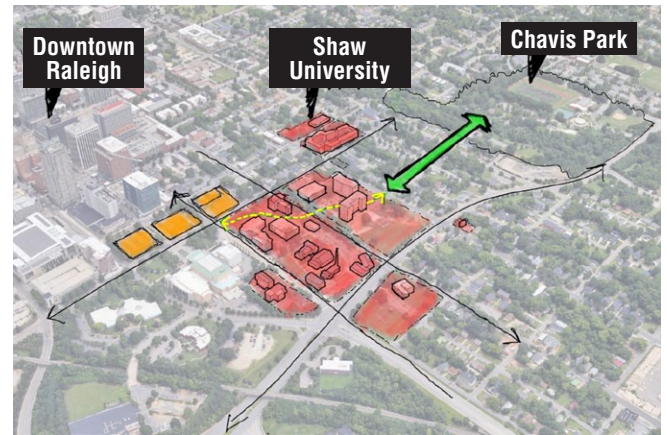
I have this vision, that I will be Raleigh's urban university and what that means is that the city will be coming and going on my campus as if it's just another block in the city.

—Dr. Paulette Dillard, *Triangle Business Journal*

As downtown development patterns evolved, Shaw's suburban-style footprint remained the same. Urban-style development is based on a grid. The block, streets, and sidewalks are the organizing elements with buildings oriented to the street and sidewalk. By contrast, suburban-style or campus development has no grid, but often buildings are placed through a campus connected by pedestrian paths and roads with parking lots. How the campus meets its surrounding neighbors, particularly in urbanized places, matters.

As Shaw looks to the future, it should be proud of its strategic and historic location. Shaw must celebrate its prime downtown setting and embrace its surrounding uses and new urban development patterns. In October 2019, President Dillard was interviewed by the *Triangle Business Journal* and came to a similar observation and understood the value of Shaw becoming an urban destination:

Shaw's suburban-style campus at the edge of downtown has a fence that delineates its boundaries and stands in contrast to Raleigh's public-realm strategy of encouraging welcoming sidewalks and public spaces. In addition, Blount Street, a thoroughfare that commuters use to access Martin Luther King Boulevard, Interstate 40, and the Interstate 440 Beltline, has high retaining walls and is covered in shade by two pedestrian walkways and a heavy tree canopy. This creates a dark canyon



Embrace the urban context to offer a more inviting campus that takes full advantage of its locational asset. Create physical connections to the neighborhood by implementing a strong walkable connection to Chavis Park.

effect that renders Blount Street an environment with no sense of place. Both the perimeter fence and the retaining walls fail to project a positive and welcoming image to Shaw students, faculty, staff, and the outside community.

Creating Place

Because of the perimeter walls and fences, points of entry could serve as a better welcoming experience to the university. Since the campus was first developed in 1865, pedestrian entries adapted to vehicular and pedestrian entrances as on-site parking was introduced. For example, the main entrance near Esty Hall is a dual vehicular and pedestrian entrance, which lacks the formality this historic entrance deserves.

Downtown Raleigh has a very low open-space ratio. The Christmas Plan of 1792 laid out Raleigh bounded by North, South, East, and West streets and featured five strategically mapped squares or parks. Today, only two of the five remain as publicly accessible parks—Nash Square and Moore Square. Although Chavis Park is within a 15-minute walk of



Although the safety of students and faculty remains a priority for institutions with urban campuses, alternatives to fencing should be considered to minimize the physical and psychological separation that hard barriers create, particularly for universities that place a high value on community relations and engagement.



Currently, the Blount Street canyon's sole purpose is to serve as a thoroughfare for vehicular traffic. Redesigning this street could tap its potential and further extend the urban fabric of downtown and campus development.

downtown Raleigh, Moore Square and Nash Square are the only “downtown parks.” Shaw, in contrast, has a number of underused green spaces for passive and informal active recreation.

As Shaw University undertakes a new real estate strategy, the panel strongly recommends that Shaw create a sense of place as a downtown campus in an urban setting:

- *Eliminate fences:* Eliminate fences where possible to integrate the campus into the surrounding downtown urban grid and reduce the physical and psychological separation between campus and downtown.
- *Establish a modern campus:* Redevelop the strategic eastern campus block to create a new 21st-century addition to the campus. This would likely require a joint development deal.
- *Reimagine the Blount Street canyon:* Blount Street presents a transformative placemaking opportunity for the future. However, this opportunity must be taken advantage of in conjunction with the redevelopment of the eastern superblock of the downtown Shaw campus to fully unlock the development potential. Several options could be explored:
 - Option 1: Remove the retaining wall and set it back to create more ground-floor pedestrian space and create a series of steps to go from the Blount Street elevation to the campus elevation.
 - Option 2: Remove the retaining wall and introduce a two-story building along Blount Street that would have ground-floor uses facing Blount Street and a second-floor use facing the campus. The outer wall of the new building would serve as the retaining wall.



Blount Street enhancements should be pursued in close coordination with city of Raleigh staff.

- Option 3: The most dramatic option would be a joint infrastructure project with the city and state to fill in the canyon at Blount Street and bring it back to grade. This will allow the east and west of the campus to be visually and psychologically connected. Rather than having two pedestrian bridges, an at-grade crosswalk would be possible. Certain trees would have to be removed and new trees planted. This would result in access to more sunlight with improved sight lines and create more value for real estate potential for the Shaw campus.
- *Create green space:* Work with the city to create an accessible green space at the corner of South Street and Wilmington Street with parklike amenities for the students,



A programmed and actively landscaped lawn space provides an attractive and welcoming entrance to Shaw's campus. This space could host Shaw's outward-facing engagements.

faculty, and general public to enjoy. The new green space should have a paved circular plaza with “Shaw University Founded in 1865” embedded in the surface of the plaza.

- *Personalize pedestrian paths:* Shaw could consider the placement of engraved brick pavers, where appropriate, throughout the campus in areas that get the highest pedestrian traffic. These engraved bricks can be used for fundraising purposes for past alumni.
- *Make a statement:* Relocate the historic “Shaw University Founded in 1865” sign to the South Street entrance near Esty Hall. A new formal gateway should be installed with the relocated historic sign.
- *Program open space:* Open green space on campus could be programmed for festivals, music/performances, and other outdoor events that are planned in partnership with community groups and entities.
- *Create links:* Enhance on-campus green space with a green connection from the Shaw campus to Chavis Park.
- *Tell your story:* Use markers, public art/murals, and signage to celebrate and inform about Shaw’s history.
- *Become an arts and cultural hub for African American history:*
 - Assemble artifacts (photos, artworks, historical items, etc.) that inform about Shaw’s history and context.
 - Identify exhibition/gallery space for viewing by students, faculty, and visitors and possibly to be used for rotating exhibitions and events by students and visiting artists.



GOOGLE MAPS STREET VIEW

An iconic gateway entrance would honor Shaw’s history and legacy and increase the campus’s visibility.



GOOGLE MAPS STREET VIEW

Xavier University in New Orleans.



TERRENCE JONES

Brand and Communications Strategy and Plan

SHAW UNIVERSITY HAS TAKEN THE FIRST CRITICAL STEPS toward embarking upon a bold, new vision. Clear, concise, and consistent communications about this vision will be vital to the university's success. Equally important will be communicating the Shaw of today and the Shaw of tomorrow. Throughout the panel process, it was surprising to learn that many individuals in its midst do not know Shaw. This was illuminated by an interviewee who shared that despite Shaw's rich, over 150-year history in Raleigh, youths living nearby in the Southeast Raleigh community, when queried, did not know of the university's existence. Moreover, Raleigh citizens who routinely drive past the campus were not aware that it was the oldest HBCU in the South, established just after the end of the Civil War. Shaw needs to promote its brand as it reimagines its future.

The panel recommends that Shaw implement a brand and communications strategy aimed at gaining or enhancing stakeholder awareness and understanding about the university's past, present, and future and eventually gaining buy-in and commitment to its success and future. A brand strategy conveys what the university stands for, its historical record, and its unique values and commitment to higher education. An effective communication strategy promotes

this brand and disseminates key messages to stakeholders, exploiting appropriate communication vehicles over time.

While Shaw is changing, it is important to communicate that its mission and core values are not changing. The university remains committed to delivering a high-quality education for its undergraduate and graduate students. It will continue to celebrate its history and stand boldly in Raleigh with pride, asserting its many contributions that have helped make



Shaw's alumni are a valued stakeholder group. Continued engagement of alumni, their industry expertise, and networks may prove beneficial as Shaw seeks realignment of core competencies.

Raleigh what it is today and that have inspired significant accomplishments. For example, three Shaw alumni became founding presidents of North Carolina Central University, Elizabeth City State University, and Fayetteville State University—all HBCUs in North Carolina. Further, the founder of Livingstone College studied at Shaw before transferring to Lincoln University, and what became North Carolina Agricultural and Technical State University was located on Shaw's campus during its first year. These are big facts that are little known to many in the community.

Equally important will be having university leadership communicate what will change and why. In other words, Shaw is changing to be more responsive and relevant to its students, to “open its arms” (in the words of a Shaw trustee) and better integrate with the surrounding community, and to be more visible to the city of Raleigh at large—its citizens, government, institutions of higher learning, and local businesses, corporations, and real estate developers.

The university should assert its plans to maximize the potential of its real estate assets to create an exciting, sustainable Shaw of tomorrow, possibly through the sale of nonstrategic real estate assets to fund the renovation of buildings in need, such as its student dormitories; or possibly through enhanced uses of existing land assets, such as land leases and the activation of vacant buildings; or possibly through new development for mixed use, such as student housing, residential, retail, innovation and research incubator, or maker space. Shaw should announce its intent to proactively tell Shaw's rich story through placemaking activities, including exhibitions of treasured artifacts, more open and accessible campus green space, perhaps promoting access to Chavis Park, the installation of historic markers throughout the campus,



An arts and culture walk weaves public and private space, creating an interactive and educational experience for students and community members.

especially along heavily traveled footpaths, the creation of a visitors center, and programming activities that activate its open green space, for example, for festivals, art and cultural fairs, and performance art.

Key messages should be tailored to different stakeholder groups, those directly affected by the changes and those indirectly affected. Those directly affected need to understand how the change will affect them, what they can expect and what is expected of them, and when the changes will occur. Examples of stakeholder groups are detailed below:

Stakeholders directly affected:

- Students;
- Faculty; and
- Board.

Stakeholders indirectly affected:

- Alumni;
- Community (Southeast and other neighborhoods);
- Government (city, county, state, federal);
- Educational institutions (K–12, colleges, and universities);
- Philanthropic organizations;
- Real estate developers;
- Local businesses and corporations.

Various vehicles should be identified as most useful for message delivery and as a mechanism to capture feedback, such as the following:

- Campus meetings of the board, student body, and faculty;
- Alumni-facing outlets;
- City Council meetings;
- Community association meetings;
- News/press (internal communications/newsletters, external publications/newspapers and magazines, radio, TV); and
- Websites and social media.

The timeline for message delivery should be developed and executed in concert with the university's plans and should define actions that will lead it toward its vision for the future. The panel recommends that the university take steps immediately, within the next 90 days, to develop and launch a brand and communications strategy and plan. This may involve hiring an outside expert or growing and tasking the external communications team with this function. The brand and communications plan can be implemented in phases or campaigns, with the first campaign aimed at enhancing awareness and understanding of the university as it exists today and its history. The second campaign could address the university's vision as it is solidified. Future campaigns would be developed as appropriate. The panel also recommends the university establish a feedback mechanism to evaluate the effectiveness of its communications to enable assessment and adjustments as appropriate.

SOUTHERN GATEWAY CORRIDOR STUDY AND DOWNTOWN SOUTH

In August 2019, the Urban Land Institute conducted an Advisory Services panel in Raleigh. The panel was asked to provide strategic advice on the Downtown South Development. Located about one mile south of downtown, the 55-acre development could include as much as 1.6 million square feet of office space, about 1,200 hotel rooms, 125,000 square feet of retail, and 1,750 new residential units. A key component of the site would be a 20,000-seat, open-air stadium for soccer, concerts, collegiate championships, festivals, and other entertainment. The panel's recommendations included positioning the development as the southern gateway to downtown Raleigh, using a variety of financing tools, and incorporating placemaking that embraces the natural landscape. The panel also recommended a seven-step communication and engagement plan specifically focused on sparking ongoing dialogue with community members:

1. Engage the south/southeast community.
2. Identify target areas directly affected by the Downtown South project, and define the scope and goals to be achieved in the plan (e.g., minimize displacement of housing, jobs).
3. Engage stakeholders who can help, such as existing community partners like WakeTech, Shaw University, and so on.
4. Shape the communications aimed at raising awareness and understanding of the Downtown South project.
5. Begin implementation of the engagement plan.
6. Continually evaluate, perhaps through partnership with research/education stakeholders such as Shaw University and North Carolina State University; make adjustments as needed; understand the important role of arts and culture, and ensure they are incorporated in the process.
7. Celebrate early wins

The Downtown South project would complement the city's 2017 Southern Gateway Corridor Study, which re-envisioned South Saunders and South Wilmington streets with a major infrastructure investment and catalytic projects that would have spillover benefits to other sites in the corridor.



TERRENCE JONES

Board Governance and Executive Leadership Empowerment

A BOLD AND EFFECTIVE VISION DEMANDS bold and effective leadership. This leadership is key to successfully implementing the recommendations in this report and setting Shaw University on a path to sustainability and growth. Leadership is vested in the board of trustees and the president, and they must work collaboratively in Shaw's best interest.

Ensuring the long-term vitality of Shaw University is the responsibility, first and foremost, of the board of trustees. The board is essential to Shaw's recovery and revitalization, and action must be taken to make sure that the board is operating at full capacity. It is recognized as best practice in university governance that the board's principal functions are as follows:

- to endorse the vision, strategic direction, and attainable goals for the university and charge the president with carrying them out;
- to monitor progress toward those goals;
- to steward the university's assets;

- to provide expertise;
- to connect the university to key constituencies and support in the community; and
- to provide and access financial resources.

The board should recommit to these responsibilities and determine what changes it needs to make to meet them fully. Given the need to engage in the strategic disposition and leasing of valuable real estate assets, influence land use decisions, and take decisive actions to advance Shaw's short-term needs and long-term goals, experienced real estate professionals should be engaged at the highest level. Individuals with expertise in commercial real estate, finance, marketing and

communications, and business operations should be added to the Executive Committee of the board. Generational diversity should intentionally be added to the board as well. The panel recommends that the board engage advisers from the Association of Governing Boards, the premier national organization focusing on governance in higher education, to help it ensure that its practices meet the highest standards of the tradition of shared governance.

The board exercises its functions with and through the president. Stability in the presidency is essential to the success of the institution, and a constructive relationship between board and president will provide this stability. The board must empower the president to pursue and achieve their mutually held goals for the university and support her in her efforts to do so. Specifically, the board needs to authorize the president to take immediate action to formulate a Stabilization and Transformation Action Plan addressing the following:

- Operating deficits for fiscal years 2019–2020 and 2020–2021;
- Pressing facility maintenance issues (while a long-term strategy for facilities development is created);
- Comprehensive enrollment management for the university, addressing student recruitment and retention, graduation rates, branding and marketing;
- Long-term plan for operations and financial performance;
- Academic mission for the university, which evaluates existing programs in light of that mission and proposes new programs to advance that mission;
- Staff hires and retaining third-party expertise needed for implementation, evaluation, and structuring of strategic real estate transactions and educational services; and
- Noncore real estate sales and monetization strategies to provide not less than \$6.2 million to fund the implementation of these plans.



Shaw Stabilization and Transformation Action Plan

SHAW IS LAND RICH AND CASH POOR. It needs a cash infusion to fund long-term transformation and short-term crisis management.

The president should be empowered to take immediate action to formulate a Stabilization and Transformation Action Plan. Shaw should explore multiple avenues for generating the roughly \$6.2 million to \$12 million infusion, including selling at maximum market value all noncore or nonessential real estate assets. All proceeds should be used to (a) fund short-term operating, financial, and facility maintenance issues, and (b) hire best-in-class real estate advisers to strategically leverage its core real estate assets to implement long-term solutions so that the institution can move boldly from surviving, to stabilized, to thriving.

Short-Term Crises Management

Because the student enrollment is lower than needed, operating deficits are anticipated for the foreseeable future. It is apparent that budget cuts have been made and that Shaw leadership continues to aggressively manage costs and to achieve efficiencies. However, costs seem to have been “cut to the bone” to the detriment of Shaw being a best-in-class university. Pressing facility maintenance issues need to be immediately addressed while a long-term strategy for the development of new campus facilities is undertaken.

Long-Term Plan for Transformation

Paradigm change will result in a consistent operating surplus allowing Shaw to meet the needs of the students it aims to serve in accordance with the academic mission of the university. Existing programs need to be evaluated in light of Shaw's mission, and new programs created and strategies implemented to advance that mission. Faculty and staff hires need to be made to execute on a new business

model for educational services for the new economy. Best-in-class consultants need to be engaged to draft and launch a comprehensive enrollment management plan for the university, addressing student recruitment and retention, graduation rates, financial aid, niche identification, strategic positioning, and more.

Stabilization and Transformation Action Plan

Proposed use	Description	Estimated sale proceeds		
		\$11.5 million allocated	\$8 million allocated	\$6.2 million allocated
Operating deficits	Cover budget shortfalls	\$3,000,000	\$2,000,000	\$1,500,000
Critical facility and infrastructure, repairs and/or replacement	Critical repair in academic buildings, student residences, and student center buildings; replacement of failing mechanical systems	\$3,000,000	\$2,000,000	\$1,000,000
Real estate advisory services	Staff or professional services (i.e., JLL, CBRE, etc.) as trusted, sophisticated advisers (not brokers) who can analyze and structure deals	\$500,000	\$300,000	\$250,000
Educational advisory services	Advisers to undertake comprehensive enrollment management for the university, addressing student recruitment and retention, graduation rates, branding and marketing	\$200,000	\$150,000	\$100,000
Dormitory renovations	Renovation of dormitories prioritizing bedrooms, bathrooms, mechanical systems, and windows	\$3,500,000	\$2,500,000	\$2,500,000
Placemaking	Consultant and design fees, construction, and coordination	\$600,000	\$500,000	\$400,000
Communications	Consultant or one full-time Shaw employee; publications (brochure, newsletter, etc.), radio and TV air time	\$350,000	\$300,000	\$250,000
Governance	Association of Governing Boards consultant services	\$50,000	\$25,000	\$25,000
Financial advisory	Advisory assistance to refund or defease existing federal debt, releasing pledged collateral	\$125,000	\$125,000	\$125,000
Miscellaneous	Contingency; miscellaneous expenses	\$100,000	\$50,000	\$50,000
TOTAL		\$11,425,000	\$7,950,000	\$6,200,000



TERRENCE JONES

Conclusion

SHAW'S MISSION CALLS FOR THE EFFECTIVE EDUCATION AND PREPARATION of its student body for current and future opportunities, as well as laying the foundation for a larger community of lifetime learners and global leadership. Its mission speaks both to the internal campus community and to the larger local, regional, and global community that exists outside its walls. These comprise both its roots and its DNA.

Strategically unlocking the value of a portion of Shaw's asset base through realization of a defined set of real estate assets will assist in providing operational breathing room, organizational space for creative strategic planning, and seed capital for longer-term investment. Moreover, it affords a foundation to reaffirm and align core competencies both with the mission and with the corporate and industrial realities of an ever-changing economic and social environment. Such elements should continue to affirm and strengthen the Shaw brand and brand messaging.

The panel believes Shaw cannot meet the full challenge of its mission alone or in isolation. Shaw must continue to courageously reach beyond its campus walls to strengthen existing relationships and forge new partnerships. Such partnerships will assist in the execution of its educational and student development priorities and should better position Shaw for the achievement of its larger community and global leadership priorities. Examples of strengthening or developing strategic partnerships include the following:

- **CRC group**—seek deeper forms of programmatic coordination, resource sharing, and community engagement;
- **Other universities**—seek new program coordination and co-location of new curriculum opportunities, such as the following:
 - Culinary arts (e.g., Pearl in San Antonio);
 - Small business entrepreneurship (e.g., Maryland Small Business Development Center at the University of Maryland);
 - IT (Wake Tech);
 - Hospitality management (e.g., Penn State, University of Delaware, Cornell); and
 - Centennial Campus (IT, quantum computing, other);
- **Financial institutions**
 - CRA-motivated banks (BB&T, Fifth Third, Sun Trust, PNC);
- **Public-sector partnerships**
 - City, county, state, federal (public financial resources); and
 - Authorities—transit, housing, economic development, etc. (public financial resources);
- **Philanthropy** (grant opportunities)
 - Local, regional, national; and
 - Family office;
- **Corporate partnerships** (grant/joint development/tenant/pipeline)
 - Duke Energy;
 - Red Hat;
 - Research Triangle Park; and
 - IBM.

Shaw University has a proud legacy and the ingredients for an even brighter future. It is clear to the panel that the institution is committed to building toward this future. Shaw’s leadership and faculty are guided by a passionate belief that through academic excellence, Shaw can empower every student to be an agent for change in their community. Although this mission is long term, sustaining this vision requires addressing immediate challenges.

Shaw has identified real estate as a powerful tool for generating the capital needed to keep the university safe and operational. Real estate, when properly leveraged, also has the potential to support the core mission as a revenue generator and valuable investment in downtown Raleigh. Shaw has many opportunities to strategically activate its real estate assets through land leases, joint ventures, sale of noncore and non-strategic property, infill development, or increased density on existing lots.

However, the panel believes real estate opportunities should be pursued in conjunction with other initiatives, including partnership development, placemaking, and community engagement. By creating a multifaceted plan centered on implementing lasting solutions to challenges and recalibrating the university toward growth, Shaw University can move boldly from survive, to stabilize, to thrive.

About the Panel

Lyneir Richardson

Panel Chair
Newark, New Jersey

Richardson is the executive director of the Center for Urban Entrepreneurship and Economic Development at Rutgers University–Newark in New Jersey, where he leads capacity-building programs that have assisted over 400 entrepreneurs. He is assistant professor of professional practice in the Department of Management and Global Business at Rutgers Business School, where his commitment to teaching, advising, and coaching students intersects with his entrepreneurial experience and his passion for equitable economic development.

Richardson is also chief executive officer of the Chicago TREND Corporation, a social enterprise startup working to stimulate, foster, and invest in retail development to strengthen city neighborhoods. TREND was launched in 2017 and has secured over \$17 million of funding from prestigious impact investors. By closing investment deals, securing additional funding, and developing the firm’s project pipeline, Richardson is now leading TREND’s effort to expand to new cities.

Richardson has served as CEO of the primary economic development corporation in Newark for two different mayoral administrations. He was vice president of urban development at General Growth Properties Inc., where he led the national initiative to bring quality shopping centers to ethnic neighborhoods in large U.S. cities. Early in his career, he founded his first company and was named a U.S. Small Business Administration “Young Entrepreneur of the Year” while in his 20s. Richardson started his career as a corporate attorney at the First National Bank of Chicago.

Richardson graduated from Bradley University and the University of Chicago Law School. He serves on the board of directors of the International Economic Development Council, New Growth Innovation Network, Newark Arts Council, and the Cook County Land Bank. He has served as vice chairman of the Illinois Housing Development Authority Trust Fund Board and as a commissioner on the Chicago Plan Commission.

Paul Bernard

Washington, D.C.

Bernard is an executive vice president for the Urban Land Institute, a nonprofit education and research institute that focuses on issues of land use, real estate, and urban development. The mission of the Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. He recently joined ULI and manages the Advisory Services, UrbanPlan, Professional Development, and Awards programs.

Before joining ULI, Bernard served as vice president at Enterprise Community Partners Inc., where he led the organization’s national public-sector and community development advisory practice. Previously, he held several senior roles in government and the private sector, including senior vice president at Walker & Dunlop, where he led the company’s Investment Advisory practice. He was also a principal and division head at MunieMae, managing the growth and operations for about \$1 billion in institutional capital.

Bernard also held senior positions at the city of Detroit, where he was appointed by Mayor Dennis Archer as the director of planning and development and a member of the Economic Development Cabinet, and at Public Financial Management, where he was a senior managing consultant for federal, state, and local municipalities and public authorities on traditional and alternative financing initiatives. Bernard holds a master’s in public policy from Harvard University and an MBA and a bachelor’s degree in foreign service from Georgetown University.

Juanita Hardy

Silver Spring, Maryland

Hardy has a passion for fostering healthy, thriving, and equitable places to live, work, learn, and play through her work with individuals and businesses. She is founder and managing principal of Tiger Management Consulting Group,

a global training and business consulting services firm that specializes in executive coaching across industries and creative placemaking in the real estate industry. Hardy has over 45 years of business experience, including 31 years with IBM, and over 35 years in the arts as a nonprofit leader, trustee, collector, and patron of the arts. She founded Tiger Management Consulting Group after retiring from IBM in 2005.

For three years (2016–2018), Hardy was senior visiting fellow for creative placemaking for ULI and led the initial startup phase for its creative placemaking project. Her work supported the Institute’s mission of responsible land use by deepening and broadening ULI’s focus on using creative placemaking to increase real estate development project value and promote community revitalization. She currently serves as a consultant to ULI on creative placemaking.

For IBM, Hardy led many client transformational leadership initiatives and coached leaders on making change at the individual and organizational levels. From 1974, her IBM career spanned IBM’s software development, systems engineering, and business consulting lines of business. She was part of the startup team for IBM’s management consulting practice in the 1990s and at her retirement in 2005, led its national practice for outsourcing in state and local government.

Hardy is the former executive director of CulturalDC, a nonprofit committed to making space for artists and art organizations and fostering cultural and economic vibrancy in communities through its creative placemaking services. At CulturalDC, she worked with area developers to integrate arts and culture into development projects in the Washington, D.C., area.

Since 2006, Hardy has served as an executive coach with Right Management, a global human capital development firm, and since 1980 has served on many nonprofit boards. Presently, she is a member of the board of the Mosaic Theatre Company of DC and the George Mason University Art Advisory Board. She cofounded Millennium Arts Salon, an art education initiative, in 2000. Hardy was recognized by the *Washington Business Journal* as a Minority Business Leader in 2010.

Nitasha Rajora

Vancouver, British Columbia

Rajora is an architect and real estate professional with 20 years of experience. She started her career in architecture after completing her bachelor of architecture degree at McGill University. Her architectural background and global-mindedness led her to South Africa, the United Kingdom, the United States, and Canada, where she had the opportunity to work on a diverse set of projects including affordable housing, health care, and high-rise office buildings.

Following 10 years in architecture, Rajora completed her MBA at the Schulich School of Business with a focus in real estate and infrastructure. Immediately after graduation, the next five years were spent working intensively as a project director on public/private partnership (P3) projects that included a correctional center, university, hospitals, and athletic stadiums/velodrome for the PanAm Games in 2015. Since leaving the P3 world, her career has been focused on real estate development.

In her current role as a consultant and owner’s rep, Rajora has the opportunity to work with companies to deliver development projects across multiple asset types. Current projects include multifamily residential, industrial, and commercial projects in Vancouver, B.C. She stays active within the architectural community by serving as a committee member at the Architectural Institute of British Columbia, and she maintains her global network through her role as a consul for InterNations, a community for expats and global minds.

Richard Rogers

Detroit, Michigan

Rogers was president of the College for Creative Studies (CCS) in Detroit for 25 years, retiring in 2019. CCS is an independent, not-for-profit college of art and design enrolling over 1,460 students.

During his tenure the college more than doubled its enrollment and physical space, established seven new undergraduate

departments, launched four graduate programs, and developed community programs reaching 3,000 youth annually. He cofounded a K–12, art and design-focused charter school and Design Core Detroit, an economic development agency that helps grow design businesses and champions the value of design.

Rogers completed numerous facilities projects at CCS, including a 104,000-square-foot academic building, a two-acre sculpture garden, and a renovated 120,000-square-foot residence hall, increasing beds by 40 percent. His biggest project was repurposing a 760,000-square-foot building that now houses CCS's design departments and community programs, Design Core, the charter school's grades six through 12, 300 beds of college housing, dining services, a conference center, bookstore, gymnasium, and Shinola, a maker of watches and leather goods.

Before CCS, Rogers was vice president and secretary at the New School in New York City. He received a BA and MA from Yale and an MEd from Bank Street College of Education.

Dawveed Scully

Chicago, Illinois

Scully is an associate at SOM in Chicago. Trained as an architect and urbanist, he has a passion to make design a strong tool to enhance the lives of everyday people. He has experience working on a variety of projects from vision strategies that create a framework to move forward to developing implementation strategies that allow those visions to be realized. He does this by facilitating robust collaboration between stakeholders, local government, and empowering citizens into the design process.

He is a graduate of IIT College of Architecture and was recently awarded the ULI Chicago Young Visionary Award in 2018 and 2019 Kahan Fellowship. He recently participated as part of Mayor Lightfoot's transition committee on business, economic and neighborhood development in Chicago.

Sam Swiller

Washington, D.C.

Swiller is the senior adviser of real estate and economic development at Gallaudet University, the only university in the world where all classes, programs, and services are designed to accommodate deaf and hard-of-hearing students. He is leading initiatives to ensure 155-year-old Gallaudet's long-term financial health while generating value to the institution's academic mission and neighboring communities. Current efforts include a 1.5 million-square-foot urban development joint venture with JBGSmith that includes housing, office, retail, community, and academic components along the university's western edge.

He oversees strategic partnerships and new business development opportunities that advance Gallaudet's financial, operational, academic, and thought-leadership goals. In conjunction with D.C.'s Office of Planning, he ran Gallaudet's employee housing assistance program, Live Near Gallaudet, which set aside funds for downpayment grants and homeownership and credit counseling courses. He is managing the university's Creativity Way project, which will showcase the university's research programs and celebrate American Sign Language and deaf culture within the new campus edge. Swiller is also overseeing an overhaul of the campus's parking operations and leads external relations efforts among local business and government communities.

Before joining Gallaudet in 2009, Swiller cofounded Indra Capital Partners, a boutique investment management partnership geared toward real estate and infrastructure opportunities in emerging markets. Among its investments, Indra sourced and structured a \$300 million, 1 million-square-foot mixed-use development anchored with a Four Seasons hotel in Bangalore, India. He received his MBA in real estate finance from Columbia University in 2004.

Mitchell J. Silver

Panel Adviser

New York, New York

Silver became commissioner of the New York City Department of Parks in May 2014. Silver is past president of the American Planning Association and president-elect of the American Institute of Certified Planners. He is an award-winning planner with over 30 years of experience. He is internationally recognized for his leadership in the planning profession and his contributions to contemporary planning issues. As parks commissioner, Silver oversees management, planning, and operations of nearly 30,000 acres of parkland, which includes parks, playgrounds, beaches, marinas, recreation centers, natural areas, and other assets.

Before returning to his native New York City as parks commissioner, he served as the chief planning and development officer and planning director for Raleigh, North Carolina. His career has included roles as a policy and planning director for New York City's Department of Planning, a principal of a New York City-based planning firm, a town manager in New Jersey, and deputy planning director in Washington, D.C.

One of the nation's most celebrated urban thinkers, Silver has been elected to Planetizen's list of the 100 Most Influential Urbanists in the world (2017) and named an honorary member of the American Society of Landscape Architects (2017), a fellow of the Academy of the Social Sciences (2016), an honorary fellow of the Planning Institute of Australia (2015), a fellow of the American Planning Association (2014), and an honorary lifetime member of the Royal Town Planning Institute (2014). In addition, he has been honored as one of the top 100 City Innovators in the world by UBM Future Cities, and in 2012 the *Urban Times* named him one of the top international thought leaders of the built environment.



Urban Land Institute
2001 L Street, NW
Suite 200
Washington, DC 20036-4948
uli.org