

# FCR 22

Office of the President  
December 5, 2023

Members, Board of Trustees:

## CONSTRUCT/IMPROVE STUDENT HOUSING CAPITAL PROJECT

Recommendation: that the Board of Trustees support and approve the pursuit of legislative authority from the Commonwealth of Kentucky for the Construct/Improve Student Housing capital project and authorize the President, or his designee, to negotiate and enter into a pre-development agreement and a long-term lease with Greystar Real Estate Partners, LLC (formerly Education Realty Trust, Inc. (EdR)) or one of its affiliates for purposes of development and management of Phase IV of the student housing project.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated cost of \$1,000,000 or more must be approved by the Board prior to initiation.

### Authorization of Lease for Phase IV Student Housing

In 2011, the average age of the university's residence halls was 44 years. In October 2011, the Board of Trustees identified the need to expand and improve student housing facilities as a strategic priority based on data that showed increasing student dissatisfaction with both housing and dining. A Request for Proposal was subsequently issued seeking developers with the capacity and interest in partnering with the university to complete a long-term housing plan. On December 13, 2011, the university announced that it would negotiate with EdR (now Greystar), a third-party developer, to improve, expand and potentially manage student housing.

A summary of the existing leases with Greystar by phase follows:

<b>Project Phase</b>	<b>Development Cost</b>	<b>Number of Beds</b>	<b>Board Approval</b>	<b>Online</b>
Phase I	\$ 25,200,138	601	February 2012	August 2013
Phase II-A	138,026,392	2,381	See Below <sup>1</sup>	August 2014
Phase II-B	101,172,427	1,610	May 2013	August 2015
The Study/Coffee Shop	3,000,000	n/a	December 2013	August 2014
Phase II-C	83,910,979	1,141	January 2014	August 2016
Creative Arts LLP Space <sup>2</sup>	2,200,000	n/a	May 2015	August 2016
Phase III-A	74,037,607	771	June 2015	August 2017
Phase III-B	37,132,174	346	February 2016	August 2017
Creative Arts LLP Space <sup>2</sup>	819,500	n/a	February 2016	August 2017
<b>Total</b>	<b>\$465,499,217</b>	<b>6,850</b>		

Greystar is a leading, fully integrated real estate company offering expertise in investment management, development, and management of rental housing properties. Headquartered in Charleston, South Carolina, Greystar manages and operates over \$221 billion of real estate in 224 markets globally including offices throughout North America, Europe, South America, and the Asia-Pacific region. Greystar is the largest operator of apartments in the United States and manages over 768,000 units/beds, including more than 102,000 beds across 87 different university partners.

Undergraduate students perform better when they live on campus for at least their first year - in terms of grade point average, graduation and retention rates, student involvement and a sense of connectedness with the campus and other people. In addition to record enrollment of more than 33,000 students, demand for living on UK's campus is at an all-time high. While there is no requirement for undergraduate students to live on campus, about 85 percent of the first-year students choose to live in the residence halls as well as an increasing number of returning students.

The public-private partnership (P3) strategy continues to be appropriate given the university's desire to continue to expand its housing stock quickly while reserving debt capacity for other capital projects. With a preliminary development scope of \$81,000,000, Phase IV includes one facility on the south side of campus with a currently preferred location at the former site of the Kirwan/Blanding Complex. The four-story building is intended to house undergraduate students and will include approximately 644 beds.

<sup>1</sup> Phase II-A approved October 2012; Phase II-A Amendment approved May 2013.

<sup>2</sup> Creative Arts LLP Space scope change from \$2,200,000 (approved in May 2015) to \$3,019,500 (recommended in February 2016).

Greystar is expected to provide a 100 percent equity investment in this UK student housing project. The university will continue to provide the Residence Life programs. The Phase IV lease will have provisions similar to the existing leases including term, maintenance standards, rental rates parameters, ground lease, and revenue sharing. Any substantive modifications will be reported to the Board. A summary of the anticipated Phase IV lease provisions is provided in Exhibit 2.

Following Board approval and obtaining legislative authorization, an affiliation agreement between the university and Greystar for the Phase IV student housing project is expected to be negotiated and executed. The affiliation agreement will have provisions similar to the existing affiliation agreements. Any substantive modifications will be reported to the Board.

This \$81,000,000 capital project is well within the legislative authorization scope requested from the 2024 Kentucky General Assembly. Pursuant to the university's Debt Policy, the Debt Management Committee supports the proposed recommendation.

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Action taken:  Approved       Disapproved       Other \_\_\_\_\_



# Exhibit 1



Imagery Source: Pictometry (Spring 2022)  
Created by UK Facilities Information Services  
GeospatialRequests@uky.edu  
REV: 20231117



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## EXHIBIT 2

### University of Kentucky and Greystar Lease Agreement – Phase IV Summary of Anticipated Terms December 5, 2023

1. Lease of one site on south campus (former Kirwan/Blanding Complex) to Greystar Real Estate Partners, LLC (formerly Education Realty Trust, Inc. (EdR)) or one of its affiliates for development and management of a student-housing facility
2. Estimated development cost: \$81 million (100% equity funded by Greystar)
3. University shall approve all plans and specifications
  - a. Occupancy: August 2026
4. A single facility including:
  - a. Approximately 644 beds
  - b. Dedicated study rooms
  - c. Multi-purpose social spaces
  - d. Laundry rooms
  - e. Kitchens
  - f. Administrative spaces for both Residence Life staff and Greystar staff
  - g. Conference room
5. Greystar will seek LEED certification for the facility
6. Term: 75 years
  - a. University shall have the option to terminate the lease upon payment of an early termination fee
7. Room Configurations Unit Type (Approximate)

	<b># Beds</b>
2 bedroom, 1 bath	626
RA, 1 bedroom, 1 bath	16
Resident Director, 2 bedroom, 1 bath apartment	2
<b>Total</b>	<b>644</b>

8. Residential Rental Rate Increases:
  - a. Annual rate increase limited to the greater of:
    - a) Four percent or
    - b) Rate of increase in student rental rates of the premium university-owned housing for the corresponding academic year; or
    - c) Student Resident Rent Consumer Price Index percentage increase

**University of Kentucky and Greystar  
Lease Agreement – Phase IV  
Summary of Anticipated Terms  
December 5, 2023**

9. Greystar Financial Requirements:

- a. Greystar shall not mortgage, pledge, or encumber the facilities or property
- b. Allocate \$225 per bed per year for Repairs and Maintenance plus \$200 per bed per year for Replacement Reserve beginning with the first year. An additional \$350 per bed per year for Long-term Capital Expenditures will commence in year ten; allocations to increase over time by an amount sufficient to ensure the facilities are maintained in a first-class manner

10. UK Financial Requirement:

- a. UK shall provide residence life programming, including resident advisors and resident hall director

11. UK Financial Return:

- a. Annual lease income of 7.25% of total revenue

12. Rights, Risk and Other Requirements:

- a. Greystar assumes construction and operating risks
- b. Greystar must comply with the university's existing vendor contracts
- c. University may audit Greystar's financial records

13. University retains all naming rights

14. Dispute resolution process:

- a. Good faith negotiation
- b. Private mediation
- c. Legal action

15. Operating Responsibilities:

- a. Greystar responsible for maintenance and operation related to the facility, except lawn care and snow removal to be provided by UK
- b. Greystar and UK jointly responsible for insuring facility
- c. Fire, safety, and sewer provided by UK
- d. UK Residence Life will staff the facility with a resident director and resident advisors

**University of Kentucky and Greystar  
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16. Defaults:

- a. If Greystar defaults, UK has a number of remedies including pursue legal action for damages, specific performance, terminate lease, or require Greystar to market and transfer the lease to a third party
- b. Tenant defaults include failure to pay rent; failure to observe and perform terms; bankruptcy; abandonment; failure to discharge liens; assignment of lease in violation of terms

17. Change of Control and Early Termination Fee requirements for Qualified Assignee and terms of a Permitted Assignment

18. Facility exempt from property tax

19. Students living in all student housing are governed by the Code of Student Conduct