

Office of the President
February 19, 2016

Members, Board of Trustees:

AUTHORIZATION OF LEASE FOR PHASE III-B STUDENT HOUSING AND
NAMING OF UNIVERSITY BUILDING

Recommendation: that the Board of Trustees: (1) authorize the President, or his designee, to enter into a long-term lease with an affiliate of Education Realty Trust, Inc. (EdR) guaranteed by Education Realty Operating Partnership, LP for purposes of development and management of Phase III-B of the student housing project; and (2) approve the official naming of the facility as Lewis Hall.

Background: Pursuant to Administrative Regulation 8:2, any capital project with an estimated cost of \$600,000 or more will be submitted to the Board for approval prior to initiation.

1. Authorization of Lease for Phase III-B Student Housing

At the Board of Trustees retreat in October 2011, the Board identified the need to expand and improve student-housing facilities as a strategic priority. On October 26, 2011, the University issued a Request for Proposal 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, a third-party developer, to improve, expand and potentially manage student housing. A summary of the existing and recommended leases with EdR by phase follows:

Project Phase	Development Cost	Number of Beds	Board Approval	Online
Phase I	\$ 25,200,138	601	February 2012	August 2013
Phase II-A	\$138,026,392	2,381	See Below*	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**	\$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	Recommended	August 2017
Creative Arts LLP Space**	\$819,500	n/a	Recommended	August 2017
Total	\$465,499,217	6,850		

* Phase II-A approved October 2012; Phase II-A Amendment approved May 2013

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

EdR is a publicly traded real estate investment trust headquartered in Memphis, Tennessee, with more than 50 years of student housing experience. Since 2000, EdR has completed more than \$2,500,000,000 in collegiate housing transactions, including investing \$381,000,000 of its own capital in on-campus housing. EdR currently owns and/or manages 80 collegiate-housing properties with approximately 42,000 beds in 23 states, including four facilities at the University of Louisville and 10 living-learning centers at the University of Kentucky. The 10 UK residence halls include Lyman T. Johnson Hall, Central Hall II, Haggin Hall, Champions Court I, Champions Court II, and Woodland Glen I through V.

The public private partnership (P3) strategy is appropriate for UK given the advanced age of the student housing stock (in 2011, the average age of the residence halls was 44 years), and it also facilitates the University's desire to modernize and expand housing stock quickly while reserving debt capacity for other capital projects. EdR provides a 100 percent equity investment in UK's student housing. The University will continue to provide the Residence Life programs.

The Board is requested to authorize the President, or his designee, to enter into a long-term lease with EdR for Phase III-B. With a development scope of \$37,132,174, Phase III-B includes one facility at the corner of University Drive and Hilltop Drive. The five-story building is intended to house undergraduate honors students. The building will include a total of 346 beds. EdR will invest \$26,935,304 towards the total estimated scope of the project of \$37,132,174. The facility will include 20,050 square feet of space dedicated to the future Lewis Honors College. Funding for this dedicated portion of the facility will be provided from two sources: \$2,500,000 from the T.W. Lewis Foundation gift (accepted December 2015); and \$7,696,871 from University fund balance.

Phase I, Phase II-(A-C), Phase III-A, Phase III-B, and any future projects are systematically replacing the majority of on-campus student housing in use in October 2011. The total development is anticipated to include up to 9,000 replacement and expansion beds. Given the condition of residence halls in October 2011 and limited on-campus land, a fast and incremental replacement of existing undergraduate housing was and remains essential to avoid any dip in the number of available beds.

The legislatively authorized scopes for the Housing Project follow:

Legislative Authorization	Private Funds	University Agency Funds	Total
Phase I			
2010 Kentucky General Assembly Special Session	\$52,500,000	\$0	\$52,500,000
Phase II-(A-C)			
2012 Kentucky General Assembly	\$175,000,000	\$0	\$175,000,000
Capital Planning Bond Oversight Committee, May 2013	\$68,000,000	\$34,000,000	\$102,000,000
Capital Planning Bond Oversight Committee, February 2014	\$85,000,000	\$0	\$85,000,000
Phase III-(A-B)			
2014 Kentucky General Assembly	\$202,000,000	\$0	\$202,000,000
Total	\$582,500,000	\$34,000,000	\$616,500,000

The Phase III-B lease will have provisions similar to the prior leases for Phase I, Phase II-(A-C), and Phase III-A, such as a term period up to 75 years; maintenance standards for the facility; and parameters for the rental rates for the duration of the lease. The University will receive 5.25 percent of gross revenues and a share of net income after EdR achieves a minimum internal rate of return.

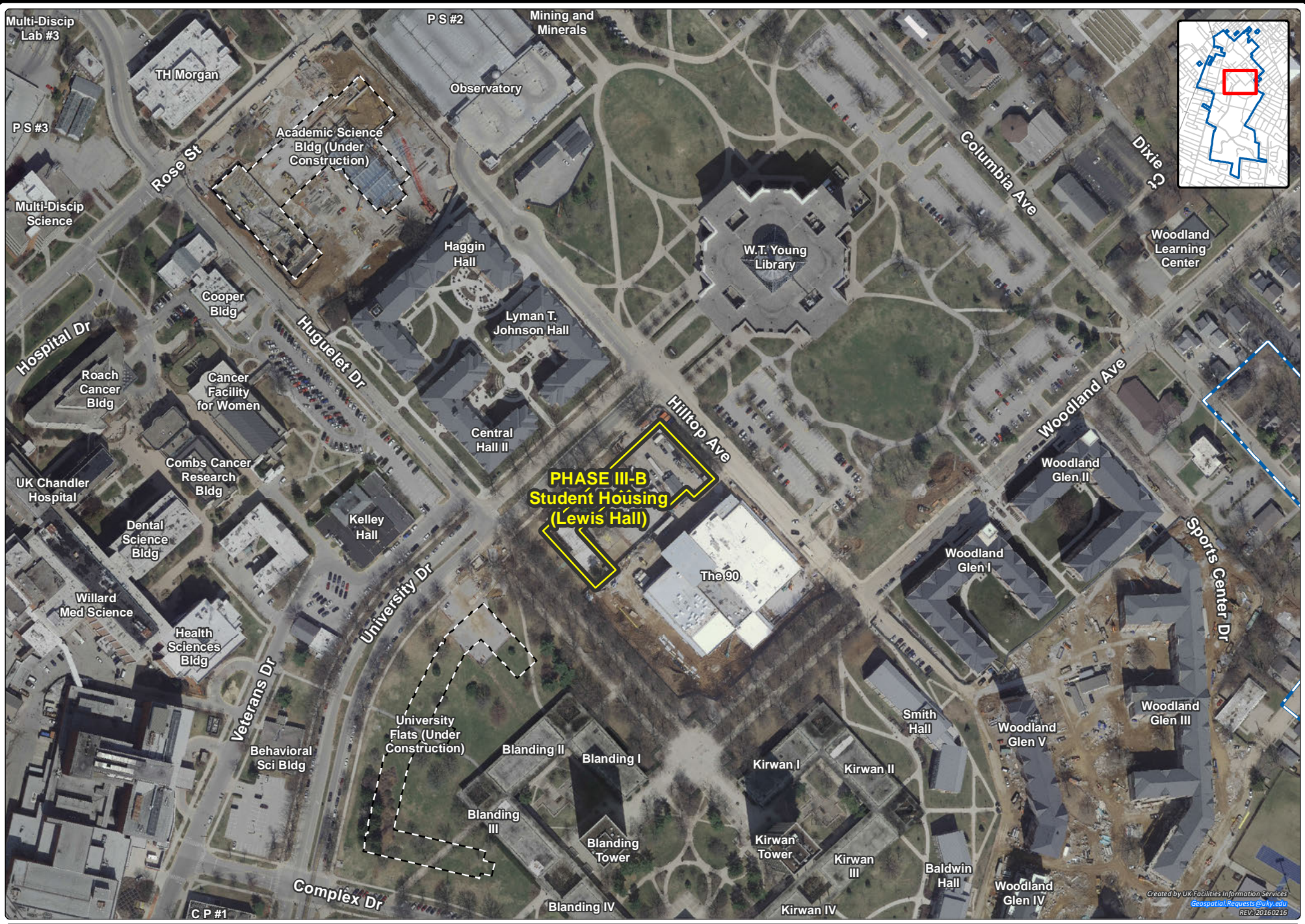
A summary of the Phase III-B lease provisions is available at <http://www.uky.edu/evpfa/node/20>. Pending Board approval, an affiliation agreement between the University and EdR outlining how the Phase III-B housing facility will be operated and maintained also will be executed. The draft agreements may be modified prior to execution, if necessary. Any substantive modifications will be reported to the Board of Trustees.

2. Naming of University Building

Thomas W. and Janet R. Lewis created the T.W. Lewis Foundation in 2001. Mr. Lewis earned a Bachelor of Science degree in Mechanical Engineering from the University of Kentucky College of Engineering in 1971. The T.W. Lewis Foundation pledge of \$23,500,000, announced on October 22, 2015 for the future Lewis Honors College, represents the largest single gift commitment in the University of Kentucky history.

The University Office of Philanthropy recommended the name designation, Lewis Hall, for the facility to the Committee on Naming University Buildings. The Committee found the recommended name to be in compliance with Administrative Regulation 9:5 and recommends Board approval. The new student housing facility, Lewis Hall, is expected to be online by August 2017.

Action taken: Approved Disapproved Other _____



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