Meet the man behind UC Berkeley’s development strategy
By Roland Li
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For most of its 147-year history, the University of California, Berkeley was comfortably funded by the state. But since the recession, state support has dropped to around $300 million, or 12.5 percent, of the school’s annual $2.4 billion budget.

Now, UC Berkeley is thinking more like a private developer in an effort to fund its educational mission, creating new office and retail space in the city’s downtown district and teaming up with other developers to create much-needed student housing.

Leading the shift in strategy is longtime Bay Area real estate developer Robert Lalanne, who was appointed as the school’s first-ever vice chancellor of real estate in December 2013.

Lalanne graduated from the university in 1978 and had developed mixed-use infill properties in San Francisco for decades as founder of the Lalanne Group. But with the competitive development market, he cut back his personal work and two years ago switched from the private sector to working for the university.

“This is all new terrain for UC Berkeley because we’ve never really been out there acting as a developer and looking at creative opportunities to find new revenue to support the campus,” said Lalanne.

In November, the school will break ground on a 325,000-square-foot downtown academic building at Berkeley Way and Shattuck Avenue. Tenants will include the School of Public Health and psychology department. The building will also have a few floors of extra space, which the school hopes to rent out to private tenants, including its research partners. A few years ago, UC Berkeley would have built a smaller building and filled it out, but the extra space provides an additional revenue stream and will also create more leasing opportunities in the city’s tight office market.

The university also plans to build new retail spaces on the ground floor of existing school-owned properties on the perimeter of campus. A number of them are decades old and have no ground-floor retail presence.

Lalanne sees the creation of more retail as beneficial for all: it will create revenue for the school, boost amenities for students and other shoppers, enliven streets and generate sales tax for the city.

“These buildings were built back in the 1950s and 1960s. There was no thinking about revenue generation because we were truly a public university funded by the public,” said Lalanne.

The effort is still in its early stages, but Lalanne cites the school’s housing property Unit 3 at 2400 Durant Ave. as a potential redevelopment that could support around 40,000 square feet of retail.

Berkeley’s downtown retail vacancy rate was 8.9 percent in June, including some vacant properties that are slated for development.

By pursuing more development, the school hopes to vacate the office space that it currently leases from other companies. “I pay about $8 million a year in rent checks to third-party landlords and I’d like to start making a mortgage payment instead of paying rent,” said Lalanne.

Another big opportunity is housing. Berkeley currently provides beds for about 6,000 of its 37,000 undergraduate and graduate students. Lalanne sees the opportunity for the school to add a few thousands more units of housing in the coming years.

The school recently teamed with American Campus Communities, the publicly traded national developer of student housing, to build a new $70 million freshman dorm on the parking lot currently used by Stiles Hall, bounded by Bancroft Way, Dana Street and Durant Avenue.

The school has negotiated a long-term ground lease with the company, which will give the school a consistent revenue stream. American Campus Communities will also handle the financing for the project, which will have around 700 beds and 15,000 square feet of retail. Construction is set to begin in summer 2016.
Berkeley city officials are encouraged by the school’s new approach. Lalanne “understands that it’s not enough to just fulfill the space needs of the university,” said Michael Caplan, the city’s economic development manager. “It’s important for the university to be embedded in the community.”

UC Berkeley could become one of the biggest retail landlords in the city, which is both “a responsibility and an opportunity,” said Caplan. “We’re very supportive of that approach — looking outward and respecting that they’re part of an urban place.”

Residents in notoriously difficult-to-build-in Berkeley have expressed concern over traffic, which may increase as more projects come online. There are also frequent concerns over larger buildings in the downtown district. But Caplan said school and city relations have greatly improved, and Mayor Tom Bates is largely supportive of the university’s efforts. John Canner, CEO of the Downtown Berkeley Association, a business group, hopes the university’s new approach will pay off for the city as a whole. “(Lalanne) understands what is necessary to have a vibrant and active commercial district so we don’t end up with dead zones,” Canner said. “You want to be able to draw people from campus into the commercial district and make it a friendly and welcoming area.”

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**The man behind university’s new development strategy**

How did you get started in development? I was born and raised in the city and started building in South of Market when it was meatpacking plants back in the 1980s. My wife and I have had our own company for 30 years. We own a number of properties, including retail, housing, a little bit of industrial — all urban infill.

How did you start working with UC Berkeley? I didn’t get involved until Dean Harrison Fraker, of the College of Environmental Design, chaired the Presidio adaptive reuse plan. I ended up going to one of the public hearings and introduced myself to Harrison as a Berkeley grad. We became friends. My wife and I ended up helping out with the Wurster Hall capital campaign for seismic upgrades. Years later, I became chair at the UC Berkeley Foundation and then they asked me to get involved in the finance committee. I joined the finance committee around 2009, when the whole financial real estate world collapsed and the state was cutting back.

How did the strategic shift happen? A group of us began talking about UC Berkeley’s real estate holdings. If you were to take a robust look at Berkeley’s real estate from both an operating standpoint and a new development standpoint, you could create a whole bunch of new revenue generation to help support its public mission and take the place of the state funding.

How has the school changed since you were a student? When I was at Berkeley, my tuition was $212.50 a semester. I played football before I went to architecture school, and all of our equipment was paid for by the state. Now, we’re down to 12 percent funding from the state out of a campus budget of $2.4 billion. Tuition is about $700 million, so the other $1.4 billion is philanthropy and research grants. Berkeley’s public mission is being driven now by almost a private-school financial model. To the extent that we can … create new revenue generation — it’s a big deal.

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