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Jonathan Blue can't fault University of Louisville for competing with private sector in real estate

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By Chris Otts **CONNECT**

LOUISVILLE, Ky. (WDRB) -- As a University of Louisville trustee, Jonathan Blue understands why the university, through its foundation, has become one of the biggest real estate developers in Louisville.

As money from the state government shrinks, U of L has to generate its own funds to make up the difference, he said.

But as a developer himself, Blue said it's hard to compete with a well-funded foundation that enjoys benefits unavailable to for-profit businesses, such as an exemption from property taxes.

"I have to applaud U of L ... They thought out of the box: 'Lets get more revenue. Lets do this Nucleus building, to their credit... Lets essentially mirror a private development entity to land more revenue so we can offset tuition. Kudos to them.

"On the other hand – as a developer who lost a tenant to them – I can't compete. They have to do it, so I can't fault them," Blue said.

(The U of L Foundation's projects include the Nucleus office building at 300 E. Market Street and the ShelbyHurst office buildings on Hurstbourne Parkway near Shelbyville Road.)

Blue, chairman of Louisville private equity fund Blue Equity, made the comments Thursday night at a symposium held by commercial real estate brokerage PRG Investments. He spoke opposite Craig Greenberg, a lawyer, developer and president of 21c Museum Hotels.

The 50-minute discussion, moderated by PRG President Reed Weinberg, centered on what Louisville can do to accelerate downtown development and catch up with faster-growing metro areas, particularly Nashville.

In a twist, Greenberg suggested Lexington leaders know something that their counterparts in Louisville do not: how to get more retail downtown.

While Louisville is still "far ahead" of Lexington in downtown development, Greenberg noted that Lexington has a grocery store, Shorty's Market and Tap Room, and an Urban Outfitters in its central business district.

Shorty's is "a really super-cool place, and if you only shopped at this grocery store, you could survive and be healthy," Greenberg said. "(Lexington) also has an Urban Outfitters. We have neither a grocery store (downtown) nor any location I am aware of where I could buy a tie, if I needed one."

An urban grocery is planned as part of the Louisville Metro-subsidized Omni Hotel development, but Mayor Greg Fischer's administration is still trying to finalize that deal, with hopes for construction beginning next year.

In their extensive travels to other cities and countries, Greenberg and Blue both notice that people increasingly associate Louisville with bourbon, which presents a giant opportunity for the city, they said.

"Bourbon is absolutely, exponentially mentioned more when I go somewhere now... It could be the 'Music City' equivalent for us. We've got to exploit it," said Blue, an investor in the group behind Angel's Envy.

Greenberg said: "This bourbon tourism thing is very real. People are coming to Louisville and coming to this area because of bourbon."

Other points:

- On the difference between Louisville and Nashville, Blue said Nashville's advantages include being Tennessee's capital, the lack of state income tax on wages, political clout in the state ('several Nashville mayors have gone on to be governor,' Blue said) and the fact that Vanderbilt University is located downtown, making it a "catalyst" for downtown living and development.
- On downtown Louisville development, Greenberg said only "a handful of folks," such as Bill Weyland and Steve Poe, are "willing to take the risk and struggle through the pain and challenges of downtown development. So many of our very good and successful development companies... really are focused on other areas."
- On downtown living, "the market-rate apartments are filled up" and "getting good rents," Greenberg said, mentioning Whiskey Row Lofts and River Park Place. More downtown apartments need to be built, he said.

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