

## Update on Housing Plan

February 21, 2012

Dear colleagues,

In October, our Board of Trustees met for two days in an intense and rewarding retreat to discuss how we could best move forward as an institution in honoring what I have come to call “The Kentucky Promise.”

It's the idea that through the students we educate, the research we conduct, and the service we render, our University serves as the best beacon of hope for this Commonwealth's future.

The question we wrestled with in October is how do we continue to honor that Promise -- that covenant -- with the people of Kentucky in a time of great economic uncertainty and challenge.

As always, you -- our faculty, students and staff -- helped provide the answers that are lighting our way.

I had months of conversations in small groups with many of you across our campus. And a specially appointed University Review Committee -- composed of faculty and staff -- diligently and thoroughly examined our past progress and remaining challenges in meeting our institution's ambitious goals and aspirations.

The message emerging from both of these efforts was clear -- it is time to renew and redouble our focus on enhancing undergraduate education, the cornerstone of what we do as an institution of higher learning.

A critical component of that effort, revealed in both the conversations I had throughout the university and the committee's work, was the urgent need to revitalize our campus infrastructure, paying particular attention to the space where our students live and learn and where our faculty perform their incredible work.

Our board -- in a decisive and unified voice -- acted on your call, directing me to move forward as expeditiously as possible with a plan to revitalize our campus and place even greater emphasis on the work we do to prepare our students for lives of leadership, meaning and purpose.

Today, I am proud to let you know about an important first step taken by our Board of Trustees in the ambitious transformation of our campus infrastructure.

The board has authorized me to execute a ground lease with Education Realty Trust, (EdR), to construct a 600-bed residence hall on the field next to Haggin Hall. The new residence hall, which will open in August 2013, will house Honors students along with high-tech classroom and office space.

Equally important, our hope is to move forward over the next five to seven years with an aggressive agenda to combine a limited number of existing residence halls with a dramatic construction effort,

yielding a 9,000-bed campus. While there are still many details to work out in the coming months, this innovative public-private partnership has the promise to make this dream a reality.

If this process is successful, EdR -- which operates thousands of college residence hall beds across 23 states -- would own and manage the residential halls on grounds leased to them by the university. EdR is pledging several hundred million dollars in equity to make this transformation a reality. At the same time, UK would continue to manage all of the residence life and student programming associated with the residence halls.

This process has been and will continue to be informed by our values. We are committed to keeping housing affordable for our students, to building in an environmentally sound manner, and to ensuring that the interests of our employees are safeguarded as we transition to this private-public partnership.

Why are residence halls so important to our efforts?

Three reasons, among many:

First, quite simply, our students do better -- much better -- when they live on campus, when they can become part of a vibrant university life, and when they are able to more readily reach out to faculty and staff, who help nurture their progress.

In fact, students who live on campus have a retention rate some 20 percentage points higher than those students who live elsewhere -- nearly 90 percent compared to 68 percent. That's a significant difference and serves to underscore why our efforts have a sense of urgency attached to them.

We simply do not have the space today to accommodate more students living on campus in the kind of collaborative, high-tech environment they desire and deserve.

The imperative and need are clear: today, we operate about 6,000 residence hall beds on campus. Only about 600 of them provide the modern living and learning space that students expect. In fact, we have a waiting list each year -- a few thousand students long -- for the four modern residence halls that are in place at UK.

Second, we live in a highly competitive environment when it comes to recruiting students. We've been highly successful in those efforts, with larger, more diverse and highly qualified classes in recent years than at any time in our history.

But we must continue our progress, if we are to fulfill the obligations we have to students and Kentucky.

Universities across the country -- including many of those that we compete with for students -- are investing in the living spaces that students and families have come to expect. Universities across the country, in fact, and particularly in the South, are recruiting some of our best and brightest students with the allure of high-tech living and learning spaces.

And it's not simply a matter of better amenities, although those are an attraction with new residence halls. We are looking to design these new residence halls in ways that support student success, with

space for study, collaborative work, teaching and learning. These dorms will support excellence in undergraduate education.

This environment is the competitive landscape in which we recruit students and families. It's a fact of life, one that is vital to our ability to continue our ascent as an institution moving forward.

Third, we are pursuing a public-private partnership -- like the one we are exploring with Education Realty Trust (EdR) – because our capital infrastructure needs for instruction, research, and student support space are so great across our campus. By pursuing a partnership with a private developer, we get access to this private company's financial resources to help us build new residence halls and focus our own resources – generated through innovative programs or philanthropy – on other vital campus infrastructure projects.

EdR, for instance, is offering hundreds of millions of dollars in financing -- 100 percent equity financing -- to come in and rebuild and manage our campus housing stock. That would save us significant resources internally to pay for and manage the debt associated with renovating and building classroom and desperately needed research space. Because of this creative partnership, we will not be in the position of choosing dorms over classrooms and labs. On the contrary, we will be able to move forward with new academic space as well as new residential halls.

We should not wait until tomorrow to do what needs to be done for our students and our campus today.

At each step along the way, we will continue to act in a transparent and prudent way, moving forward in a manner that serves the best interests of both the university and our students.

At important points in the process, I will keep you informed about our progress.

We know that we live in a “new normal” – a period of time in which we have to find innovative and creative strategies to earn our way and fuel our ambitions for the Commonwealth. The economic landscape requires us to work in more collaborative and efficient ways to move forward as we seek to honor the Kentucky Promise that marked our founding.

That Promise, I believe, is as strong and relevant today as it was nearly 150 years ago. After spending time with you in such thoughtful and stimulating conversation in the last eight months, I know that you believe that, too.

Thank you for all you continue to do to make the Promise real for another generation of Kentuckians.

Sincerely,

Eli Capilouto  
President