



November 5, 2020

Revenue Innovation Study Group Report
Cover Memorandum: COVID-19 Impact

Dear reader,

In August 2019, Chancellor Blank and I charged the Revenue Innovations Study Group (RISG) to think creatively, without boundaries, about the future of long-term revenue generation for the University of Wisconsin–Madison. For the last 10–15 years, our campus revenue growth has lagged that of our peer institutions in the Big Ten and other elite public universities. A variety of factors, including slow growth in research, enrollment, and flat state support have contributed to our need to think about innovative revenue strategies to support our campus research and academic mission. Since 2013, we have pursued several initiatives to try to close this gap and while we are not falling further behind our peers, we are not catching up fast enough.

We acknowledge the group's recommended strategies in the attached report as just that: recommendations, rather than final decisions. No movement has yet been made to implement these strategies, other than to continue the work of our Office of Business Engagement in developing and expanding corporate and industry engagement. We may pursue some of the RISG's recommendations more aggressively, while others may require a more conservative approach. We will continue to engage our stakeholders in discussions about the RISG's recommendations.

It's important to note the impact that this year's events have had on our work in this area. Since the RISG completed its report in February 2020, the higher education sector in Wisconsin, in the United States, and across the world has been thrown into historically unprecedented turmoil due to the COVID-19 pandemic. It is fair to assume that there will likely be reduced levels of public and private funding for research as well as increased costs to reduce health risks on our campus.

COVID-19 has exacerbated the need for UW–Madison to pursue new opportunities beyond requesting additional funding from the state government. We are fortunate that the RISG finalized this report just prior to the outbreak of the COVID-19 pandemic, and it is even more imperative that the ideas in it be fully explored and with some urgency. Increased demands on our time and attention have slowed the roll-out of this report. However, we are pleased to be able to share this information with you now and are looking forward to making progress on exploring some of these strategies in the coming months.

This year has also been marked by a national reawakening to the racial inequities that plague our culture. UW–Madison remains committed to advancing racial justice, equity, and inclusion on campus. The revenue innovations work will help provide resources to support our efforts in this area. The RISG highlighted our university's commitment to these initiatives, as well as our responsibility to honor and recognize sovereign Native Nations, as part of the guiding principles for revenue innovations activities.

Our exploration of revenue innovations strategies will continue to be guided by external forces and evolving priorities of the university. UW–Madison's long history as an economic engine for the state of Wisconsin gives us hope that we have the capacity and the creativity to be a leader in the next era of growth, development, and discovery—on campus, in our community, and beyond.

Thank you for taking the time to review this report. We look forward to advancing this important work together. We welcome your feedback, questions, and additional ideas for revenue generation. Please write to revenueinnovations@vcfa.wisc.edu or contact Paul Seitz, director of strategic initiatives, at pseitz@wisc.edu.

Sincerely,

Laurent Heller, Vice Chancellor for Finance and Administration



Revenue Innovations Study Group

University of Wisconsin-Madison
February 2020

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Revenue Innovation Study Group

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BACKGROUND AND PROCESS

Chancellor Rebecca Blank and Vice Chancellor for Finance and Administration Laurent Heller established the Ad Hoc Revenue Innovations Study Group on July 18, 2019. The group's charge is located in **Annex 1**.

The group met five times from August to December 2019 for 90 minutes per session. The meetings were co-chaired by Kristopher Olds (Professor, Department of Geography) and Paul Seitz (Director of Strategic Initiatives, Office of the Vice Chancellor for Finance and Administration). Jacob Hahn (Internal Consultant, Office of Strategic Consulting) facilitated four group meetings.

As noted in the official charge:

We have appointed the **Revenue Innovations Study Group** to provide ideas and advice to the Chancellor and Vice Chancellor for Finance and Administration (VCFA) regarding new and creative ways to leverage all of our **campus assets** (e.g., facilities, real estate, auxiliary businesses, partnerships) to maximize their long-term value in support of the university's public mission and academic preeminence. More concretely, after completion and implementation (if approved), revenue innovation efforts would:

1. Generate an endowment to support the university over the long-term.
2. Develop other assets that can support our academic mission in non-monetary ways (e.g., sustainable faculty, staff, and student housing, learning opportunities, etc.).
3. Cultivate immediate and recurring income streams to support our academic mission.

In terms of process, the Study Group first met in August 2019 to discuss the fiscal context UW–Madison is embedded in, and the need for continued revenue innovation. Given that the problem, the planning task, and the broad goals for us were defined via the Charge, it was our role to focus

on the key mid-level steps of a standard planning process: namely, generate ideas, generate options by bundling these ideas, and then discuss pros and cons as well as feasibility for each delineated option.

Over the course of the Fall 2019 term, we attempted to focus on new revenue innovation ideas and options that would ideally generate minimal strain and limit new demands on schools and colleges (including their faculty and staff). In our view, revenue innovation to date (since 2013) was needed, and is successful, but it has been largely centered on what faculty and staff can do that is new and/or faster. In this case, we are, instead, focused on revenue innovation that is centered on what UW–Madison as an institution can do via how it manages and administers its campus assets/infrastructure (including properties, air space, and auxiliaries), as well as partnerships with noncampus entities. We also attempted to focus on revenue innovation ideas that would complement other university agendas related to innovation in research and development, student support, and campus sustainability, and that would complement City of Madison development agendas related to housing, transportation, and economic development, in particular. It is important, from the outset, to ensure synergy and cross-support exists as the campus is located in a remarkable city-center location and is a major generator of economic activity. Finally, we were cognizant that some of these revenue innovation ideas could have adaptive replication potential for other campuses in the UW System that are also seeking to diversify revenue flows in what is a challenging fiscal context for higher education in Wisconsin. Note, though, that we did not focus the group on this broader applicability and so the report does not address this issue.

This report is but the first step in what will likely be a new multistage revenue innovation process that will last two or more decades, ideally in an iterative form (perhaps in five-year stages). We took it upon ourselves to be as creative as possible, and to use the diverse experiences and expertise in the room to delineate options that have, in our view, significant potential. This said, the Study Group met just five times (including the initial charge meeting) before com-

pleting this report; this product is therefore a broad scope and first-pass effort toward framing plausible approaches to revenue innovation.

The long history of UW–Madison as a land-grant university, as an innovator with respect to the intellectual property commercialization process (i.e., WARF), and as an early developer of a successful university research park, demonstrates that revenue innovation is in our DNA. Inspired by this history, we recommend that campus leadership use this report as a foundation from which to initiate more detailed strategy and implementation planning. Such a process should include developing option-specific strategic planning, and concurrent discussion with UW–Madison shared governance bodies and relevant off-campus stakeholders. It is our hope that this report initiates deliberations and processes that ensure options are intensely explored and effectively considered, on the basis of evidence. We feel there is much potential to facilitate new forms of revenue innovation on campus, but we also realize that risks are associated with all options. Universities like UW–Madison have the scale and expertise to make significant advancements in this type of revenue innovation, but it is important to learn lessons from the errors of other universities that have gone down the innovative revenue generation path without exercising due diligence, sometimes while allowing political-ideological considerations to distort evidence-based thinking and absent careful strategic planning.

CONTEXT: UW–MADISON & REVENUE INNOVATION

As noted in the charge:

Universities worldwide are seeking to identify new and creative ways to generate new streams of revenue to support their missions. The underlying causes driving such efforts forward include declining levels of support from governments at multiple levels; increased competition for students, faculty and staff; growing structural costs related to deferred maintenance of campus infrastructures; and a desire to enhance the capacity of universities to better support core stakeholders (e.g., via improved undergraduate student services, as well as graduate student support). Needless to say, these efforts should be designed in ways that are consistent with and provide support to universities' core public missions.

Examples abound of successful and failed attempts to generate new streams of revenue via a wide variety of means,

and of successful and failed attempts to allocate acquired streams of revenue toward core mission functions and activities.

The education firm EAB has developed a helpful visualization that categorizes the wide array of what they deem alternative revenue generation activities in the US higher education sector (see **Annex 2**). The broad categories of revenue innovation, according to EAB, are useful to reflect upon:

- New educational revenues (capturing high-growth student populations and instructional services);
- Branding, licensing and affinity (expanding product categories and sellable space);
- Student fees (charging for convenience and choice);
- Academic entrepreneurship infrastructure (critical capabilities for identifying, launching, and scaling viable programs);
- Auxiliary services (increasing demand while reducing fixed costs);
- Campus operations (turning cost centers into revenue producers); and
- Facilities and real estate (generating cash flow from underutilized space).

Each category could have a dozen or more subcategories. And each category or subcategory inevitably has strengths and weaknesses and variable levels of acceptability on different university campuses and in different higher education systems. We recommend that campus leadership and shared governance groups review and consider this wide array of options, but take note that we are not recommending that they all be pursued; rather they are part of the context in which our final three options may helpfully be situated.

As background for the Revenue Innovations Study Group's deliberations, experiences elsewhere are of particular interest because they are being actively pursued by peer universities, and have yielded success in generating resources that were then funneled back into their campuses and associated core academic mission activities.

The **University of British Columbia** (UBC), for example, has undertaken a significant real estate development effort over the last three decades that has returned “\$675 million from real estate profits as of this [2017] academic year and as much as \$2 billion in the next 20 years, depending on market conditions and the timing of development.”¹ Overall

¹ See www.universityaffairs.ca/features/feature-article/universities-real-estate-developers/

total value creation associated with this initiative is CDN \$1.53 billion (as of December 2019) according to the UBC Properties Trust. This revenue has been used to build an endowment and support their public mission, while expanding affordable and campus-based housing for students, staff, and faculty. Indeed some \$350 million of these funds were invested in “student housing, something desperately needed in this high-cost city.”² In the 1980s, UBC lacked a large endowment to support its budget, a situation its then president hoped to remedy through creation of an autonomous property development vehicle (in 1988) and that eventually was institutionalized as the UBC Properties Trust. The trust mission is “to assist UBC, through optimization of land assets, to achieve its academic and community goals” and it has, since 1989, facilitated the development of five new neighborhoods including:

- 505 units of faculty and staff housing;
- 590 units of rental market housing;
- 5,200 units of market housing on 99-year leases (the source of the endowment income);
- 7,525 beds of student housing; and
- 340,000 sq. ft. of retail and office.

The UBC model uses a leasehold structure, and the university retains ownership and control of campus land, preserving options for future leaders on campus needs. Further details on the UBC example, including some common criticisms of it, are available in **Annex 3**. The UBC approach is a long-term one, and is becoming increasingly integrated into city and city-region mass transportation development agendas, including leveraged investment from campus expansion back into mass transit. This supports campus integration, reduces dependency on campus-based parking infrastructure, and reduces energy usage and emissions toward carbon-neutral status.

The UBC model has partly inspired other North American universities to adopt variations of their model, including Arizona State University, the **University of Toronto** (see **Annex 3**), the University of Maryland, the University of Washington, and Simon Fraser University. Each university approached the broad revenue innovation via real estate development goal differently, depending on priority challenges and institutional mission. Arizona State University, for example, is linking its on-campus housing development agenda to lifelong learning for alumni who seek to live in dense multi-story housing residential districts where “intergenerational mingling” occurs.³ This approach necessarily means opening up campus residential spaces to nonstudents (including

alumni) and then leveraging newly generated revenue flows to cross support traditional campus communities (i.e., students, staff, and faculty). Thus an increasing proportion of campus space becomes open to the community, building ties and creating an enhanced sense of place.

In the United Kingdom, the **University of Cambridge** is also pursuing a similar property development agenda to generate revenue via the construction and lease of property and facilities, though in this case it accessed bond markets and attempted to use existing campus units to guide the planning and development process. Following concept and site planning (1989–2010), Phase I (2012–17) involved issuing a £320 million bond to partially finance the project. Outcomes, to date, include:

- 700 homes for key university and college staff members (80% complete) and discounted rental (now 80% of private market);
- 325 student rooms for postgraduates (grad students); and
- 700 units for open market.

As with the UBC case, the Cambridge case generates a variety of lessons, including the importance of due diligence and the need to pay attention to capacity and expertise. Unfortunately, Phase I led to cost overruns of £49–76 million leading to an official audit of project. Refocusing has since occurred, and the university is ramping up its internal purpose-focused property development expertise to ensure that Phase II, which is backed by two tranches (£300 million + £300 million) of bonds, is more efficient and effective. See **Annex 3** for a summary of the **University of Cambridge** case, including some common criticisms of it.

Revenue innovation is also occurring in other sectors, including auxiliaries. **Ohio State University**, like many in public higher education sectors, faced fiscal challenges. These challenges stemmed from underlying pressures in state budgets driven by escalating health and pension costs and competing priorities (e.g., prisons, roads, K–12). In Ohio State’s case, the share of campus funding from state support declined substantially from 2000 to 2015, and the university filled the resultant gap in resources with increases in tuition. Understandably, this situation led to political and economic pressure to find new revenue sources to fund the mission. University leadership chose to examine institutional assets and activities to ensure that resources focused on the core of the mission (e.g., teaching, research). Objectives related

² See www.universityaffairs.ca/features/feature-article/universities-real-estate-developers/

³ See www.nytimes.com/2019/09/10/us/college-university-retirement-communities.html

to sustainability and operational performance of other assets fell below sustainable funding levels as the institution directed critical investments to the core mission. In response, in 2017 Ohio State University signed a long-term (50 year) operating concession with ENGIE Services U.S., part of the Paris-headquartered ENGIE Group, which is 23% owned by the Government of France. This agreement included ~\$1.2B in upfront payment and long-term purchase/management fees to the operator. The university expects this concession to generate sufficient endowment returns to fund critical priorities in financial aid, hire new faculty, and implement sustainability programs. Importantly, the deal also provides access to a substantial line of credit (~\$250M) for investment in margin accretive sustainability projects. These projects would generally not be funded under the university's normal capital program because of competing priorities and credit rating pressure. The deal structure, put together with substantial outside expertise (e.g., Jones Day), has been scored positively by Moody's for impact on the university's credit rating and operational future, though critiques also emerged (including about practical issues like reduced snow removal at the top outdoor level of parkades, which may have slipped through on legal agreements). Following the deal, many institutions are exploring similar asset deals, including Dartmouth, Carnegie Mellon, Syracuse, Duquesne, and Iowa (which recently announced a \$1.1B deal with the ENGIE Group and its Paris-headquartered investment partner, Meridiam, a firm that has historic roots in the French public sector).⁴ See **Annex 3** for a summary of the Ohio State University case.

The above cases are just a few examples of revenue innovation underway at peer universities. As should be evident in the summary of the cases here and in **Annex 3**, each had potential but was pursued strategically with an eye to the medium- or long-term. And none has been free of controversy about various aspects of their adopted development models. Common controversies revolve around governance, transparency, and accountability; the degree of due diligence; the distributional outcomes of the revenue streams; risk/responsibility regarding debt load and financial losses (if they occur); and, questions about potential political ripple effects during state/provincial budget seasons (i.e., if a university generates substantial new streams of revenue, will it receive reduced government support?). On the final concern, experiences elsewhere suggest a wide array of outcomes, though it's noteworthy that this has not stopped universities from attempting to diversify revenue flows even in challenging political circumstances. It is also worth noting

that political support at the highest levels is needed to pursue major revenue innovation agendas, and in so doing there is significant potential to forge political agreements regarding this dynamic. Further, it is possible that revenue challenges from state funding will continue the 40-year trend of decline in real support (share of cost) funded by the state. Forward-thinking universities see this long-term trend and seek to face it directly.

REVENUE INNOVATION AT UW-MADISON (2013 TO PRESENT)

It is important to note that UW-Madison has already been pursuing some relatively recent revenue innovation initiatives, and has extended and transformed long-standing revenue generation strategies. These include:

1. Summer session enrollment growth;
2. Philanthropic Support (via the All Ways Forward campaign launched in October 2015);
3. Market-level tuition for nonresident undergraduates and in select professional programs;
4. Professional master's degrees;
5. Undergraduate enrollment growth; and
6. Research and development.

Taken together, these revenue generation approaches have materially enhanced UW-Madison's capacity to better support student access, wage increase programs for all employee groups, staff and faculty via expanded programming, new or leveraged faculty hires, enhanced graduate student funding (e.g., increased TA percentage support levels), etc. As noted earlier, however, many of these approaches have placed additional pressure on the academic enterprise, especially faculty, staff, and facilities. Undergraduate enrollment growth, for example, requires expanding lab facilities for greater numbers of students in general education science courses, the addition of many new sections of courses, the need for additional teaching assistants in high-demand programs (e.g., math, psychology, etc.), increased demand on already scarce student mental health resources, and many other campus resources.

These initiatives have, in a structural sense, emerged and been driven by a series of budget challenges associated with reduced state support for higher education in Wisconsin; an increasingly competitive landscape for faculty, research funding,⁵ and graduate students; rising costs related to healthcare and deferred maintenance; and a need

⁴ See www.engie.com/en/meridiam-awarded-50-year-utility-management-concession-university-iowa-zero-carbon-transition

⁵ While UW-Madison has been one of the top five universities in the nation for research spending since 1972, we slipped to sixth from 2015–17 and eighth in 2018. National Science Foundation Higher Education Research and Development (HERD) Survey results data are available here: www.nsf.gov/statistics/srvyherd/

to enhance the energy efficiency of our campus utilities, as well as campus sustainability more broadly. Given that these structural pressures are unlikely to wane over the next several decades, it is our obligation to expand and extend the revenue innovation process while concurrently seeking greater investment from the State of Wisconsin.⁶

REVENUE INNOVATIONS STUDY GROUP OUTCOMES

The following section of this report consists of four main parts.

First, we outline the principles we believe UW–Madison should adopt and use to frame and prioritize revenue generation options.

Second, we outline the broad array of ideas and options the Revenue Innovations Study Group delineated in our second and third meetings. These ideas and options are based upon our knowledge of the evolving higher education landscape UW–Madison is embedded in, as well as the nature of the campus, the city-region, the state, and the nation.

Third, we outline three recommended options, and explore key dimensions that leadership should take into account if one or more options were to be sanctioned and operationalized. This section of the report should be read in conjunction with **Annex 4** in which we explore operational considerations in some detail. We have undertaken this approach to pros and cons and feasibility while trying to hypothetically operationalize the ideas rather than discussing each only in an abstract way. As will be noted below, particular attention should be paid to the linked factors of capacity and expertise: even brilliant ideas go awry when organizations like universities do not allocate the required resources necessary to professionally realize them, or to maintain and continuously assess the revenue innovation program.

Fourth, we address the section of the charge seeking advice regarding which “institutional priorities should new revenues/margin be invested in?” As is evident below, we recommend that university leadership factor in the principles we have delineated and especially the UW–Madison Strategic Framework (2020–2025), which is available in **Annex 5**. It is also important to approach revenue innovation in a manner that reflects the medium- to long-term nature of this early stage of analysis.

PRINCIPLES

As requested in the Charge, principles and objectives undergirding UW–Madison’s revenue innovation activities were discussed and debated. At the completion of our meetings running from August to December 2019, the Revenue Innovations Study Group recommended that the following principles be considered when guiding University of Wisconsin–Madison activities in this area.

Strategies and mechanisms associated with revenue innovation should: recognize the university’s history, as a public land-grant university, of placing value on the medium- to long-term versus the short-term.

1. Generate substantial new streams of revenue to be used to support the university’s mission.
2. Recognize the university’s history, as a public land-grant institution, of placing value on the medium- to long-term versus the short-term.
3. Align with the UW–Madison Strategic Framework (2020–2025), while being supportive of the university’s mission related to teaching, research and service.
4. Support the university’s agenda to enhance diversity, equity and inclusion, healthy communities, as well as our obligations to sovereign Native Nations in the state now known as Wisconsin.
5. Factor in and respect principles of shared governance, which gives representation to academic staff, university staff, faculty, and students, who all take part in making significant decisions concerning the operation of the university.
6. Enhance the student learning and growth experiences on and off campus.
7. Protect the overall wages and benefits of employees associated with any campus unit or program linked to revenue innovation.
8. Trial potentially scalable innovations in new technologies and technology transfer, performance and operations, campus design, transaction structuring and procurement, partnership structures, governance, and regulation.
9. Improve the accessibility, livability, sustainability, and quality of the campus environment, and the city-region more generally.
10. Support and build positive relations and ties with the community, the nonprofit sector, the business sector, and the public sector in the city-region, the state, the country, and the rest of the world.

⁶ Each \$1 in state investment returns \$24 to the state economy – see: budget.wisc.edu/content/uploads/Budget-in-Brief-2018-19-Revised_web_V2.pdf

We feel that these are important principles that will help leadership and other members of the campus community, as well stakeholders in the city-region and state, understand and guide future action.

SUMMARY OF BROAD IDEAS AND OPTIONS

Meetings 2 and 3 took place in September and October of 2019. Apart from the discussion of principles (which are outlined above), we discussed peer university case studies, as well

as complementary ideas committee members were aware of. We discussed the widest array of ideas possible, and asked each member of the committee to come to Meeting 2 with as many ideas as they could, with attention to the broad categories (i.e., Real Estate, Auxiliary Innovation, External Partnership, Other) the ideas would be associated with, and then outline “What is compelling about this idea? Is the revenue generated likely to emerge in the short-, medium-, or long-term?” These were all collected and discussed at the end of Meeting 2. See below for a template summary of all ideas generated:

Revenue Innovation Ideas (30)	Meta Ideas (4)	Sub Ideas (6)	Timeframe	Description/Notes
“Wisconsin Idea Zone” property redevelopment	Real Estate	(Re)development of Campus Land	Long-Term	Mixed use village highlighting innovation and partnerships, town-gown relationship. Goal for 30 year bicentennial.
“Alumni House” Retired Alumni living	Real Estate	(Re)development of Campus Land	Long-Term	Housing option for retired alumni in space above University Book Store.
UBC model @ Eagle Heights	Real Estate	(Re)development of Campus Land	Long-Term	Incorporates Alumni House, mixed use, densification of varying groups.
Lot 60 development	Real Estate	Corporate and industry engagement strategy	Long-Term	Corporate Innovation, mixed use.
Repurpose Shell, Mosse	Real Estate	(Re)development of Campus Land	Long-Term	Mixed use opportunities, refurbish or demolish.
Carbon sequestration, sell carbon credits from UW natural lands	Real Estate	(Re)development of Campus Land	Short-Term	Inverse of selling/leasing mineral rights. No development of untouched land, sequestering more carbon through maturation. Maintains lands for research and enhances UW’s branding/reputation.
Leverage philanthropy to generate alternative revenue in real estate space	Real Estate	(Re)development of Campus Land	Long-Term	More info to be gathered from contacts/colleagues. Minnesota exploring/investing in this space. Significant revenue in long term.
Property redevelopment (Harvey Street Apartments, etc.)	Real Estate	(Re)development of Campus Land	Long-Term	Analyze best use of Harvey Street Apartments, develop for greater density, lease land, or sell.
(Re)develop land surrounding Camp Randall	Real Estate	(Re)development of Campus Land	Long-Term	Using model developed by professional athletic teams, create UW-controlled entertainment zone around Camp Randall to maximize revenues.
Ground lease land and master develop surplus space on campus	Real Estate	(Re)development of Campus Land	Medium-Term	UW as master developer, controlling uses and adding amenities as it creates a long-term revenue stream, outsources risk and maintains long-term land control.
Land asset monetization	Real Estate	(Re)development of Campus Land	Medium-Term	P3, sale, swap.
Auxiliaries PR based to develop lease sites (retail, office, etc)	Real Estate	Corporate Research Pilots/Innovation Cntrs	Long-Term	Place monies toward specific program revenue needs.
Sale of auxiliary assets, utility sale/lease-back (alt energy)	Real Estate	Monetize Auxiliaries	Medium-Term	Sale/strategic management of varying auxiliary operations to produce upfront revenue.
Investment in Wisconsin opportunity zone fund for alumni and state residents	Real Estate	(Re)development of Campus Land	Medium-Term	Leveraging federal tax incentives; supporting community investment; Tax incentives for investment in Wisconsin Opportunity Zones.
Income contingent loans	Finance/Investment	Deferred/not categorized	Medium-Term	Become provider of student loans. Students repay loan as a percentage of their salary.
Positive investment fund	Finance/Investment	Deferred/not categorized	Medium-Term	Create transparent foundation fund that invests only in Dow Jones Sustainability Indices families or similar and market as an alternative option for donors.

Revenue Innovation Ideas (30)	Meta Ideas (4)	Sub Ideas (6)	Timeframe	Description/Notes
Crowdfunding investment ('Bucky Bond')	Finance/Investment	Establish UW-Madison Venture Fund	Short-Term	Low-cost financing.
Create UW venture fund	Finance/Investment	Establish UW-Madison Venture Fund	Long-Term	UW relies on WARF to monetize IP created through research. Create a new investment vehicle for direct equity investments in UW-related firms. Requires capital to begin.
Securitizing cash flow streams to generate immediate revenues	Finance/Investment	Monetize Auxiliaries	Long-Term	Short-term implementation, long term implications.
Create 'Bucky Business' program patterned after 'Kiva' loan program	Finance/Investment	Deferred/not categorized	Short-Term	Crowdsource loan funding for businesses started/run by UW Alums. Loan repayments directed to the UW Foundation by the business as a contribution.
Set-up equity investing fund through the UW Foundation.	Finance/Investment	Establish UW-Madison Venture Fund	Medium-Term	Allow contributors to donate into the equity fund with the Foundation making equity investments of all types, with the goal of increasing Foundation funding.
Corporate-sponsored research pilot	External Partnership	Corporate and industry engagement strategy	Medium-Term	Adapt underutilized space on 1400 block of University Ave (between Randall and Lorch) as pilot partnership between UW, private entities, and URP to create collaborative space.
Enhanced industrial sponsorship	External Partnership	Corporate and industry engagement strategy	Short-Term	Leverage full-campus 'pouring rights' and other similar ideas.
Corporate innovation center property lease	External Partnership	Corporate and industry engagement strategy	Long-Term	Corporations establish space on/near campus to collaborate with researchers and work with/recruit students. Surplus, new parking space could be monetized.
Industry research partnerships	External Partnership	Corporate and industry engagement strategy	Medium-Term	Engage with industry on research projects/agreements to increase research revenues.
Expand Wasiman manufacturing	External Partnership	Corporate and industry engagement strategy	Long-Term	Demand for cGMP facilities is growing and new therapies will require sophisticated facilities. Grow Waisman as an asset and profit center for life science researchers and companies.
Leverage/support bus rapid transit	External Partnership	Leverage City-Region Initiatives	Medium-Term	Given UW's intention to not build additional parking, investment in transit is in the campus community's best interest.
Increase offerings of microcredentials and/or short courses	Auxiliary Innovation	Deferred/not categorized	Short-Term	Develop short courses of study aimed at various audiences with attached credential. Faculty charge for corporate presentations, workshops, etc.
'Monetize 'Badger X' (TED-style talks or event featuring UW fac/staff)	Auxiliary Innovation	Deferred/not categorized	Short-Term	Create an event that monetizes the speaking ability of UW's most interesting faculty/staff. Or an online channel supported by advertising with interesting lectures.
Invest in working but under-resourced existing auxiliary services (i.e., 24/7 childcare)	Auxiliary Innovation	Leverage City-Region Initiatives	Short-Term	UW has significant programs and initiatives that could be built upon for greater revenue generation (D2P, grant competitions, WARF efforts, entrepreneurship clinic, Small Business Dev Center).

REVENUE INNOVATION IDEAS GENERATED VIA FACILITATED BRAINSTORMING SESSION

Brainstorming principles were adopted so all options were acceptable, even out-of-the box ones. We encouraged people to focus on the main UW–Madison campus and the University Research Park landholdings. The only Madison-based idea that we did not discuss was redevelopment of part or all of the 1,302-acre UW–Madison Arboretum.

In addition, no ideas related to the non-Dane County land UW–Madison controls across Wisconsin were discussed.⁷

Meeting 3 consisted of another iteration of the review of the proposed principles outlined above. We also bundled the 30 ideas noted above into two broad categories (or Meta Ideas), each with three sub-ideas. Basic summaries of these ideas are listed below.

Sub-Idea	Description	Meta Idea Mapping
Auxiliaries:	Monetize auxiliaries similar to other institutions (Ohio State and others) that generated large upfront concession payments in exchange for long-term operating lease.	Meta Idea 1: Finance/Investment & Auxiliary Innovation
Corporate and Industry Strategy Engagement:	Support broad campus corporate engagement strategy inclusive of research, talent acquisition, collaborative work, incubation, sponsorship, and shared goals. The Office of Business Engagement has developed a strategy that could be used as a starting point (see Annex 6).	Meta Idea 1: Finance/Investment & Auxiliary Innovation
Establish UW–Madison Venture Fund:	Under the direction of WARF and/or WFAA, establish a vehicle by which donors can contribute to a fund that will be invested in local venture capital firms. A board comprised of alumni/friends with venture capital/private equity experience would make decisions about which firms are selected. Proceeds from the venture fund's activity would be used to support UW–Madison's top priorities. Medium-term timeframe.	Meta Idea 1: Finance/Investment & Auxiliary Innovation
(Re) Development of Campus Land:	Facilitate/coordinate the (re)development of land on the campus to generate revenue. Options include: Eagle Heights, Lot 60, Alumni House, Harvey Street Apartments, area around Camp Randall, etc. Ensure maximum long-term revenue streams via maintenance of long-term land control (i.e., UBC model). Mixed-use focus (incl. residential housing, retail) in partnership with private entities. Possible synergy with Opportunity Zone initiatives, alumni development agendas, philanthropy, lifelong learning, etc. Linked idea: carbon sequestration (selling carbon credits) from campus natural land holding throughout the state. Medium- to long-term timeframe.	Meta Idea 2: Real Estate
Corporate Research Pilots / Innovation Centers:	Facilitate creation of suitable spaces for corporations (especially spin-offs, and alumni-created firms) and other fee-paying organizations on campus or on edge of campus via land swaps. Take advantage of desire of firms to build university-industry linkages via on-campus labs, research spaces, R&D spaces, etc. Options include new purpose-built spaces as well as redeveloped spaces within campus-based departments. Consider opening up campus to overseas universities interested in jointly developed research labs and R&D units. Take advantage of city-center location of UW–Madison, with clarity re: parking/transport issues. Synergy with innovation, commercialization, philanthropy, coop/internship agendas. Medium-term timeframe.	Meta Idea 2: Real Estate
Leverage City-Region Initiatives:	Develop framework and initiative to support and leverage City of Madison transport agendas, most notably Bus Rapid Transit. Link to mixed-use real estate development agenda and University Research Park development strategy. Obvious links to university agendas re: student/staff/faculty transport, sustainability, and auxiliaries (parking). Medium-term timeframe.	Meta Idea 2: Real Estate

⁷ The UW–Madison Dane County Land Inventory totals 3,749 acres. Overall, our land inventory consists of the main campus (938 acres), the main site of the Arboretum (1,262 acres), experimental farms and stations (5,924 acres), and other off-campus properties (1,646 acres)

The majority of Meeting 3 consisted of debating each idea and then trying to hypothetically operationalize the ideas rather than discussing each idea in an abstract way. This approach, versus a SWOT approach or a pros-and-cons approach, took advantage of the considerable expertise of the committee membership in various sectors and units on and off campus. The operational considerations categories we discussed were:

1. Capacity/expertise needs;
2. Ideal process;
3. Key allies and partners;
4. Costs;
5. Legal and regulatory context; and
6. Information gaps, risks, concerns.

Meeting 4 continued down this path, but given the nature of feedback emerging in Meeting 3, the six sub-ideas were narrowed down and merged into three main options:

1. (Re)development of campus land (including city-region initiatives)
2. Corporate and industry strategy engagement
3. Strategic management of auxiliaries

SUMMARY OF THREE RECOMMENDED REVENUE INNOVATION OPTIONS

In this section of the report, summaries of the three recommended options are provided. As noted above, this section of the report should be closely read in conjunction with **Annex 4** in which we explore these operational considerations in considerable detail. It is important to be aware these ‘considerations’ are flagged in bullet-point fashion to ensure breadth and to communicate that we were operating in brainstorming mode. Annex 4 material is based upon a set of much longer unedited notes taken by facilitators and members at Meetings 3 and 4.

It is our view that each of these revenue innovation ideas/options has significant potential to help diversify revenue flows for UW–Madison in the medium- to long-term. As should become evident, though, upon review of the operational considerations, significant new streams of revenue have greater potential to be generated after detailed idea-specific strategies are formulated, and internal capacity is expanded to ensure effective management and continuous due diligence.

It’s also important to recognize that the options we outline, if pursued, will likely generate significant debate given the

cultural-organizational changes that are required to realize them. Given this, and with consideration to changes related to the university and external stakeholder circumstance that may impact the university over time (e.g., legislative and/or state agency turnover, policy, etc.), we recommend this phase of revenue innovation be iterative and be coupled with five-year reassessments that evaluate the efficacy of pursued revenue generation efforts. This would afford the university a nimbleness in ensuring an ongoing reinvestment of time, energy, and fiscal resources into additional efforts that support continued optimal outcomes and maximum benefit to the university and other stakeholders.

OPTION A: REAL ESTATE

(TO BE READ IN CONJUNCTION WITH KEY OPERATIONAL CONSIDERATIONS IN ANNEX 4)

The university should support the development of a real estate strategy, inclusive of the main campus and broader real estate holdings, to generate revenue via campus (re)development processes. This strategy should be implemented in a manner that creates new revenue streams while ensuring consistency with **principles** developed by the University’s Revenue Innovations Study Group that will be vetted and finalized by the university community (including leadership).

The **logic** behind this option is to facilitate desired change on campus and at campus edge spaces in a manner that concurrently ensures that maximum long-term revenue streams are attained via maintenance of land and airspace control (e.g., use long-term ground leases rather than sale). This option should effectively leverage partnerships with developers, and employ a strategy of geographic approach that encompasses campus edge spaces and uses.

Importantly, the university may need to enter into a major agreement with an external or linked purpose-built entity (similar to a properties trust or a new off-shoot of the URP). On the basis of peer university experiences, this entity would enter into a series of long-term ground leases with the private and/or public sector on underutilized land on or near the main campus. This agreement would likely include large development tracts as well as specific opportunities or parcels. Developments might include mixed-use space for industry collaboration, mixed income and demographic housing, community facilities, retail and commercial space, and so on.

This approach requires a robust real estate strategy. Building on the revenue innovations goals, a successful real estate

strategy would include a strong balance of the following elements:

1. Generate substantial new revenue streams and associated margins that:
 - Underwrite growth in our core mission.
 - Create important housing capacity for future enrollment growth.
 - Develop collaborative space on the campus to incubate/foster industry-sponsored research growth.
 - Provide sustained funding for capital renewal and sustainability investments.
2. Support for our long-term academic mission:
 - Creation of sustainable, affordable housing for students, staff, faculty, and alumni.
 - Preservation and restoration of important green space in and around the real estate developments.
 - Provide future leaders of UW–Madison with flexibilities and options on real estate and other assets for long-term needs.
 - Improve linkage with the City of Madison and the surrounding community including citizens and employers to advance the social, economic and environmental health of the city-region.
 - Creation of meaningful collaborative space with important amenities for research, teaching, and outreach.

Development of a successful real estate strategy for UW–Madison requires thoughtful consideration of opportunities across its real estate portfolio. This consideration will include analysis of the portfolio, partnership with internal subject matter experts in our facilities planning and management unit, consultation with UW System and State of Wisconsin experts, engagement of the broader Madison community, and long-range evaluation of trends in employment, population, and real estate usage.

An effective real estate development strategy would apply to the core campus (~938 acres) in Madison and to the balance of real estate holdings in the greater Madison area. The university should also explore synergies with the URP, the City of Madison Bus Rapid Transit planning initiative, economic development initiatives (including with respect to Opportunity Zones), alumni development agendas, philanthropy, athletics, lifelong learning, etc.

Option A time frame: Medium- to long-term
Please see **Annex 4** (Key Operational Considerations) for further information.

OPTION B: CORPORATE & INDUSTRY STRATEGY ENGAGEMENT

(TO BE READ IN CONJUNCTION WITH KEY OPERATIONAL CONSIDERATIONS IN ANNEX 4)

The university should support a campuswide corporate engagement strategy that is inclusive of industry-sponsored research, talent recruitment, professional development, incubation, sponsorship, and other shared goals. This strategy should be implemented in a manner that creates new revenue streams while ensuring consistency with **principles** developed by the university's Revenue Innovations Study Group, and that will be vetted and finalized by the university community (including leadership).

The **logic** behind this option is to facilitate desired change on campus in a manner that ensures that maximum long-term revenue streams are attained via creation, maintenance, and leveraging of partnerships with industry.

Option B is significantly different from Options A & C, though there is synergy between all three (and especially between Options A & B). Option B is different because the UW–Madison Office of Business Engagement (OBE) already exists, and is charged with developing new and expanding current corporate partnerships across more schools/colleges and engagement pillars. In addition, there are substantial existing personnel/resources at many schools/colleges (especially Business, Engineering and the School of Medicine and Public Health) engaged in business engagement activities. OBE works in tandem with the schools/colleges but is focused on creating and growing industry relationships that have touch points and interactions with multiple schools, colleges, and units across campus. We are proposing that the university allocate additional resources for this existing unit and continue to support OBE revenue generation activities.

Industry engagement efforts could also include the creation of suitable spaces for firms, especially alumni-created firms, and those with links to UW–Madison, and other fee-paying organizations. These spaces could be located on campus, on the edge of campus (e.g., via land swaps), or in URP. Indeed, a number of major companies have over the last several years established small (or not so small) offices near the university to make it easier to recruit interns and full time employees and engage in research collaborations. Examples include Microsoft, Google, Oshkosh Corporation and others. We should also take better advantage of the desire of firms to build university-industry linkages via on-campus

labs, research spaces, R&D spaces, incubators, etc. Options include partnerships, new purpose-built spaces, as well as re-developed spaces within campus-based departments. (GE Healthcare already has a presence on campus that revolves around its substantial research partnership with the School of Medicine and Public Health.) In addition, the University should consider opening up the campus to overseas universities interested in jointly operated and staffed research labs and R&D units here in Madison. Synergy exists with campus innovation, commercialization, philanthropy, and cooperative education/internship agendas.

Despite UW–Madison’s long-term success at the commercialization process (including via WARF), this option runs against long-standing cultural-ideological views regarding how close, or distant, the university should ideally be from potential corporate partners. Given this reality, a robust and transparent communications strategy, including at leadership level, is needed about why this form of revenue innovation is needed, and what dimensions of campus operations and life are likely to change. A relevant and effective communications strategy should recognize that revenue innovation in this area would require substantial dialogue and cultural shifts, time, and buy-in.

An off-campus focus is also required because the university faces reputational challenges regarding the nature of its bureaucracy, complexities regarding IP, and its perceived ‘risk averse’ and conservative nature. Given this history, we should conduct process mapping of how corporate partners engage on various agendas (research, training, and recruiting) and how cross-campus units collaborate to bring forward a campus solution. It may be appropriate to consider a more centralized, concierge-style service approach to managing these industrial relationships.

Option B time frame: Medium-term

Please see **Annex 4** (Key Operational Considerations) for further information.

OPTION C: STRATEGIC MANAGEMENT OF AUXILIARIES AND ASSETS

(TO BE READ IN CONJUNCTION WITH KEY OPERATIONAL CONSIDERATIONS IN ANNEX 4)

The university should support the development of a campuswide auxiliary optimization strategy to generate revenue in appropriate auxiliary operations. This strategy should be implemented in a manner that creates new revenue streams while ensuring consistency with **principles** developed by the

university’s Revenue Innovations Study Group that will be vetted and finalized by the university community (including leadership).

The **logic** is to strategically manage select auxiliaries similar to peer higher education institutions, of similar size and scale, that have implemented this strategy successfully. They have done so via the generation of upfront concession payments from stable and often globally active infrastructure firms in exchange for long-term operating leases, and/or via the generation of margins via new forms of reduced yearly expenses. On the latter, for example, some universities have devised strategies to reduce costs in innovative ways via campuswide energy use monitoring and adjustment technologies.

The auxiliary optimization strategy should be focused on the core campus in Madison, WI. On the main campus, we have ~26M ft² of facilities, of which 18M ft² are for academic buildings and 8M ft² are auxiliary facilities. UW–Madison categorizes auxiliaries as ‘major’ or ‘minor’ depending on funding and service clientele. Existing auxiliaries include many operational units across campus that support the teaching, research, and public service mission, including hospitality, infrastructure services (utilities, information technology), and parking.

Identification of the nature of ‘capital intense’ versus ‘labor intense’ auxiliaries is a necessary part of the fact-finding in the planning process. Similarly, the nature of the linkages of each auxiliary to the core of our university mission, and the relationship of that auxiliary to the UW–Madison Strategic Framework (2020–2025), must be considered.

This approach requires a robust strategy. Building on the revenue innovations goals, a successful auxiliary optimization strategy would include a strong balance of the following elements:

1. Generate substantial new revenue streams and associated margins that:
 - Underwrite growth in our core mission.
 - Create important housing capacity for future enrollment growth.
 - Develop collaborative space on the campus to incubate/foster industry-sponsored research growth.
 - Provide sustained funding for capital renewal and sustainability investments.
2. Support for our long-term academic mission:
 - Creation of sustainable, affordable housing for students, staff, faculty, and alumni.

- Preservation and restoration of important green space in and around the real estate developments.
- Provide future leaders of UW–Madison with flexibilities and options on real estate and other assets for long-term needs.
- Improve linkage with the City of Madison and the surrounding community including citizens and employers to advance the social, economic, and environmental health of the city-region.
- Creation of meaningful collaborative space with important amenities for research, teaching, and outreach.

Development of a successful auxiliary optimization strategy for UW–Madison requires thoughtful consideration of the varying auxiliary opportunities across its portfolio. This process will include analysis of the portfolio; partnerships with internal subject matter experts in the UW’s Facilities Planning & Management division, University Housing, Wisconsin Union, and UW Athletics units; consultation with UW System and State of Wisconsin experts; engagement of the broader Madison community; and long-range evaluation of trends in employment, population, and facilities usage.

Option C time frame: Medium-term

Please see **Annex 4** (Key Operational Considerations) for further information.

NEW REVENUE/INSTITUTIONAL PRIORITIES

As noted in the Charge, we were asked which “institutional priorities should new revenues / margin be invested in?” We discussed this issue in Meeting 5 following a review of a draft of the report.

It is our view that university leadership should ensure that any new streams of revenue generated via this phase of revenue innovation serve to further the realization of the UW–Madison Strategic Framework (2020–2025) (see **Annex 5**), which is itself grounded in the university’s Mission.

Apart from an affirmation of linking investment to the UW–Madison Strategic Framework (2020–2025), we also discussed some additional issues and recommend that leadership consider the following.

First, consider using derived monies to create reinvestment loops and virtuous cycles, investing money back into areas that will generate more money or reduce costs. Plausible examples include nurturing innovation and entrepreneurship,

improving sustainability, and lowering recurring cost structures of physical assets. This loop strategy could include investment in things that would be difficult to fund without new revenue sources such as physical plant improvements, infrastructure improvements (e.g., insulation, roofs, renewable energy, etc.) or in creating a long-term reserve fund that will allow the UW to reinvest in auxiliary assets when they are returned to campus at the end of agreements. In addition, it is appropriate to consider investing new monies into the physical facilities that support teaching, research, and scholarships, as those facilities are part of our competitive advantage as a primarily brick and mortar institution.

Second, consider investing derived monies in the people and systems that support the UW enterprise, creating ‘wins’ for every stakeholder group on campus and doing as much good for the largest numbers as possible. Monies generated should be spent in politically astute and widely agreed upon ways, and should be used (in some manner) toward the betterment of the state and its economy, thereby enhancing and highlighting UW–Madison’s value to the state.

Third, directing derived monies into dated, aging, and underperforming models or structures is shortsighted. Consider using new monies to reinvent and reconfigure how we carry out our teaching, research, or outreach missions in some way (i.e., change the model for how UW finances research from its own coffers and eliminate infighting for resources by disaffiliating research funding with schools/colleges, setting up a new model and investing heavily in it). Be strategic about placing monies where we can maximize return, create new and better approaches, and continue to move forward already successful initiatives.

Fourth, affordability and access are currently and will remain critical issues for UW–Madison. Investing monies in this area will serve our current and future students, enhancing UW–Madison’s attractiveness to potential students.

Fifth, we should seek to ensure revenue flows are used carefully over the long-term and are reinvested inside UW–Madison, ideally via a legally sound endowment-like structure (a point flagged in the charge).

Sixth, it is important to recognize that the campus is embedded in the city of Madison, and the university both benefits from and draws upon resources that support city- and region-wide forms of soft and hard infrastructure (e.g., child day care, transport, housing, and so on). Given this context, an additional operational consideration is how best to ensure that the university-city relationship is visible

and evident in future investment deliberations. A case in point is Bus Rapid Transit, which will, when developed in Madison, serve our employees, students, and visitors, as well as facilitate greater access to URP. An argument could be made for co-investment, but such an approach requires interpreting the Strategic Framework broadly, and ensuring that a big-picture, long-term stance is taken.

CONCLUDING COMMENTS

As noted in the Charge, during our discussions over our five meetings, and in an increasingly large volume of research-based reports and publication, universities worldwide are facing serious structural pressures, including with respect to revenue volume and diversity of revenue sources. In the United States, for example, the general tenor of Moody's higher education sector reports over the last decade is concerning, pointing to restrained or reduced revenue flows, operating cost increases, pressure on liquidity levels, challenging demographic transitions, and cleavages between various components and geographies of the sector.

Yet through effort, strategic planning, and effective lobbying, some of our peers and competitors in the US and abroad have been fortunate to harness new types of resources to support their missions. For example, Cornell University has benefited from major investment at the local and state levels, as well as via philanthropic sources, to establish a new cutting-edge campus (Cornell Tech) on Roosevelt Island in New York City. Or take the case of the National University of Singapore (Singapore's flagship university), which is situated in a country with nearly the same population of Wisconsin. Over the last two decades Singapore has nearly tripled funding for its higher education system, and the National University of Singapore (one of our peer universities in Asia) has seen its revenue rapidly expand as the government there is deeply committed to a view that its universities are key drivers of the future knowledge-based economy. Closer to home, the State of Virginia is investing hundreds of millions of new monies in its universities and northern city-regions as part of its successful proposal to land Amazon HQ2.

The future resilience of UW-Madison clearly depends on being able to make an effective case for government reinvestment in the higher education sector in Wisconsin. However, we are concurrently also obliged to identify new and creative ways to generate alternative streams of revenue to support our mission and to enhance the development of society and economy. It is our hope that this report, which identifies what we feel are three high-potential options for

revenue innovation, will provide some useful information to further sustained discussion, debate, decision-making, and eventual action. These three options have significant revenue generation potential, as well as clear synergy with other campus agendas related to research and development, sustainability, student learning, and the development of a vibrant campus landscape and community.

The establishment of WARF is but one reminder of the value of foresight, vision, and action when reflecting on the long history of UW-Madison. We look forward to future steps and action as the university maps out its revenue vision, and would be happy to respond to subsequent requests for support in whatever forms it is needed.