

At Penn, A New Degree of Comfort Schools turn to private sector for better student housing.

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University of Pennsylvania student Colena Davis has been watching the hulking structure going up at 39th and Walnut Streets across from campus with great interest. It could be her future home.

The \$50 million student apartment complex will have all the comforts of home and more, which is good because the 21-year-old senior has been commuting to Penn from her parents' Blue Bell house for the last three years.

"All the perks are amazing, and it's in a prime location," Davis said.

When the Radian opens in August 2008, Davis said, she expects to be starting graduate work at Penn's veterinary school, and she hopes to be renting one of the 150 apartments. With its fitness center, 24/7 cafe, club room and sun deck, the Radian promises to have the latest in what college students want.

The Radian is being built and completely financed by a private developer on land leased by the University of Pennsylvania. The arrangement is similar to two other deals Penn has done for apartment complexes recently completed on Chestnut Street. Increasingly, universities nationwide are outsourcing their campus living operations to deal with tightening budgets and replace outmoded dormitories.

Temple University in North Philadelphia supported a similar development, the Edge at Avenue North, last year with a local developer. Emory University in Atlanta is about to break ground on one, and Johns Hopkins University in Baltimore just completed a student housing project with private money.

Campus Apartments Inc., the Philadelphia-based student housing company that is one of the largest in the nation, has done a half-dozen similar deals with colleges over the last five years. "The universities get what they want, and they don't have to allocate the capital for it," said David Adelman, the company's president and chief executive officer.

Paul W. Shoup, senior manager at Smart Business Advisory & Consulting L.L.C. of Devon, who has advised universities and the companies that have worked with them on such projects, said having private firms underwrite these developments was akin to schools' outsourcing meals and bookstores.

"Now they're outsourcing student housing," he said. He said the consensus was "that it's a growing trend. The search among universities for alternate means of financing housing on campuses across the country has been a big challenge."

Bart Blatstein, president and chief executive officer of Tower Investments Inc., put up the equity and borrowed from banks to complete the \$100 million Avenue North next to Temple's campus on land leased by Beech Interplex Inc., a nonprofit group. The project includes 300 apartments and 1,200 beds for Temple students, 100,000 square feet of retail space, and a seven-screen movie theater.

"The neighborhood was underserved," Blatstein, a 1976 Temple alum, said, "and Temple was short of beds, so it was a natural fit."

At Penn, FirstWorthing Residential Co. L.P. of Dallas and its Inland American Communities Group Inc. subsidiary in Chicago are putting up the entire \$50 million for the 14-story Radian. The firms entered into a 65-year lease with Penn for the 1.5-acre parcel, and worked closely with the school on the Radian's design, which includes 40,000 square feet of retail space along Walnut Street.

Paul Sehnert, Penn's director of real estate development, said his school, like any household, was trying to stretch its tight budget.

"If we can use third-party private equity and third-party commercial debt, it's somebody else's project to do our mission. We're preserving our capital for research and education - the kinds of things we need to do," he said.

About three dozen colleges and universities, including Harvard, have sought Penn's advice on privately financed housing.

Penn junior Kevin Benjamin frequently walks past the Radian construction site, where a banner reads, "We're Building the Future of Student Living."

"I know definitely . . . I would not go back on campus," said Benjamin, 20, who just moved out of his dorm and into a house at 39th and Sansom. "The room was like a box. The living room was tiny, and the closet was tiny."

Kevin Gillen, a research fellow at Penn's Wharton School and a vice president of the Philadelphia economic consulting firm Econsult Corp. who specializes in residential real estate and public policy, said the needs of today's students are far different from a decade ago.

"They need greater electrical load capacity for their cell phones, iPods, their PlayStations, and 100-year-old rowhomes don't have the electrical infrastructure and amenities to support all that," he said. "They also prefer more modern aesthetics, more environmentally compatible places to live, and large windows with lots of light."

The two other ritzy student apartment complexes near Penn are the Hub and Domus, where one-bedroom apartments can cost about \$2,600 a month. Both opened in the last seven months and, once Radian is completed, the new units should help alleviate the high housing demand in what real estate agents say has become a hot University City area in West Philadelphia.

"The population of University City has never been nearly as high as it is now," said Melani Lamond, an associate broker with Urban & Bye, Realtor, who has lived in University City since 1971 and sold real estate there for 24 years.

University City is now the second-most-expensive neighborhood in Philadelphia after Center City for single-family homes, Gillen said. For the latest quarter, the average house price was \$304,000 in University City and \$456,000 in Center City.

"Historically, University City was disproportionately populated by students up until about 10 years ago, when Penn's mortgage program began to attract more relatively affluent adults back into the neighborhood," Gillen said. "That started to set in motion the transitioning of University City's housing stock from predominantly students to working singles, couples and families."

Gillen said that rising house prices and rents pushed out students, but that new restaurants, a supermarket and other attractions had pulled them back toward Penn's campus in recent years.

The new apartments have become an additional marketing tool. Penn president Amy Gutmann said the university received a record 22,000 undergraduate applications this year for 2,400 slots. There was also a 25 percent uptick in the number of campus visits this summer, according to the office of the dean of admissions.

"They're coming from all over the country and all over the world to Penn," Gutmann said at the Radian's ceremonial ground-breaking earlier this month. "This will be another part of what we can show them when they come to campus."

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