

February 14, 2023

Beware the Innovation District.pdf

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THE CHRONICLE OF HIGHER EDUCATION



THE REVIEW | OPINION

By *Laura Wolf-Powers*

FEBRUARY 14, 2023

The past few years have witnessed the rise of the campus-adjacent “innovation district.” The innovation district or “innovation ecosystem,” as hailed by [Gensler Architects](#), helps create “a synergistic relationship between people, firms, and place” and “facilitates idea generation and accelerates commercialization.” Innovation districts are places and also campus-development playbooks for the knowledge economy. They are popping up in Sacramento (the University of California at Davis), Austin (the University of Texas at Austin), St. Louis

(Saint Louis and Washington Universities), Philadelphia (Drexel University and the University of Pennsylvania), Phoenix (Arizona State University), Atlanta (Georgia Tech), Seattle (the University of Washington), and elsewhere around the country.

The innovation district is a special type of public-private partnership in which property-development companies initiate mixed-used developments on land belonging to academic institutions. Details vary, but a company typically develops and manages a portfolio of office buildings, labs, retail, and housing — all aimed at attracting “knowledge workers” — on land rented from the university via a long-term ground lease. Private companies then move in, establish the academic-industry “synergies,” and, theoretically, uplift city economies. But these districts also involve revenue flows in the opposite direction. Universities often lease space back from innovation districts. Saint Louis University and Washington University pay rent in St. Louis’s Cortex Innovation Community, developed by Wexford Science & Technology. In Philadelphia’s uCity Square, also developed by Wexford, Drexel University leases a building for its nursing and medical schools.

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The stated economic theory of these “live/work/play” neighborhoods is that they bring entrepreneurs and academics together in dense, amenity-rich urban spaces. UC-Davis touts Aggie Square, the centerpiece of its Sacramento innovation district, as a place for chance encounters, community performances, and “[spirited brainstorming](#).” Apartment complexes in innovation districts boast resort-style pools,

beer gardens, and [pet wash spas](#). Having magnetized innovative people and firms, the logic goes, innovation districts catalyze economic breakthroughs. Talented people meet and collaborate, ideas “spill over,” and companies translate the output of academic labs into profitable products and, ultimately, city and regional growth.

Innovation-district boosters cite Stanford’s role in building Silicon Valley and the MIT-spawned robotics and life-sciences spinoffs that power the Boston region’s prosperity. But their enthusiasm is also driven by an economic motivation that has little to do with technology transfer. Innovation-branded real estate is a product in and of itself, one that promises outsize returns to investors. The spending power of universities and university-affiliated organizations and individuals, along with their ability to support high-end development by generating rental income, is at the heart of development firms’ interest in these projects. The prospect of can’t-miss rental revenue is enhanced by significant federal tax advantages associated with ground leasing land owned by academic institutions, and by municipal property tax abatements and state capital subsidies. Innovation districts in some states (such as California and Virginia) even qualify for tax-exempt financing. Much of the buzz and excitement around innovation districts originates not with the prospect of stimulating ties between academe and innovative industries, but with the capacity of such developments to produce competitive returns for property investors.

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The property-development orientation matters because when real estate returns lie at the heart of the plan, local property markets are sure to be impacted — and that comes with collateral damage for economically vulnerable households in surrounding communities. These are often neighborhoods

populated by people of color with long histories of structural disadvantage. And the price-escalation dynamic cuts against another claim that city and university officials often make about innovation districts — that they can alleviate urban inequality.

The price-escalation dynamic cuts against another claim often made about innovation districts — that they can alleviate urban inequality.

Julie Wagner of the Global Institute on Innovation Districts [emphasizes](#) the potential of new, university-adjacent neighborhoods to advance social inclusion, largely by connecting residents to jobs and business opportunities. At the announcement of West Philadelphia's Schuylkill Yards in 2016, John A. Fry, the president of Drexel University, was undoubtedly thinking of his institution's acclaimed [work-force efforts](#) when [he vowed](#) that the project would "benefit thousands of low-income families without disrupting the fabric of their neighborhoods," and "connect long-term economic development with sustainable social progress." But in the low-income neighborhoods on the borders of innovation-district development, such possibilities collide with the reality of rising rents, skyrocketing property taxes, and the rapid demolition and conversion of housing that poor and working-class families can afford. Housing instability and indirect displacement undermine the ability of incumbent residents to take advantage of the opportunities that innovation-district proponents celebrate.

Take [the plight](#) of residents of the University City Townhomes, located just blocks from the innovation district extolled by Fry. While tenants until recently paid government-subsidized rents to live in modest apartments in a desirable location, the expiration of the federal contract that kept the apartments affordable coincided with a local property-market explosion (driven in part by Drexel- and Penn-driven innovation developments). IBID Associates, the owner of the 70-unit complex, has

chosen to demolish it, evict the tenants, and sell. The property, purchased for \$1 in 1982, could go for as much as \$100 million. One particularly disturbing consequence of these evictions: The children being forced to leave the townhomes will be unable to attend an acclaimed new neighborhood elementary school in the innovation district, a school that officials [had touted](#) as an inclusion engine.

Legal consequences can compound the reputational risks such developments carry. In late 2020, the community coalition Sacramento Investment Without Displacement sued the University of California Board of Regents over the plan for UC-Davis's Aggie Square, arguing that the development deal dedicated public and university subsidies toward a project that would accelerate the displacement of residents in the nearby African American neighborhood of Oak Park. In April 2021, the coalition agreed to drop the suit after negotiating an agreement that committed at least \$50 million to affordable housing in the surrounding neighborhood, among other benefits. Fears that rising rents and taxes are displacing long-term residents continue; a recent [article in the *Journal of Urban Affairs*](#) argues that the Aggie Square Community Benefits Partnership Agreement (like many such agreements) is ultimately inequitable, partly because it fails to confront the deeply embedded consequences of historically racist policies.

In short, universities are taking heat for the secondary displacement their efforts are igniting. Though not an innovation district per se, Columbia University's Manhattanville campus, which provides a new space for its School of Business, has been marketed as a catalyst for innovation and entrepreneurship — and the effects of the expansion on low-income tenants have drawn bitter [protest](#). In West Philadelphia last fall, student and community protesters pushed back against the University City Townhomes evictions by protesting at UPenn's homecoming football game, [rushing Franklin Field](#) with a "Save the Townhomes" banner (in addition to banners championing other causes). Protesters also [disrupted Penn's convocation](#) in late August, interrupting new president Liz Magill during her speech to incoming

students. Penn officials have worked to help the displaced tenants, but as of early February, 13 families remained without new places to live.

Innovation-district projects have no chance of meeting equity and inclusion goals unless efforts are made to shield economically fragile households in nearby neighborhoods from the consequences of out-of-control property-market escalation. University officials can work jointly with municipalities to create housing trust funds, preserve publicly owned land for projects targeted at very low-income tenants and homeowners, discourage speculative investing, and provide deep support to mission-driven organizations such as neighborhood-development corporations and community land trusts. Universities dedicated to social equity might even purchase vulnerable properties on an emergency basis to thwart destructive residential displacement. In an ideal scenario, innovation districts can revive areas that lack economic vibrancy, promoting social and economic mobility for low-economic-status neighbors. But ensuring that long-term residents remain on hand to take part in an innovation district's advantages requires intentional efforts to blunt the commodification of university-adjacent property.

Allied with city officials, resource-rich universities have the power to stabilize at-risk neighborhoods near innovation districts and vastly increase the chances that incumbent residents will be able, in the long run, to participate in the knowledge economy the institutions are helping to foster. Only if universities use that power can their stated commitment to socially inclusive development be anything more than a cynical public-relations tactic.

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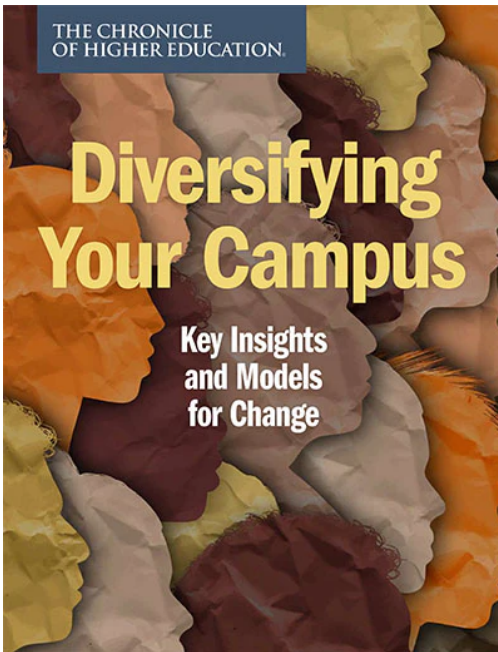
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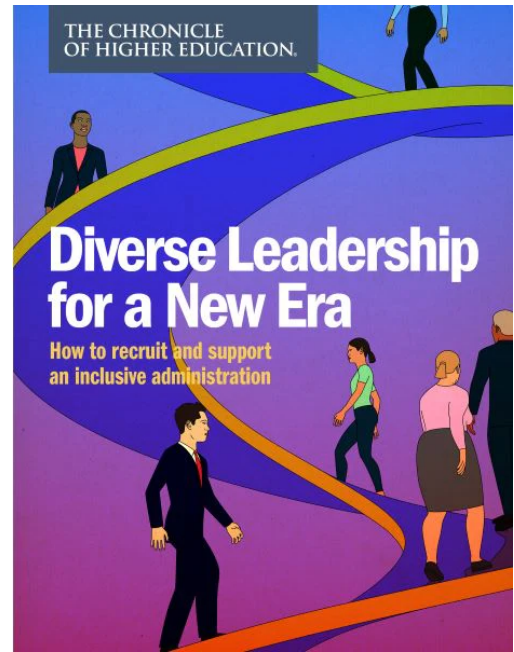
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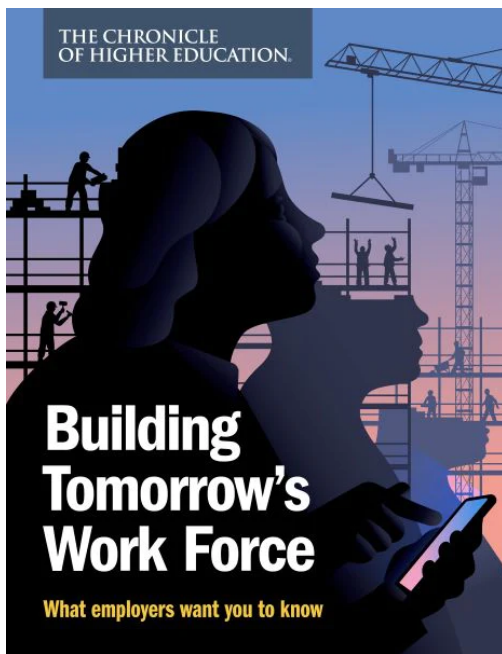
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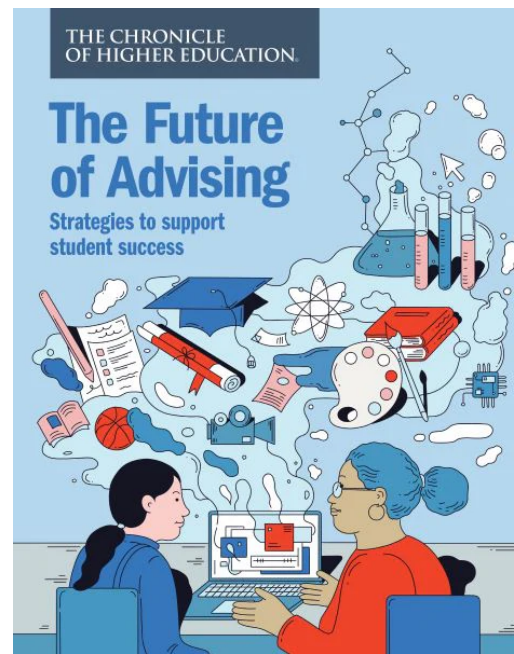
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