

Dare to Disrupt LIVE from The Nittany Lion Inn: Scholar Hotels Founder Gary Brandeis Transcript

[00:00:02] Gary Brandeis: You're sitting in real estate, right? We buy, operate and manage buildings, and so we do financial analysis, we do market study, but then we have to know about roofs, windows and floors and air conditioning. It turns the numbers into something real. The most satisfying part I think of what I do is we took this old nitty lion in and we made it something new and different. And so to see it, feel it, walk in it, see other people's expression when they walk in is very gratifying.

[00:00:35] Ryan Newman: This is Dared Disrupt, a podcast about Penn State alumni who are innovators, entrepreneurs and leaders and the stories behind their success. I'm your host, Ryan Newman, and on the show today is Gary Brandeis. Gary is the CEO and co founder of Scholar Hotels, a hotel ownership and management group with a focus on property close to major college and university campuses. Gary acquired his first hotel in 2006 and has since been directly involved in the hospitality business as an investor, developer and manager. Scholar Hotels made its State college debut in March 2017 when it opened the 165 room Hyatt Place State College. Since then, group has expanded State College properties to include the Scholar Hotel, the Courtyard by Marri, the Residence in Binaria, the Penn Stater Hotel Conference center, and of course, the Nittany Line Inn. Gary graduated from Penn State's New York College of Business with a degree in accounting.

This is a first for us, Gary. You're the first entrepreneur we've had on the show whose business owns and operates in the very building where we're recording today. Thank you so much for being with us.

[00:01:52] Gary Brandeis: Well, thank you for being here, Ryan. I'm glad to have everybody at the Nenny Line in. This is a great start for us here and thrilled to have everybody in the building. Thank you.

[00:01:59] Ryan Newman: Great. Well, we're going to start as we always do, which is at the beginning. So, Gary, if you wouldn't mind, share with our guests some of those early years. So even before Penn State, how you initially came to school and what that experience was like just in those early formative years growing up.

[00:02:15] Gary Brandeis: So I grew up in suburban Philadelphia and the natural path for me was a state university. So I was in a situation where I was going to have to pay my way through college and Penn State was the most affordable and best education that I could get, frankly. And so I followed my older sister here to Penn State and started in 1984. I had a work study program my first semester where I helped education majors learn how to use overhead projectors. That was my first job here at Penn State. I knew I wanted to be in business. I got some really good advice early on that accounting was sort of the best major for me to be in, regardless of what type of business I wanted to go into. And I would tell you that I think I had that entrepreneurial bug early on.

[00:02:58] Ryan Newman: And when you say you had the entrepreneurial bug early on, was there any signs of that when you were growing up as a kid? I mean, were you into sports? Were you into the arts?

[00:03:07] Gary Brandeis: Yeah, so I wasn't much of an athlete. I was an average athlete. I was fortunate. My grandparents owned a home in Atlantic.

[00:03:13] Gary Brandeis: City, New Jersey, when I was growing up, so I would spend my

summers there working at various places on the boardwalk, in casinos, in restaurants, as a waiter, as a busboy, as a cook, and a pot washer. I did pretty much everything in restaurants. And so it's funny how I ended up in the hospitality business, because I really got my start in sort of the restaurant space. So I think I had a good work ethic, and I knew that if I wanted to do things, go places, that I had to earn money and do it myself. And I think that's what drove me really hard.

[00:03:45] Ryan Newman: Love that. So from pot washer to property

manager. [00:03:49] Gary Brandeis: Yes, that's a good one. I like that.

[00:03:51] Ryan Newman: So you come to Penn State and you get on campus, you'd already been here, you said, because of your sister, so you had a sense for it. What was some of those early experiences like once you stepped foot on campus as a student?

[00:04:03] Gary Brandeis: Yeah, so I went to. My high school was pretty small. I started in the summer. Started summer session. To me, summer session was like summer camp. Yeah, I took a couple of classes.

[00:04:12] Gary Brandeis: But I got to meet a lot of great people. I found my way around campus.

We were at the pool, we would go to parties.

[00:04:19] Gary Brandeis: And so for me, it was a lot of fun. But when the fall came around and 40,000 people descended on Happy Valley here, I kind of knew my way around. So I think that gave me room to start here.

[00:04:30] Ryan Newman: So you off to a fast start, sounds like. And you had some good advice about majoring in accounting? You know, accounting is, dare I say, an acquired taste. I mean, this is not something that people just sort of wake up saying, I love debits and credit. It's something you've got to sort of warm up to. So when you got into those first early accounting classes, was it love at first sight or was it more kind of acquired taste for you?

[00:04:53] Gary Brandeis: Well, I took accounting in high school.

And what I realized was Two years.

[00:04:57] Gary Brandeis: Of accounting in high school was two weeks. My first accounting class was on tv. So we'd go to a classroom, the professor would live stream on TV into the classroom. And so it was pretty interesting. If you wanted to ask a question, you put the button on the wall. And the professor would be, oh, there's.

[00:05:13] Gary Brandeis: A question in room 112. And so that was my first accounting class. But what I liked about accounting was it was black and white, right? Debits equal credits, assets equal liabilities plus capital, right? You never forget those basic accounting things. And so it made sense to me. And I think I felt like if I could learn accounting and I could figure out how to read balance sheets and profit loss statements and cash flow statements, that I could apply that to lots of different businesses.

[00:05:39] Ryan Newman: So what's really fascinating is if I'm hearing you correctly, you were using the accounting as a means to an end

As opposed to just the end in itself.

[00:05:46] Ryan Newman: So right from the start, you were trying to focus on the utility of the practice of accounting as opposed to saying, I want to be an accountant.

[00:05:55] Gary Brandeis: Yeah, I think so.

[00:05:56] Ryan Newman: I think ultimately that's.

[00:05:57] Gary Brandeis: That's where I ended up with my accounting education, my short accounting career. So when I graduated, I worked at Price Waterhouse, and that was. That was the best move that I made. And the reason for that was I didn't really know what I wanted to do or what industry I wanted to be in. I knew I wanted to be an entrepreneur. I know at the end. At the end of the day, I wanted to start my own business in my own company. But working at pricewaterhouse gave me the opportunity to see, I don't know, a dozen different industries. So I was at manufacturing clients, technology clients, banking clients, real estate clients. And so I got to see a wide array of businesses and industries. And I would tell you that real estate, I had a lot of real estate clients, and it just. Real estate made sense to me. I understood it. But I think what. What I liked most about real estate was it was a numbers game, right? We were running, you know, it was. It was accounting, it was finance, it was valuation, and the things you do in lots of different industries. But I love the physical part of the business, right? You're sitting in real estate, right? We buy, operate and manage buildings. And so we do financial analysis, we do market study, but then we have to know about roofs and windows and floors and air conditioning. It turns the numbers into something real. The most satisfying part, I think, of what I do is we took this old mindy line in and we made it something new and different. And so to see it, feel it, walk in it, see other people's expressions, hopefully good expressions when they walk in is very gratifying.

[00:07:27] Ryan Newman: Did you find yourself being the type of person that actually was drawn to these? Talk about the physical spaces. Are you also handy? For example, there's two types of real estate owners. Those that always can be found with a hammer in their hand and those that run the direction from a hammer.

[00:07:43] Gary Brandeis: So I would say that I'm a handy guy.

You know, when I was younger and a little bit more fit, I would definitely do a lot of work around my own house. And I think one of the things that we like to do in my company is no job is too important or not important that we wouldn't do it ourselves. So you might see me busting tables, picking up trash, shoveling snow in any of our buildings. If you've been at our higher project here in State College, after a football game, I'm busing the tables, running the dishwasher in the back to make sure that we've got a good environment, a good experience for our guests. So. So I would tell you that for our company and the way I run the business, we all do everything at any moment, whatever we have to do to be successful, to make sure our customers and clients and guests have a good experience.

[00:08:28] Ryan Newman: So you're at PwC, you're going into lots of

different. [00:08:32] Gary Brandeis: No, see, just PW.

[00:08:34] Ryan Newman: Yes, just Price Waterhouse and now PW.

That's how old I am. But anyway, go ahead.

[00:08:40] Ryan Newman: Coopers and Lybrand was a different business.

[00:08:42] Gary Brandeis: Right?

[00:08:42] Ryan Newman: So just pw. And you're in that business and you're experiencing all these different companies. You're getting a sense for this interest in real estate. But there's that moment, Gary, where you.

[00:08:54] Ryan Newman: Have to take the ultimate plunge to say, I want to be an entrepreneur. Said differently, I want to turn off the paycheck and basically have a self financing type of business model. What was the moment where you realized that A, that was in your future and B, that that moment had actually arrived.

[00:09:13] Gary Brandeis: So I think two ways. One, I knew that I didn't want to put my future into someone else's hand. I wanted to control my own fate.

[00:09:20] Gary Brandeis: And my own future. And I didn't want to count on other people to make sure I achieved the goals that I had laid out for myself. So that was the first thing. When I left Pricewaterhouse, I went to work for a large national development firm. I skimmed real estate the thing about accounting is you spend a couple of weeks, you're in an office for a few weeks, you're looking at your numbers, you're doing audit and tax work, but you don't really do a deep dive. So I needed that deep dive into real estate, which is what I wanted to do. So I left PwC and went to work for a large national developer. I moved from Philadelphia to Washington D.C. i worked there for a number of years and then left the company, started my own business, sold that business and went back to work for that company in Philadelphia. So I did two stints for this national development firm. And I think that's where I got most of my experience, sort of the deep dive experience that I didn't get as an accountant working for a public accounting firm. When I was in the national development firm, that's when I realized, hey, I think I can do this myself, I think I can raise money, I think I can buy buildings, I think I can develop buildings. And so that's where I really got the confidence and I was able to build a network.

[00:10:22] Ryan Newman: This is a really important point. So would you say that when you first stepped foot in the real estate development company, it wasn't necessarily your thought, I could do this on my own? In other words, that thought of I could do this on my own kind of came with experience and time at the real estate development company as opposed to the moment you arrived on the doorstep. Is that fair?

[00:10:41] Gary Brandeis: Yes, absolutely. And I was 24 years old when I got there. And when I joined the office in DC, I was the sixth person hired.

Six and a half years later, there's 300 of us in the office.

[00:10:53] Gary Brandeis: So I was there during a very large growth, but I was the accountant, so I was doing property management, accounting, construction accounting. And then by the time I left, I was the vice president of finance. And so I got to do a lot of things, but it definitely wasn't until I got to see all parts of the business. Construction, development, finance, acquisitions,

dispositions, loan restructuring.

[00:11:14] Ryan Newman: So it's interesting, we talked about this relationship between age and experience. You talk about being 24 years old and feeling like you had a lot to learn, right? But we've all met and encountered 24 year olds who feel like they actually already know everything. There is nothing that they can't learn. And so for our younger folks in the room, and for those that may be listening, can you talk about that relationship between gaining the experience versus just gaining the years in your experience, which of those two, if you could parse that out, which would you say mattered more in your development? And how did you sort of think about it? Sort of age versus experience?

[00:11:48] Gary Brandeis: Yeah, I think in real estate, you want to be an entrepreneur. In real estate, you want to develop and invest. It's not like starting a tech company with a hundred bucks in the bank and you sell your time for money or you incubate an idea.

In real estate, you have to have a lot of money. You have to raise money to buy a building or develop a building. So it's a much different path than if you're a tech startup or you're starting a consulting practice and things like that. So I felt like I needed a lot of experience and I needed the ability to raise money in real estate, the only way you can do that is by having experience, a track record. And so it takes a lot to build that track record. I'm not very patient, but I would tell you, probably the most patient I've ever been in my life was waiting for the right moment where I felt like I could do it. Now I was married, I had two young kids, and so I needed paycheck, I needed health insurance and paid the mortgage. So there was this sort of juggling act that I had to do at the time to make sure that I could take care of my family, but also chase my own dream as well.

[00:12:49] Ryan Newman: So you laid out something very interesting there, a mental model, if you will. You said it takes experience, a track record, and a network. So the experience is going to come with time with respect to what you're actually doing in the business.

[00:13:00] Ryan Newman: Talk to us about the track record. In theory, you don't have a track record until you sort of go off and do it, although maybe you do and love to hear about that. And then the network is obviously really critical as well. So we've got the experience piece, but talk to us about the track record and the network. So I think there's two track records.

[00:13:16] Gary Brandeis: One, the track record I had when I was with the national development, which is good, but probably not good enough to start on your own because, you know you're part of a team. Right?

[00:13:25] Gary Brandeis: You're one person of seven or ten. That's part of a development project. Right. And so even though that development could be successful, I could put it on my resume. Hey, I was part of the team that did this. I was one facet of many. So if you want to be an entrepreneur in real estate, you almost have to build your track record on your own. So the way I started was I was able to connect with someone who's a little bit older than me, who had money. He was looking to make investments and wanted someone to do all the work. Right. So that was a really good match. Right. He was older, was very successful, wanted.

To invest in real estate, but didn't.

[00:13:59] Gary Brandeis: Really want to do any work. I was young, I didn't have any money and I was willing to do all the work. And so that was sort of a match made in heaven for me. And that's what really got me started. And he and I created a little partnership and we built a 238,000 square foot building in downtown Harrisburg, Pennsylvania. It was the first new office building built in downtown Harrisburg in 30 years. We bought the land, we built the building and the building's been 100% leased since 2007. Wow.

[00:14:25] Ryan Newman: So you may have not known about your pot washing skills, but that obviously came in handy there.

[00:14:29] Ryan Newman: Once again. So this idea of network and knowing people, how did you think about building a network and how did you think about in particular attracting people that may be of a different age, vintage from you, looking for a different experience. Just talk to us about sort of the insights that you use to sort of create that network.

[00:14:45] Gary Brandeis: So I think when I was trying to build my network, we didn't have LinkedIn, right. So you actually had to do it, go to events and conferences and you'd get your business cards. I remember I had a three ring binder with all my business cards in it. There was no social media. So networking today is much different than it was when I was younger. I speak to Penn State students a.

[00:15:02] Gary Brandeis: Lot and I say, if you want to connect with me, send me a connection on LinkedIn. And it's really easy to connect. For me it was a little, lot more shoe leather, a lot more going to conferences, a lot more outreach. Hey, you want to grab breakfast, you want to meet for lunch? You know, things like that. So it was, it was more difficult. But I think, I think those connections were much more meaningful back then because we were talking like this, right? And we would actually look at each other and talk to each other as opposed to just making a connection on social media. So I was able to build a great network. Probably wasn't as large as, let's say my network is today.

[00:15:36] Ryan Newman: Right. We've become very popular. Gary, when we're sitting in a reason why you're so popular, which is this amazing, extraordinary building spent a lot of time talking about today, you set it on your own. There's one more aspect of this that I think is interesting to delve into this idea of taking someone else's money, right. Using being a fiduciary, having the responsibility of needing to care for investment dollars in this partner. The first time that happens, where literally somebody is handing you their hard earned money for you to then go and facilitate investment into real estate, just take us in the mindset of that headiness in that moment.

[00:16:09] Gary Brandeis: I was hoping to forget about those days, but if I have to remember them, that first deal that I mentioned before, that was the first time where someone wrote a check because they believed in me and they believed in the project. It was a lot of stress, it was a lot of weight on my shoulders, but I think that's what gets me out of bed in the morning. I would tell you the same thing happened here at the Nittany Lion Inn Inn. When we were chosen to acquire this

building and renovate it. I felt the weight of my capital partners because we invested a lot of equity, but I also felt the weight of millions of Penn State people saying, gary, don't screw it up. And so that was a lot of pressure. But early on, I think when he wrote that check and signed a loan guarantee and was saying to me, gary, don't mess this up, that motivated me. It got me out of bed in the morning and I worked my tail off. I still own that building today. And so it's been one of the best investments we've had.

[00:17:04] Ryan Newman: Incredible. So now we're. Now you're in the real estate business. You're on your own. You're. I should say you have partners, but you're developing your own track record. You're leveraging your own network, you're putting that capital to work.

[00:17:16] Ryan Newman: How did you actually identify being in the hotel space and how did that interest you know, there's multiple sectors within real estate you could have focused on. And so what was it about the hotel space in particular that drew you to attraction?

[00:17:29] Gary Brandeis: Really two things. One, we bought a hotel in Philadelphia. We were going to tear it down and build apartments and retail. It was a five acre site, which is a large site in Philadelphia. And it was going to take us about a year and a half to.

[00:17:40] Gary Brandeis: Two years to get all of our permits, do our designs. So I said, let's keep the hotel open. I hired a management company, they were running it and we were actually doing pretty well. I was like, maybe, maybe I shouldn't tear it down. And then the permitting and some of the challenges site made a redevelopment more difficult than I maybe originally thought. So we acquired the property. And as we were making money with the hotel, I realized I'd never thought about hotels before. Hotels are much, much different than other commercial real estate classes.

[00:18:10] Gary Brandeis: So there's five classes of commercial real estate. Four out of the five get their revenue from contracts, leases, right? So if you have an apartment, an office lease, a retail lease, or industrial warehouse lease, hotels get their revenue from a one night lease, right? You stay in our hotel, you pay us for one night. And so hotels are considered much more risky, if you will, than the other four. Now because of certain economic events, like the pandemic, office right now is sort of a less favored asset class. But hotels traditionally have always been the riskiest type of asset. But what really made me fall in love with hospitality was I got to do all the same things I always did on other asset classes with real estate. We were buying buildings, we were looking at the market, we were doing physical reviews. I was walking on the roofs, looking at mechanical systems, climbing in the elevator shaft and seeing what was happening in there. So we got to do all those same things. Plus I'm raising equity, I'm borrowing money from banks. So it's all the same up until operations. In hospitality, you actually run a real business, right? We have 125 employees here at the line in. We sell drinks, we sell water, we sell conference and meeting space, we sell hotel rooms. So this is a multidimensional business that sits on top of our real estate. And what we've chosen to do is operate ourselves. So a lot of folks invest and build and develop and then hire someone else to manage. We do everything we're vertically integrating, from raising capital to doing all the development, construction work and then operating asset.

[00:19:42] Ryan Newman: I think we also just learned a new place. If any of your employees can't ever

Find you, it sounds like they should be looking in the elevator shafts as well.

[00:19:48] Gary Brandeis: That's definitely not a place I would expect, elevator shafts. I spent a lot of time in.

[00:19:52] Gary Brandeis: The attic of this building at night by myself, which is a little creepy.

[00:19:57] Ryan Newman: You start to get into the hotel business, you've talked about what the risk reward is and the dynamic. Talk to us about your first foray into State College. Right? Because for those who haven't been following and tracking your career, they may have only learned of you recently because of their deep affection for the Nittany Line Inn. The reality is you were punching above your weight in State College long before you stepped foot into this beautiful building. So take us through your first entree into State College.

Gary Brandeis: I got a call in 2013 and someone said, you want to buy an acre site in downtown State College? Really? I said I had started school here in 1984, this was 2013, and I couldn't remember a storefront being for sale, let alone an acre. Right. I drove to State College, I looked at the site, it was a parking lot at the time, and I said. Okay, I'll buy it.

Called up a partner of mine, he and I put a deal together. We acquired the land and we put together the development plan, the business plan for what's now called the Fraser Center. So we have 50,000 square feet of retail space which includes a Target and a Planet Fitness. We have 165 room Hyatt Hotel and we did 26 condominiums on the top floor floors. So we, we acquired that land in 2013, we started construction in 2014 and we opened the retail in 2016.

[00:21:09] Ryan Newman: Incredible. So you've had this major move of development with respect to the Fraser Center. Can you talk about this idea of looking at a parking lot and then saying, great, we'll buy it? I mean, I would think there's a number of site plans you have to do. There's certainly everyone within real estate and development talks about what's under sea level that you got to worry about even more than what you can actually see. Can you talk about that?

[00:21:30] Gary Brandeis: Yeah, I mean, I think we bought it and said, well, how could we go wrong? You go 155ft in the air with this new zoning that the Merlin just put in place called signature zoning. So we knew we could get a lot of density on our parcel. So we really did three things at that building that hadn't either been done before or hadn't been done in a really long time. The first thing we did was we built large format retail space. So this retail spaces in downtown City College are pretty small. And so we built a 27,000 square foot space and a 19,000 square foot space. And we knew at the time that larger retailers wanted to be close to college campuses. So before we even finished construction, we had a lease with Target and we had a lease with H and M, which used to be in the Planet Fitness. We built the first new hotel downtown in 30 years. So when I was a senior at Penn State, the Atherton Hotel opened, which is now the graduate year State College. And so that was the last hotel. Thirty years later we opened the high end place. First new hotel in 30 years.

[00:22:27] Ryan Newman: Wow.

[00:22:28] Gary Brandeis: And if you think about the growth in State College and the growth in Penn State from 1987 to 2017.

And no new hotels downtown. Why didn't someone do that? And then we built condominiums on the top. We sold all them but two before we were finished construction. So I would tell you that in hindsight, that's the most successful project I've ever done.

[00:22:48] Ryan Newman: Incredible. Well, and the space about, you know, when you see that space, you see how striking it is. You also had some elevation issues you had to work with too there. I mean, it's, it's incredibly steep. There's different levels and gradients. Just take us through some of the, some of the challenges again to this idea of seeing a parking lot and saying, great, we'll take it to the actual, you know, design elements and challenges that may have existed.

[00:23:10] Gary Brandeis: So there's a 16 and a half foot slope from Beaver Avenue to Calder. And so the way we maximize the value of the retail space was we built multiple entrances at different levels of the building. So if you go to the plan of fitness, you're entering the building on Calder.

We also have a mid block entrance that gets you into the Target and also can take you upstairs into the hotel space. And the Federal tap House, which is our restaurant there. And then we also have the hotel's main lobby and Target's other lobby on Beaver. So by building on the slope, we actually got three separate entrances building, which allowed us to maximize the value of.

[00:23:43] Ryan Newman: The ground floor space, which also required great engineering, I'm sure to be able to figure all that out.

[00:23:48] Gary Brandeis: Yes, we did.

[00:23:48] Gary Brandeis: We had to build it. If you notice, there's a big retaining wall with lots of tiles on the wall. So we had to build that in order to get those entrances.

[00:23:54] Ryan Newman: So you have this, you have this very striking real estate development project that takes place downtown. Brings a Target to town, which I'm sure all the students really appreciate, having a Target. And then in addition to the Federal tap House, a gym, which is, I'm sure gets phenomenal use on top of the hotel. So bringing a mixed use development solution to State College. With that, I assume you then step foot into the Scott, the other property. Now your other hotel in State College. Can you talk about that?

[00:24:21] Gary Brandeis: So we had the opportunity to build a high rise. So there's a lot of opinions about the high rises. Some people like them, some people don't. And so we built the first one.

And so I think people liked our development to kick off these sort of high rises because we, we didn't build any student apartments, so we built a hotel. We built Retail, we built residences. So I think our project was looked upon very favorably. And because of the success of the Hyatt, we were given the opportunity to acquire the old Cleveland building just a few blocks away. Because we were doing really well at the Hyatt, we thought, let's build another hotel downtown. But we built what we call an extended stay hotel, which is a little bit of a different strategy. So all the rooms in the Scholar have kitchens or kitchenettes. You can stay for one night, but you can stay for a few weeks. You can stay for even for a few months. In fact, we have students that live at the Scholar, mostly students that are studying abroad in the spring semester will live there in the fall semester. A much different product, more boutique driven, very highly designed for State College in Penn State. We got to do two projects in downtown. One, we built this big high rise, which is a little controversial. But then we had the opportunity to preserve a really important historic building in downtown State Colony.

[00:25:27] Ryan Newman: And did you think at all about the risks concerned with that in relation to hotels? Right. So, for example, with respect to hotels, any concern about demand cannibalization? Right. You've got one hotel, and now you've got another hotel just a couple blocks away. Talk to us about how you avoided demand cannibalization, or the Hyatt's 165 rooms, the Scholar's 72.

[00:25:47] Gary Brandeis: So there was a very untapped demand for hotel space in downtown. Hyde was very busy all the time. And so we felt by adding a different type of hotel, an extended stay hotel was a good match. They sell to different markets. They look a little bit different, they feel a little bit different. So we were very comfortable. It was a tough project. It's almost easier to build a new building than renovated a really old building. And I can tell you some really interesting stories about this and that one that make your skin crawl a little bit, the things we find in these old buildings. But that was also a nice success. We actually were under construction during the pandemic. We actually had to stop construction for about four and a half months because we weren't allowed to be in a building, which was tough on us. And we opened in the pandemic. We opened that hotel in January 21st. We had six people check in on the first day, and not many people check in after that.

[00:26:34] Ryan Newman: Wow.

[00:26:34] Gary Brandeis: So that was a tough one.

[00:26:35] Ryan Newman: Wow. Well, it's a beautiful property. I've had the chance to stay there. And can you talk about the style element with the Scholar? I mean, when you go there Anybody that's been to the Scholar knows it really is very nostalgic. And it really sort of, you can see it. There's a stylistic intention of drawing on that nostalgia. Can you talk about how that was developed and how you thought through that concept?

[00:26:54] Gary Brandeis: When you're in a college town, right, you want your guests, people that walk in your buildings, to have a really good sense of place. So we wanted people to know where they were when they walked in. We wanted to know they were in State College. We wanted them to know they were at Penn State. So when you walk in, you see some really great vintage photographs of downtown State College that are on the wall. You also see the building was originally built with an indoor pool. So we had a custom made lithograph of the pool that sits behind the front desk. So we wanted to make sure that felt not only a sense of place, but the history of the building as well. And so that was really important to us. The other thing that we learned at the Hyatt was pretty good idea to put your hotel next to a public university, right? And so that gets into sort of our Scholar strategy and why we like being near college universities. That made that a really interesting investment. And once we got out of the pandemic, a really good investment.

[00:27:43] Ryan Newman: When you're thinking about, so that's the Scholar, right? You have that property and then clearly having challenges through the pandemic. But then now, as a result of that coming out of that experience, you then have the Nitty Line income on your radar. So talk to us about the very first time the Nittany Lion Inn came onto your radar as a property developer, a real estate developer, and what that first inkling was like.

[00:28:08] Gary Brandeis: Well, it was a summer of 21 and I being spending a lot of time here with our other two assets. We had just opened the Scholar maybe six months prior, and I guess I heard a rumor I was talking to somebody at Penn State. That university was thinking about putting the two hotels up for sale. The bells and whistles started to go up in my head and I said.

[00:28:26] Gary Brandeis: Boy, wouldn't that be interesting?

[00:28:28] Gary Brandeis: And so I started sending emails.

[00:28:30] Gary Brandeis: The people I knew at Penn State, is this true? Is it really going to happen? And nobody would confirm or deny anything. And so fast forward to the summer of 22. Almost a year later, the news came out that Penn State had hired a consulting firm that they were going to sell the two hotels, the Penn Stater.

[00:28:46] Gary Brandeis: And the NINI line in.

[00:28:47] Gary Brandeis: We were like, oh my gosh, this is a once in a lifetime Opportunity. We said, all right, we're going to go for it. We put in our rfq, our request for qualifications. We showed obviously our two buildings here in State College and some other university hotels that we developed. And we passed the first test, which was the rfq and we were invited to participate in the rfp. So we started working on the RFP in late summer of 22. We submitted our qualifications in March of 22 to the university. It was 115 pages long. Everything they wanted to know everything about us.

[00:29:20] Gary Brandeis: Right.

[00:29:20] Gary Brandeis: They wanted to know who we were, where we were, what we did, how we did it. We had to provide long term projections for both assets, terms and conditions of a long term ground lease and all these different structures and things like that. So we submitted our RFP response in March of 22. We went through a series of interviews, vetting. I got a call on the Friday afternoon before Memorial Day weekend when I was away on vacation with my family. And I remember looking at my phone, I knew who was calling me and I said, if he's calling to tell me I didn't get the job on the Friday before Memorial Day weekend, probably could have waited till Tuesday after I had my holiday weekend. But he told me that we were awarded the project. And so that was great news to get on the Friday of Memorial Day weekend. And so from there we then started the process of doing our real due diligence in the buildings because the university didn't want us to sort of crawl around the buildings before we were selected. They only wanted the selected group to do that.

[00:30:13] Gary Brandeis: Yeah.

[00:30:13] Ryan Newman: So your fascination with elevator shafts and attics had to sort of wait until you actually won the contract.

[00:30:19] Gary Brandeis: So we won the contract. We signed a letter of intent that gave us access to the building. So I spent the summer of 22 in this building in the Penn State or, you know, every day. We hired architects, engineers, mechanical contractors, plumbers, and we, we did all of our due diligence and so we were able to figure everything out that summer.

[00:30:37] Ryan Newman: So this, I mean, this space, the Nittany Lion Inn, is an extraordinary space. I mean, anyone that sees it, when you drive up, it's iconic, it's stately, it's also not new. Right. I mean, this is an old building. Can you talk about. You mentioned earlier, alluded to the idea of you'd be amazed at what you would find or the things we sort of uncovered, looking through the building. Can you talk about some of that in terms of, you know, knob wiring or whatever the case might be that you sort of found when you started looking through the attic in the basement.

[00:31:02] Gary Brandeis: Of the building, this building was built in three stages. We're sitting in the built part of the building that was built in 1932. Other parts of the building were built in 1954. And the front section, where we all walk into the building, was built in 1992.

[00:31:15] Gary Brandeis: 93.

[00:31:16] Gary Brandeis: That made it a very challenging construction project because we had three methods of construction. The way the building was built changed over those years. And so the way we renovated these spaces was different than we had to renovate the 93 spaces. That includes guest rooms as well. Also includes mechanical systems and heating systems and plumbing systems and electrical systems. So we had a hodgepodge. This building had everything. It's like vegetable soup. You throw it in. And it was just a mess kind of. So we had a lot of things.

[00:31:41] Gary Brandeis: To fix, a lot of things to.

[00:31:43] Gary Brandeis: Repair, and a lot of things to replace. And so we did our diligence. We went back to university. We changed some of the terms and conditions of the deal because of what we found during diligence. And then we ended up closing in March of 23, and we started construction. We spent about 60 days just taking asbestos out of the building.

[00:32:01] Ryan Newman: So hopefully not personally, Gary.

[00:32:03] Gary Brandeis: No, I did not do that personally, but I was here when it was happening, and I had the Hazmat suit on and walked around, things like that. But the 1932 and 1955 buildings had a lot of asbestos in the floors, in the walls, wrapped around piping and things like that. And it was old. It was what's called friable asbestos, which is flaky asbestos, which is where you can get into health issues. So spent a lot of time getting rid of asbestos, a lot of time getting the building cleaned up and ready for renovation.

[00:32:29] Ryan Newman: You come in, you're looking at the space, and your thought is, probably on one hand, you want to modernize it and find new ways to highlight and amplify the building. But the other way, you want to sort of have a nod to the history. And there's a tremendous amount of culture and background that goes into this. Can you talk about that?

[00:32:45] Gary Brandeis: Yeah, that was really important. That goes back to the don't screw it up, Gary thing from all the Penn State alumni. So we could have ripped everything out and made it modern, but that doesn't work.

[00:32:54] Ryan Newman: Right.

[00:32:54] Gary Brandeis: We're on a college campus, and we have to. We have to honor the history of the building. We have to honor and protect the brand. That and the university's brand. And that was really important to Penn State. When they evaluated our proposals, we said we would do that, and we had ways that we were going to do that. We're sitting in this room. This is one of the old. This is the oldest part of the building. These are original floors from 1932. These beams above us are original from 1932. All this woodwork, this fireplace, it's all original. So we protected all the original perspective pieces in the interiors of the building in the 1932 section and the 1955 section, the 93 section. Obviously not historic, but important to the building. And the other thing that we did, Ryan, was we. We qualified for both federal and state historic tax credits, which incentivizes us to protect the historic elements of the building. And the federal government and the state government gives us financial incentives to do that. So we benefited from that as well.

[00:33:49] Ryan Newman: So we're in 1855 Lounge, which is the space that we actually are doing this podcast recording from. And this space, for anybody that used to see it prior to the renovation, looked nothing like this. It was simply just a conference room space. It's now been reimagined with this beautiful bar. Also, I noticed the wood, the wood beams on the wall. You mentioned about preserving the antique fireplace. Can you talk about how you thought about reimagining a space like this or triplets or. And even the lobby, which is dramatically different today?

[00:34:18] Gary Brandeis: Yeah, I think this building didn't utilize a lot of its spaces very well. Penn State ran the hotels much differently than. We're a for profit company, right? I have investors, I have lenders, and my job is to create a profitable business.

[00:34:31] Gary Brandeis: Right.

[00:34:32] Gary Brandeis: So I had to figure out how I could make this profitable, but also protect the history, make it a good experience for our guests, make it warm and welcoming. So you have to combine all those different things for success. So we wanted to make sure that we were utilizing the spaces not only effectively historically, but also ways to create revenue. So that goes back to being a for profit business. So this room, like you said, had.

[00:34:55] Gary Brandeis: Shag carpeting in it.

[00:34:57] Gary Brandeis: It had a couch, maybe, and it was used for some special events, but it wasn't used very much. And so we saw this beautiful room as a revenue opportunity and a utilization opportunity. So we created a second bar that allows our guests to have another space to enjoy. We created some revenue opportunities for the hotel, and it gives us flexibility. So, for example, our triplet space, which is the old whisker space, is right across the hall from the ballroom. So we expect, as we get busier with events and weddings and things like that, to use that space for pre function.

[00:35:27] Gary Brandeis: Right.

[00:35:28] Gary Brandeis: So your cocktail party could be in triplets, then you move into the ballroom to have your event. Well, what happens when that. If triplets is being used for pre function, what happens to all of our hotel guests where, if they want to get a drink or a cocktail or have something to eat, where can they go? Well, by having this space, we have an alternative space to do that so we can satisfy our corporate guests, our social events that are here for events, while still accommodating all of our hotel guests. So that was one of the reasons we wanted to activate this space. Same with the lobby. When you walked into the lobby, you walked into what was a really beautiful building, and respectfully, probably the most disappointing hotel lobby in America. You walked in, there was a desk, a little corridor. That was it. And so we. We felt that this building deserved more. So we kind of, kind of blew out the wall all the way to the back. And now you can see a courtyard that a lot of people never saw before because the area behind the old desk was a guest room, a fitness center, and a hot tub room. And I think the hot tub room or the hot tub had been decommissioned back in the 70s, I think maybe the early 80s. And I think the fitness and fitness room maybe had a couple of pieces of equipment from the 80s, so I don't think anybody used those spaces. So the only time you saw that courtyard was if you had a guest.

[00:36:38] Gary Brandeis: Room that fronted it.

[00:36:39] Gary Brandeis: So by coming into the lobby, you now have a more of expansive lobby. Actually, we think it mirrors the outside of the building. And that was really important to us. We

wanted to make sure that we honored the building, the outside, the inside matched the outside. But we also remembered that we're on a college campus. So when you walk in, by adding the bookshelves and some different gathering areas, it doesn't feel like a furniture store when you walk in. And it has more of an academy, a little bit of an academic feel with the library shelves and the books.

[00:37:07] Gary Brandeis: And things like that.

[00:37:08] Ryan Newman: Well, I want to open up to our guests, our audience, for questions. We have a microphone there. While we're anyone's thinking of questions you have, just raise your hand and Katie will come to you while she's thinking. One more question for you or a comment. You've talked about this idea that you want the lobby of the Knitting Line Inn to be like Penn State's living. Can you just talk about that?

[00:37:25] Gary Brandeis: Yeah. So I think Penn State's President Eisenhower, the United States president's brother, said, I think he named this room Penn State's living room. So it's been part of this building for a really long time. And I think by creating great spaces like this, the lobby, we have a coffee shop now, hotel never had a coffee shop.

[00:37:43] Ryan Newman: Right.

[00:37:43] Gary Brandeis: So we have all these great spaces to spend time in in the hotel. And we want everybody to spend time here. Students, faculty, Aluminum State College residents. We want this to be your home away from home. And whether you're staying with us or having a meal or just getting a cup of coffee or just grabbing an apple and some water at the lobby, that's okay, too. Just spend some time with us, hang out in the building. And we want this to be an active, lively space. And we can only do that with.

[00:38:09] Gary Brandeis: Everybody from the community being

here. [00:38:11] Ryan Newman: Any questions from the

audience? [00:38:12] Gary Brandeis: Hi.

[00:38:13] Audience Member: I just want to say thanks because as a student, I have come here this semester, semester a lot and done some studying in the coffee shop and stuff like that.

[00:38:21] Gary Brandeis: How's the WI Fi speed? Good?

[00:38:22] Audience Member: It's great. Yeah. Yeah. It'll get all my

work done. [00:38:25] Gary Brandeis: Great.

[00:38:25] Audience Member: My question is, as a Penn State alum, how do you think that benefited you when starting some of these projects, like the Graduate, the Scholar? Like, early on, the benefit for me.

[00:38:36] Gary Brandeis: Here in State College is I went to school here. So like you, I was a student. I learned a lot. I grew a lot as a student here, and I learned to, like, hopefully you did love this place.

[00:38:46] Gary Brandeis: Right.

[00:38:46] Gary Brandeis: The wonderful thing about Penn State and State College is I drank the Kool.

[00:38:50] Gary Brandeis: Aid in a big way. Right.

[00:38:51] Gary Brandeis: And so I live and breathe Penn State. I'm a die hard, I believe, blue and white, all those types of things. So I think having a big part of my business here and having projects here not only makes it a lot more fun, but it makes it much.

[00:39:03] Gary Brandeis: More important both to my heart and.

[00:39:05] Gary Brandeis: My brain and my pocketbook, all three. And so when you can combine those three things, that's really cool.

[00:39:11] Gary Brandeis: Right?

[00:39:12] Gary Brandeis: I said when we had the ribbon cutting here on September 3rd, I said to the group that was there for the event, I couldn't have done this project at another campus. I could redevelop a campus hotel at some other university, but it wouldn't have had the same meaning. I probably wouldn't have done it with such vigor. It makes my life and my job here in State College a lot more fun.

[00:39:31] Audience Member: Hi, Gary. Thanks. I'm Jesse Remick. I'm a faculty member here. Congrats on the Hotel. I. I think there's a perception that entrepreneurs today are kind of like super risk on people all the time, and you kind of paint a different picture of that. Could you speak to how you think about risk, both maybe in your professional and personal life and where those intersections, where those two things intersect?

[00:39:50] Gary Brandeis: That's a great question. I think what people think about entrepreneurs, at least today most are focused on tech companies and tech startups. And so I'm a real estate entrepreneur. Same thing, just different industry, Right.

[00:40:01] Gary Brandeis: Real estate, I think probably any business.

[00:40:03] Gary Brandeis: Is all about risk. How do you manage it and how do you measure it?

[00:40:06] Gary Brandeis: Right?

[00:40:06] Gary Brandeis: So in real estate, it's how much do I have to pay for the building, how much is it going to cost me to renovate it, and what's my revenue and profit opportunity? Just like any business, in my business, fortunately or unfortunately, I probably picked the.

[00:40:18] Gary Brandeis: Riskiest part of the real estate

business. [00:40:20] Gary Brandeis: I could have been a

broker or. [00:40:22] Gary Brandeis: A lawyer or an

accountant.

[00:40:24] Gary Brandeis: Stayed as an accountant and did that, probably done quite well. But investing other people's money along with my own money, because when I raised money for deals and investments, my investors was the first thing they say to me is, how much money are

you putting in? Because they want to know that I've.

[00:40:39] Gary Brandeis: Got skin in the game along with them.

[00:40:42] Gary Brandeis: And I think because I have a good track record, I think that gives them comfort that not only am I protecting their money, but I'm protecting my.

[00:40:48] Gary Brandeis: Own money as well.

[00:40:49] Gary Brandeis: And I also sign loan guarantees and completion guarantees, which ups the ante. On the risk side, if you're a tech company, you may not have to do that, right?

[00:40:57] Gary Brandeis: We have collateral, we have loans, we're.

[00:40:59] Gary Brandeis: Borrowing money, we're raising money. So I think about risk all the time. I'm risk adverse, but I can't go too far or else I wouldn't do anything.

[00:41:07] Gary Brandeis: Right?

[00:41:08] Gary Brandeis: And so it's funny, when I talk to my insurance advisors, they wanted me to insure everything, like every possible scenario.

[00:41:15] Gary Brandeis: That could ever happen in life.

[00:41:16] Gary Brandeis: And I always push back and say, no, no, no, no, no. I said, first, I can't afford to buy all that insurance. And two, I'm not going to worry about certain things that you're worrying about. So I think we all have to manage risk. You have to be able to put your head on the pillow at night and go to sleep and know that you're going to wake up in the morning and feel good about your business. But I think risk is, some of it's personal, what you can handle just internally, with your own mind and body. And some of it is how you feel about the business you're in. I would tell you in the real estate business, you can make the numbers look good if you really want to. Ultimately, a lot of the decision making in real estate is gut instinct. Because I went to Penn State because I had developed two other hotels here, either ground up or historic renovation. My gut was telling me we could make this work. And I think that's what gave me the ability to push it over the.

[00:42:06] Gary Brandeis: End zone line to get it done.

[00:42:08] Ryan Newman: While Katie's getting the mic, you talk about this idea of how much risk you can comfortably live with. Is it safe to say that your comfort zone for what you're willing to handle expands over time? Things that would be risky early on are now not as risky anymore?

[00:42:21] Gary Brandeis: Yeah, absolutely. I'll be 59 years old soon, so got a lot of experience. So I'm much more attuned to looking at a deal, looking at a project and finding those risk points pretty quickly and identifying them quickly. Where when I was 25 or 26, I didn't have that experience, so certainly was. Was probably a lot more sleepless nights back then than I have now. So obviously, like anything, you get better with experience. You learn, you make a lot of mistakes, you learn from those mistakes and hopefully don't repeat them again. So definitely better at measuring risk today than I was when I started.

[00:42:52] Audience Member: Gary, I also wanted to congratulate you on an outstanding facility. I've been to two events here in the past week. Everywhere I go, just absolutely

beautiful. I went to the Bo Nickel event Saturday night, which is outstanding. And in this event today, as a longtime customer, I live in State college since around late 80. I used to come in a lot and enjoyed some. Some just standard. Some standard items like lobster bisque. Can't remember it's lobster or crab. All I know is it's outstanding. And every time I came here, we're able to keep some of those standard favorites on the menu, in addition to some real, really neat new menu items.

[00:43:28] Gary Brandeis: It's lobster bisque.

[00:43:29] Gary Brandeis: And certainly we have that in our restaurant at Lyon, and I heard that a lot. The second thing I heard a lot was apples at the front door, which we have. So hopefully you saw when you came in. And there's a couple other favorites as well. But we wanted to make sure we had the apples and the lobster bisque.

[00:43:43] Gary Brandeis: And things like that.

[00:43:44] Gary Brandeis: But we wanted to add a lot more. We wanted it to be the same nitty line in. But a better nitty line in and.

[00:43:50] Gary Brandeis: I think we've accomplished that. I've gotten a lot of good feedback.

[00:43:52] Gary Brandeis: One of my favorite things to do is stand at the entrance and watch people's faces when they walk in. Especially when we first opened because I think that first view when you walk in is so, so different than it was before. And I think to see people's faces is really gratifying. We have a Harper's Boutique here, which is a well known store that sells great Penn State apparel. You can buy nitty line knit apparel as well and so that adds a nice dimension to it as well. We've got great outdoor spaces and indoor spaces. Like the courtyard off the lobby now is an active space. We can have events there. That courtyard was never available for used before because there was really no way to get get there. I think for us it's about activating.

[00:44:28] Gary Brandeis: The spaces, making this a warm, comfortable

place. [00:44:30] Gary Brandeis: During the whiteout weekend, we were really.

[00:44:32] Gary Brandeis: Really busy and we had been open for about two months at that point and I was getting a lot of compliments from people about the building. The compliments I really like are when they compliment our people and our staff. The level of service, the quality of food, that's much more meaningful to me and our company. Ultimately we fixed up the building, but once we're done that, we've got to have great people, we've got to provide great service and I think that's what I'm most proud of.

[00:44:59] Ryan Newman: Really great. Well, thank you so much, Gary.

[00:45:01] Ryan Newman: We appreciate everyone coming today and

having. [00:45:03] Ryan Newman: A chance to share this story with you.

That was Gary Brandeis, CEO and co founder of Scholar Hotels. This episode was produced and edited by our executive producer, Katie D. Fiori. If you haven't already, be sure to.

[00:45:17] Ryan Newman: Subscribe to Dare to Disrupt wherever you.

[00:45:20] Ryan Newman: Listen to podcasts and look out for next month's episode. Thanks for

listening.