



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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EXECUTIVE SUMMARY

As noted in the August 2019 charge to the Revenue Innovations Study Group:

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.

It is important to note that UW–Madison has already implemented some relatively recent revenue innovation initiatives, while extending and transforming 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 undergraduate students and select professional programs;
4. Professional master's degrees;
5. Undergraduate enrollment growth; and
6. Research & 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. However, many of these approaches have placed additional pressure upon 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), increased demand on already scarce student mental health resources, and many other campus resources.

In such a broad and local context, a 15-member Revenue Innovations Study Group was appointed in August 2019

to provide ideas and advice to the Chancellor and Vice Chancellor for Finance and Administration 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 sustained academic preeminence.

Over the course of five meetings from August to December 2019, the Study Group attempted to identify new revenue innovation ideas and options that would ideally create minimal strain and limit new demands on schools and colleges (including their faculty and staff) and instead focused on revenue innovation that is centered on what UW–Madison can do institutionally. For example, through the management and administration of its campus assets/infrastructure (including properties, air space, and auxiliaries), as well as partnerships with noncampus entities. The Study Group also concentrated on revenue innovation ideas that would complement other university agendas related to innovation in research and development, student support, and campus sustainability. Finally, we sought to ensure revenue innovation ideas that would complement City of Madison development agendas related to housing, transportation, and economic development, in particular.

Following a review of peer university initiatives that have succeeded in generating resources that were then funneled back into their campuses and associated core academic mission activities, a series of principles undergirding UW–Madison's revenue innovation activities were discussed and debated, as requested. We recommend that the following principles be considered when guiding UW–Madison activities in this area. Strategies and mechanisms associated with revenue innovation should:

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.

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.

We concurrently developed a wide array (30+) of revenue innovation ideas and sought to understand which had high potential and they could be bundled into realizable options. Following a series of iterative discussions, we recommend that the university seriously explore these three revenue innovation options:

OPTION A: REAL ESTATE

The university should support the development of a real estate strategy, inclusive of the main campus and the university's 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 university leadership) working in conjunction with local and community stakeholders and members of the Board of Regents). 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), effectively leveraging partnerships with developers, and employing a strategic geographic approach that encompasses campus edge spaces and uses.

OPTION B: CORPORATE & INDUSTRY STRATEGY ENGAGEMENT.

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 university 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, including on or adjacent to campus spaces. 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.

OPTION C: STRATEGIC MANAGEMENT OF AUXILIARIES AND ASSETS.

The university should support the development of a campuswide auxiliary optimization strategy to generate revenue via 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 university leadership). The logic is to strategically manage select auxiliaries similar to various peer higher education institutions, of similar size and scale, which have implemented varying strategies successfully. Many successful strategies have generated 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.

Considerable time was spent hypothetically operationalizing these ideas rather than discussing each in an abstract way. This approach, versus a SWOT approach or a pros-and-cons approach, took advantage of the considerable expertise of Study Group membership in various sectors and units on and off campus. The operational consideration 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, and concerns.

Key **Operational Considerations** for Options A–C are detailed in **Annex 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, upon review of the operational considerations, 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.

Were one or more of these options to be implemented and successful in generating new streams of revenue, or substantial margin via cost reduction, we recommend that university leadership ensure the proceeds from 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 university strategic framework, we also delineated six additional investment guidelines to consider, and these are outlined in the report.

It is important to recognize that the options we outline, if pursued, will likely generate significant debate given the cultural-organizational changes that would be 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 (i.e., legislative and/or state agency turnover, policy), 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 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.

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. 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, in our view, have significant potential. This said,

the Study Group met just five times (including the initial charge meeting) before completing this report: this product is therefore a broad scope and first-pass effort toward framing plausible approaches to revenue innovation. 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.

The long history of UW–Madison as a land grant institution, 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. We believe 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 carefully thought through strategic planning.

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 completing 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 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

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

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

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 multistory 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 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,

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

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

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 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

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/

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

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.

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.
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.

Revenue Innovation Ideas (30)	Meta Ideas (4)	Sub Ideas (6)	Timeframe	Description/Notes
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 Waisman 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.

ANNEXES

Annex 1: Charge to Revenue Innovations Study Group

Annex 2: EAB Alternative Revenues Infographic

Annex 3: Peer University Case Studies

Annex 4: Key Operational Considerations

Annex 5: UW-Madison Strategic Framework (2020-25)

Annex 6: UW-Madison Office of Business Engagement Strategy Map (December 2019)

ANNEX 1: CHARGE TO REVENUE INNOVATIONS STUDY GROUP



MEMORANDUM

DATE: July 18, 2019

TO: Revenue Innovations Group Members

FROM: Rebecca Blank, Chancellor *[Signature]*
Laurent Heller, Vice Chancellor for Finance and Administration *[Signature]*

RE: Charge to Revenue Innovations Group

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.

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.

This group, chaired by Professor Kristopher Olds of the Department of Geography, and staffed with support from the Office of the VCFA, **will meet four to five times between August and the end of 2019**. These meetings will focus on an array of issues to help leadership generate a realizable long-term strategy for revenue innovation on our campus. The role of the committee is to engage in healthy evidence-based discussion and debate, and provide expertise, information and ideas that will be summarized in a report for review by campus leadership and other internal and external stakeholders, including our shared governance bodies, for further feedback.

Specifically, we ask the **Revenue Innovations Study Group** to discuss and provide ideas and advice on the following questions:

Office of the Vice Chancellor for Finance and Administration
100 Bascom Hall University of Wisconsin-Madison 500 Lincoln Drive Madison, Wisconsin 53706-1380
608/262-9943 FAX: 608/263-7449

1. Principles & Objectives

- a. What sets of principles should guide our activities in this area?
- b. What timelines should we be working to?

2. Ideas and Options

- a. Which of our peer institutions is making significant progress on the revenue innovation front, and in which ways? Which of our peers has attempted to make progress on the revenue innovation front, but have failed, and why?
- b. What broad categories of activity could be investigated as potential sources of new and/or different forms of revenue generation?
- c. What tangible revenue generating mechanisms have potential to generate significant streams of revenue in the short-, medium-, and long-terms?
- d. Are there any 'out-of-the-box' initiatives that UW-Madison could consider on the revenue-generating front?

3. Regulatory and Organizational Context

- a. Which on- and off-campus stakeholders are likely to have a strong interest in engaging with UW-Madison about this agenda as we move it forward?
- b. What aspects of the regulatory environment should be factored in when attempting to move this initiative forward?
- c. What governance processes need to be navigated when devising and operationalizing tangible revenue generating mechanisms?
- d. What policy or organizational challenges might be encountered in supporting the emergence of new revenue generating mechanisms?

4. Outcomes

- a. Which institutional priorities should new revenues / margin be invested in?
- b. What are the best ways to ensure synergy, cross-support, and 'win-win-win' scenarios as we move this initiative forward?

We ask that the group complete its study and develop options for consideration with pros and cons / feedback from the group for incorporation into a report, by the end of the fall 2019 semester. Administrative support will be provided to assist furthering the activities of the group.

Your commitment will contribute greatly to important decisions about the future of how UW-Madison might be able to generate additional new streams of revenue to support its public mission.

Thank you for your willingness to serve on this important committee.

ANNEX 2: EAB ALTERNATIVE REVENUES INFOGRAPHIC

200 Ideas from the Frontier Alternative Revenues in Higher Education

NEW EDUCATIONAL REVENUES

Capturing High-Growth Student Populations and Instructional Services

Internal Student Recruitment	
1. Third-Party Recruiting Agents	21. On-Demand New Cohort Programs
2. Master's by Coursework	22. Professional Science Master's
3. Expedited Admissions Decisions	23. Interdisciplinary Terminal Master's
4. Student Onboarding Pathway Programs	24. Weekend Course Master's
5. Strong Professional Condensed	25. Applied Liberal Arts Master's
6. International Prepaid Phone Plans	26. Cross-Country Satellite Courses
7. Community College Recruiting Teams	27. New Regulatory Requirement Certificates
8. Foreign-Born Faculty Recruitment Trips	
Summer and Intercession Blended Learning	
9. Corporate Memberships	28. Corporate Memberships
10. Enriched Stay-Away Terms	29. Faculty-Led Learning Grants
11. Over-subsidized Course	30. On-site Professional Master's
12. High-Demand Major	31. After-Hours Course Scheduling
13. Interquarantine Tuition	32. Rapid-Cycle Customized Curriculum
14. Summer and Intercession Financial Aid	33. Templated Company Policies
15. Open Enrollment Intercession Courses	34. Corporate Advisory Committees
16. Summer and Intercession Blended Courses	35. Seniors' Enrichment Programs
17. Study Abroad Makeup Courses	36. Seniors' Memberships
	37. Expanded Course Audit Catalogs
Distance Learning Antidation Agreements	
18. Out-of-State Community College	38. Mark-to-Market Course Audit Fees
19. Online Dual Enrollment Programs	39. Faculty-Led Destination Travel
	40. Other Unfunded Learning Grants
	41. Community-Based Learning
	42. Communities

ACADEMIC ENTREPRENEURSHIP INFRASTRUCTURE

Critical Capabilities for Identifying, Launching, and Scaling Viable Programs

Business Planning Support	
56. Self-Service Faculty Business Plans	65. Community of Interest Portals
57. Program Approval Maps	66. Affinity Population Partnerships
58. Program Managers	67. Private Institution Distance
59. Tech Support Demand Trials	68. Learning Consortia
60. Distance Program Business	69. Employer of Choice Co-branding
61. Faculty Entrepreneurship Boot Camps	70. Military Physicians Accreditation Partnerships
Fast-Cycle Program Launch	
62. Program Launch Incubators	71. Research Outreach Product Suites
63. Expedited Degree	72. Modular Instructional Design
64. Customized Training Liability Review	73. Intellectual Property Shared Services
	74. Team-Teaching Templates
Cost-Effective Marketing	
75. Dynamic Enrollment Forecasting	76. Enrollment-Triggered Staffing
77. Non-credit Course	78. Registration Systems
79. Enrollment-Triggered Start Dates	80. Low Enrollment Contingency Budgets
Outsourcing and Joint Venture Models	
81. Five-Year Insurance Plans	82. Long-Term Profit-Sharing Partnership
83. Best-in-Breed Point Sourcing	84. Five-Year Insurance Plans
85. Best-in-Breed Point Sourcing	86. Best-in-Breed Point Sourcing
87. Best-in-Breed Point Sourcing	88. Best-in-Breed Point Sourcing
89. Best-in-Breed Point Sourcing	90. Best-in-Breed Point Sourcing

BRANDING, LICENSING, AND AFFINITY

Expanding Product Categories and Sellable Space

Increasing Branded Merchandise Demand	
86. School Color Days	100. Exterior Micro-Signage
87. Campus Event E-commerce Campaigns	101. Flat-screen Advertising
88. Designer Label Co-branding	102. Bundled Student Media
89. Campus-Grown Gourmet Foods	103. Student Merchandise Programs
90. Branded Office Decor	104. Orientation Sponsorship
91. University License Plates	105. Career Fair Sponsorship
92. Licensed Product Sales Consortia	106. Case Competition Sponsorships
Alumni, Parent, and Community Affinity Programs	
93. Faculty Merchandise	107. Academic Department Sponsorships
94. On-Campus Dining	108. Professional Team Stadium Home Games
95. Parent Orientation VIP Packages	109. Co-branded Exhibition Games
96. Delta Card Affinity Programs	110. Lifetime Premier Stadium Seating
97. Alumni Peer-to-Peer Lending	111. Sports Memorabilia Auctions
98. Insurance and Retirement Counseling	112. Sports Weekday Sponsorships
99. Affinity Marketing	113. Team Launch
	114. Development-Focused Sports Team Launch
	115. Student Athlete Business Rights
	116. Stadium Seat Sales
Diversifying Athletics Revenues	
117. Professional Team Stadium Home Games	118. Professional Team Stadium Home Games
119. Lifetime Premier Stadium Seating	120. Sports Memorabilia Auctions
121. Sports Weekday Sponsorships	122. Sports Weekday Sponsorships
123. Team Launch	124. Development-Focused Sports Team Launch
125. Student Athlete Business Rights	126. Stadium Seat Sales

AUXILIARY SERVICES

Increasing Demand While Reducing Fixed Costs

Premium-Priced Healthy and Convenient Foods	
117. Organic Food Stations	131. Textbook Rental Service
118. Organic Food Stations	132. Organic Food Stations
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186. Organic Food Stations	200. Organic Food Stations

FACILITIES AND REAL ESTATE

Generating Cash Flow from Underutilized Space

Events Rentals	
179. Generalized Facilities	190. Exterior Cellular Antenna Scaffolding
180. Outsourced Facilities Marketing	191. Exterior Cellular Antenna Scaffolding
181. Local Hotel and Conference Space Partnerships	192. Temporary and Test Production Leasing
182. SMART Classroom Rental	193. For Profit Education Leasing
183. SMART Classroom Rental	194. Corporate Research Facility Leasing
184. SMART Classroom Rental	195. Private Sector Office Space
185. SMART Classroom Rental	196. Off-Peak Parking Lot Rental
186. SMART Classroom Rental	197. Retail Ground Leasing
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421. SMART Classroom Rental	432

ANNEX 3: PEER UNIVERSITY CASE STUDIES

University of British Columbia
University of Cambridge
University of Toronto
Ohio State University

University of British Columbia¹
Summary of Property Development Initiative
(As of September 2019)

THE SITUATION (WHERE THEY WERE)

Following a major recession in the early 1980s, and political constraints on funding, the University of British Columbia (UBC) sought to identify new methods to generate revenue. Context to take into account:

- The university is located at the western end of Vancouver, and is bordered by ocean to the west and north. The campus is large (more than 990 acres/400 hectares in size) but is physically constrained.
- This initiative was started prior to the property affordability crisis in Vancouver (2000 to present), as well as the substantial rise in immigration to the city from East Asia.
- This was initiated in an era when international tuition fee differentials were miniscule. UBC now has the most revenue generating international students of any university in North America.

WHAT THEY DID

- UBC identified 'surplus' academic lands in the mid-1980s, and developed a campus land use plan in association with relevant governmental planning authorities. UBC property management subsidiary created in 1988. UBC Properties Trust (UBCPT)² was eventually established in 1999, as well as an associated Board. The Trust mission is "to assist UBC, through optimization of land assets, to achieve its academic and community goals."
- Initial (1988) principles for land development:
 - No sales – only leasing (99 years). Provincial Government requirement then.
 - The university would not be asked to provide financing or loan covenants for development servicing or subdivision. The only security provided by UBC would be leases of land designated for residential development.
 - UBC's charitable status would not be adversely impacted.

- Overhead would be funded through cash flow.
- Any work associated with design and construction would be contracted out to third parties.
- All net revenue from land lease activity would be endowed to UBC.

HOW THEY DID IT/IMPACTS TO-DATE

- UBCPT Board developed business practices on how they would develop the residential areas, which were on a neighborhood-by-neighborhood basis (associated with detailed planning and implementation process).
- UBCPT puts the land parcel (as a fully serviced site) out for bid to a select group of developers (see over). 99-year leases for ultimately transferred to the new residents. Lessee is UBC. UBC develops and manages all commercial, retail and community space. Resident associations key players now, too.
- UBCPT transfers land revenues to UBC for deposit into the land endowment fund (or funds) minus operational costs.
- Since 1989, five new neighbourhoods so far, with two future neighbourhoods:
 - 505 units of faculty + 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.

Variable estimates of CDN \$675–900 million paid into endowment funds.³ Overall total value creation associated with this initiative is CDN \$1.53 billion (as of December 2019) according to the Property Trust.

KEY CAMPUS PERSPECTIVES/LESSONS

The entire development process is of such a scale, nature, and significance it needs special attention with respect to:

- Significant physical and social/demographic impact on campus with more students, faculty, staff, and private citizens (including retirees) on campus. The campus is very lively now in comparison to the mid-1980s. Significant campus infrastructure improvements (including roads, sidewalks, aesthetic improvements) and sustainability agendas supported via this initiative.

¹ This brief case study is based upon a variety of sources including original research and correspondence. However, virtually no published research has been written up about this initiative. Any errors in this case will be corrected if and when we receive additional relevant information.

² See www.ubcproperties.com

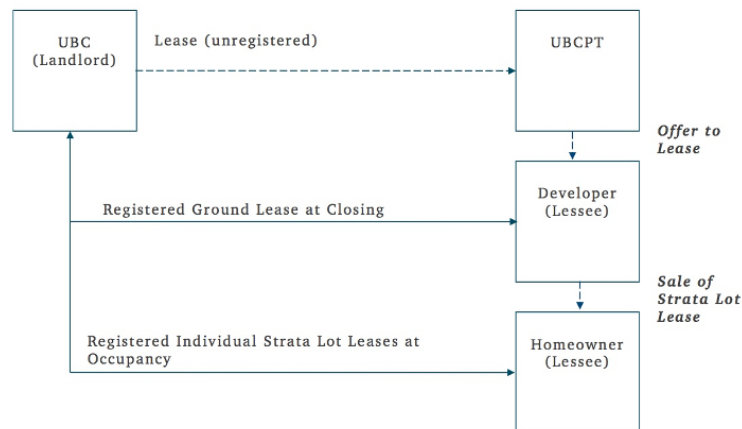
³ See www.universityaffairs.ca/features/feature-article/universities-real-estate-developers/

- Governance:
 - UBC Properties Trust is a private trust, and debates have carried on since it was established. The board is very powerful and dominated by well-known private sector players (primarily UBC alumni).
 - Ongoing debates about transparency and visibility regarding funds raised and beneficiaries of resources allocated across campus. Key Q: “Who Benefits?”
 - Cultural differences with respect to board vs. university.
 - How to determine scale of ‘surplus’ land vis a vis academic requirements.

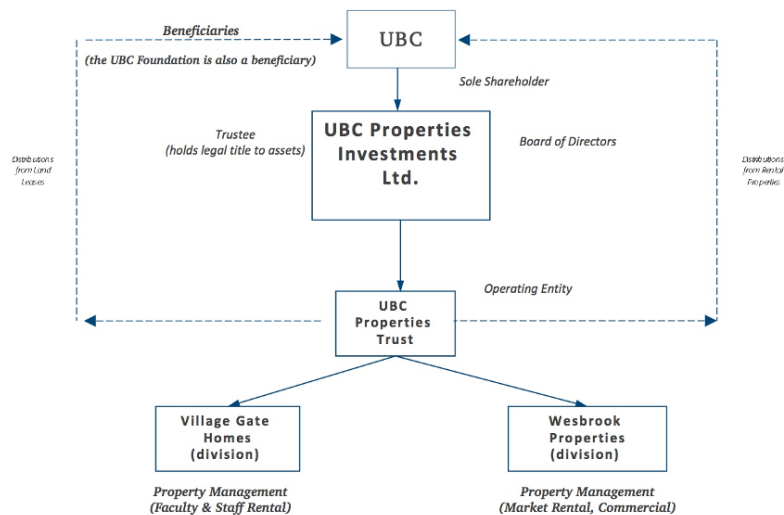
- What is ideal proportion of market vs non-market or subsidized residential units?
- Like Cambridge U, framing/communications challenge consistently underestimated. Link to long-term financial sustainability and university mission needs to be made more clearly and consistently.

Over time, the scale of development on campus, the rise in student numbers, sustainability agendas, and the housing affordability crisis, has led all levels of government and the university to create new plans to improve mass rapid transit to the campus (estimated to cost CDN\$ 3.5–3.8 billion), though these are currently on hold.

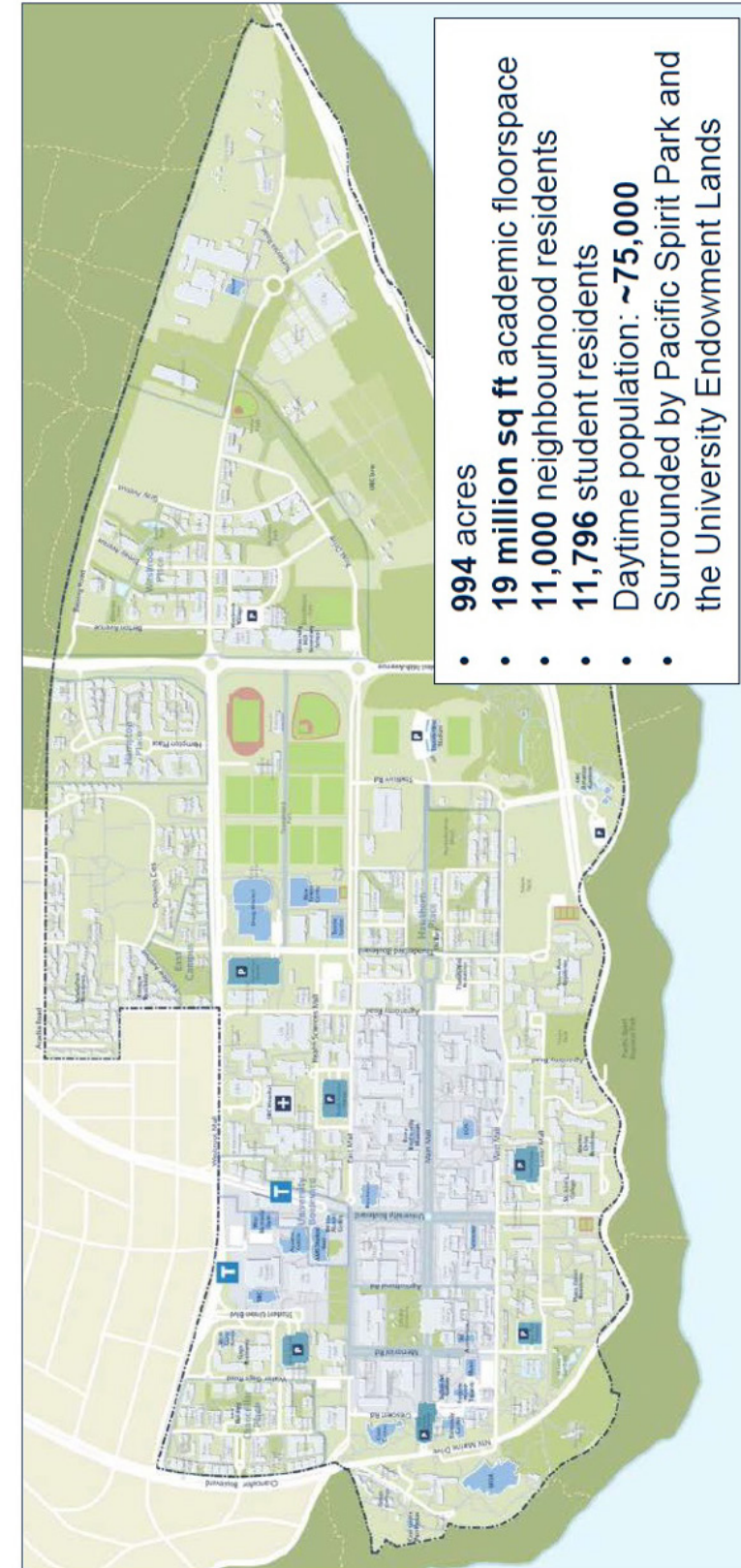
PREPAID LEASING MODEL FOR MARKET RESIDENTIAL SITES (99 years)



ORGANIZATION CHART – PRIVATE TRUST



A CAMPUS AND A COMMUNITY



University of Cambridge
Summary of Property Development Initiative⁴
(As of September 2019)

THE SITUATION (WHERE THEY WERE)

The University of Cambridge was (and is) facing a number of major fiscal challenges despite its status, endowment, and ranking:

- Wealthy colleges but under-resourced university
- Deferred maintenance given medieval origin of university
- Affordable housing crisis for faculty, staff, postdocs, students (given proximity to London)
- National, regional (EU) and global competition for faculty, students, staff, and research monies
- Government funding risks and now Brexit funding risks

WHAT THEY DID

- Concept for a major development in the North West of Cambridge emerged in the late 1980s. Site strategy and planning occurred from 1989 to 2010.
- In 2012 Cambridge formally embarked upon North West Cambridge development initiative, a mixed-use development on a 150 acre site “which will ultimately deliver up to 1,500 houses for private sale, 1,500 houses for university staff, 2,000 units of post-graduate accommodation, 100,000 sq. metres of academic research and development space, a hotel, seniors housing, supermarket, and community facilities including a primary school, community centre, and sports facilities.”⁵
- Vision: “The vision for the community is: “To create a new district and extension to the city, centred around a mixed academic and urban community: a place that is sustainable, long-lasting and ambitious, offering a high quality of life to enhance both the city and the university.””⁶

HOW THEY DID IT/IMPACTS TO-DATE

- Following concept and site planning (1989–2010), Phase I (2012–17): took out a £320 million bond to partially finance the project.
 - Phase I:
 - 700 homes for university and college key workers (80% complete). Discounted rental (now 80% of private market);
 - 325 student rooms for postgraduates (grad students); and
 - 700 units for open market.

- Strong sustainability code/objectives
- Property development vehicle mainly internal, with contracts for services
- Existing governance process/committees used at first
- Big debate about cost overruns and access/inclusion. Led to Audit Committee report (2015).
- No revenue generated in Phase I. Cost overruns of £49–76 million leading to audit of project.
- Phase II: (2018–): took out two tranches (£300 million + £300 million) of bonds to continue financing the project. Will eventually be £1 billion project, university’s largest ever on a single site.

KEY CAMPUS PERSPECTIVES/LESSONS

- Revenue generation for cost recovery vs endowment building focus (like UBC). Core agenda: better recruitment potential given housing costs.
- The entire development process is of such a scale, nature, and significance it needs special attention with respect to:
 - Governance pathway.
 - Internal versus external expertise/capacity. Key Q: “What is the ideal property development and delivery vehicle?”
 - Affordability for Cambridge U community (part of the critique related to Phase I)
 - Internalizing current Cambridge values/expectations re design, sustainability, etc., ramped up development costs. “Gold plated” approach levels up costs.
 - Like UBC, framing/communications challenge consistently underestimated. Link to long-term financial sustainability and university mission needs to be made.
 - A 45+ year legacy project.

Reshaping Cambridge

Housing, transport, schooling



⁴ This brief case study is based upon a variety of sources including original research and correspondence. However, virtually no published research has been written up about this initiative. Any errors in this case will be corrected if and when we receive additional relevant information.

⁵ See eddington-cambridge.co.uk/about-us/our-vision-and-history

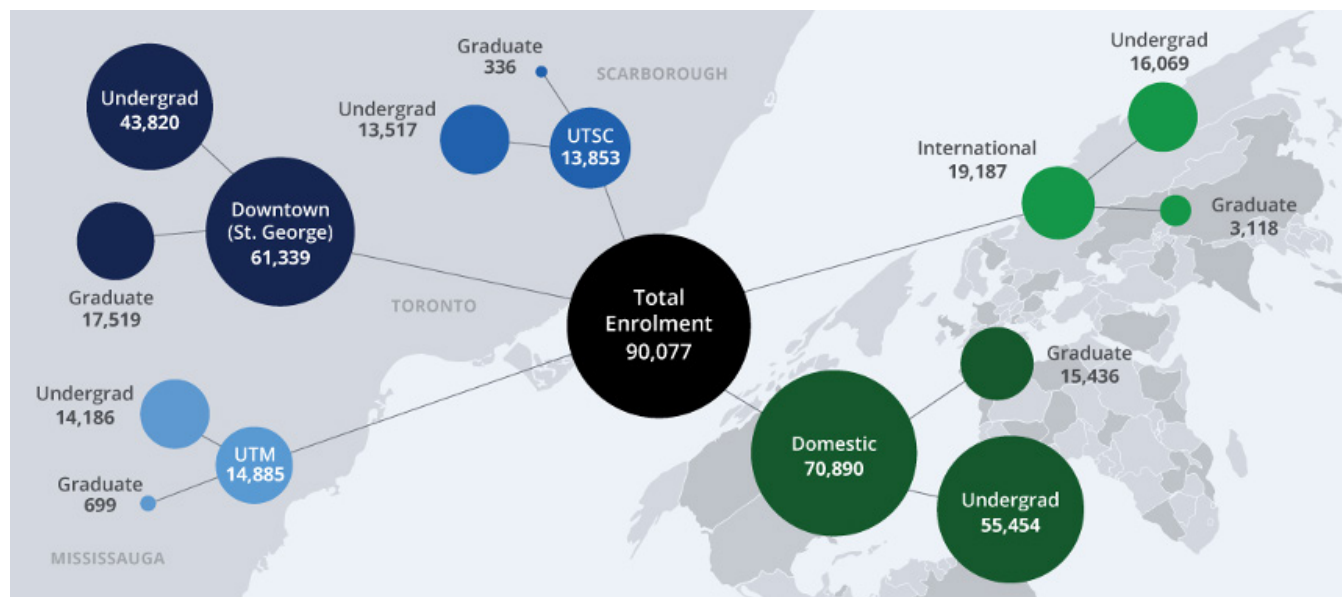
⁶ See www.hortweek.com/landscape-architect-needed-phase-2-150-hectare-north-west-cambridge-development/landscape/article/1464053

University of Toronto
Summary of Real Estate vis a vis Alternative Funding
Sources Strategy⁷
(As of September 2019)

UNIVERSITY OF TORONTO

- Est. 1827
- Operating budget for 2018–19 is CDN \$2.7 billion

- Three campuses in Greater Toronto area:
 - St. George (downtown) campus: 146 acres, 208 buildings, 14.9M ft²
 - Scarborough (east) campus: 303 acres, 37 buildings, 1.73M ft²
 - Mississauga (west) campus: 221 acres, 51 buildings, 2.12M ft²



TIMELINE

- January 2007: “Real Estate Strategy for University of Toronto St. George, Mississauga & Scarborough Campuses was approved through Business Board, and brought to the Planning and Budget Committee, for information. The strategy was “intended to set out some strategic options and future directions for the management of the university’s extensive real estate assets”.⁸
- 2007–08: Towards 2030 Strategic Plan for the University released.⁹
- The logic and focus of the real estate strategy came about via select departmental (esp. Chemistry) activities related to supporting student spin-off companies that desired affordable space on campus to incubate in early phase development. The Department of Chemistry leadership used and nurtured this demand to support alum, new local companies, and leveraged it to enhance the quality of R&D spaces on campus. Over time departments were able to keep increasing proportions of the revenue, which spurred on more revenue generating activity.
- 2013: New president (Meric Gertler) appointed. Gertler is an urban-economic geographer with planning interests. Gertler identifies Three Priorities for the University of Toronto:¹⁰
 1. Leverage our urban location(s) more fully, for the mutual benefit of university and city
 - To improve the state of our host city-region
 - To enhance the university’s success in:
 - Attracting and retaining talent,
 - Research, and
 - Teaching and learning.
 - To enhance our reputation as a city-builder.
 2. Strengthen and deepen key international partnerships by means of a well-defined strategic focus.
 3. Re-imagine and reinvent undergraduate education.

⁷ This brief case study is based upon a variety of sources including original research and correspondence. However, virtually no published research has been written up about this initiative. Any errors in this case will be corrected if and when we receive additional relevant information.

⁸ See governingcouncil.utoronto.ca/sites/default/files/ogc/agendas/a1126-3i-2018-2019bb.pdf

⁹ See www.towards2030.utoronto.ca/timeline.html

¹⁰ See threepriorities.utoronto.ca

- The university was very active in property development projects but had no strategy or framework. A request for proposals was issued as they wanted an external view from a firm that had evident expertise with multiple leading universities across North America.
- Spring 2017: RFP for consultancy to develop “Strategic Real Estate Strategy for the University of Toronto.”
- Oct 2017: Formal planning begins. The approved [in Jan 2019] “Strategic Framework is the result of a planning exercise begun in October 2017 under the direction of a steering committee of key university administrators, and in consultation with key university stakeholders—The Office of the Governing Council Business Board; The University of Toronto Real Estate Advisory Committee; and, The Office of the Vice-President & Provost, tri-campus Principals, Deans, Academic Directors, and Chairs Committee (PDAD&C) and Chief Administrative Officers (CAOs).”¹¹
- Nov 2017: U3 Advisors (U3A) hired. “U3 worked with a steering committee comprised of key university administrators and solicited feedback from stakeholder groups—including the university’s Real Estate Advisory Committee, Business Board, and principals, deans, academic directors and chairs—that informed decision-making.”¹²
- Steering Committee:¹³



- Nov 2017–Nov 2018: Planning phase is guided by Steering Committee and run concurrent with Alternative Funding Sources Advisory Group. “The Advisory Group’s mandate is to:
 - Articulate a set of principles, aligned with the University of Toronto’s mission and values, to guide recommendations regarding alternative funding sources.

- Develop an understanding of the regulatory environment for publicly assisted universities in the province of Ontario.
- Consider core assets of the university that can be leveraged to generate new revenue streams.
- Examine a wide set of options for alternative funding sources through consideration of examples from the higher education sectors and other sectors.
- Develop a consultation and community engagement process to seek input on options.
- Recommend a limited set of options and strategies for diversifying funding sources.”¹⁴
- November 2018: The Four Corners Strategy, by U3 Advisors, released (this is the real estate strategy).¹⁵
- November 2018: Business Board: Four Corner Strategy approved.
- December 2018: University Governing Council: Four Corner Strategy presented.
- January 2019: VP, University Operations position transformed into VP Operations and Real Estate Partnerships. Focus on sequencing and alignment of initiatives.
- June 2019: Report of the Alternative Funding Sources Advisory Group released.¹⁶

ADDITIONAL NOTES/LESSONS

- Objective to match endowment injections (\$50–60 million per year on the basis of \$120–150 million in revenue). Deemed a “shadow endowment” and “strategic fund.”
- Note the similarities and differences compared to UBC:
 - In-house vehicle to guide the development process versus creating a separate board like the UBC Property Trust.
 - Strategic use of partnerships and joint ventures.
 - Willingness to acquire land and property when their usage will align with university mission.
 - A focus on innovation spaces related to high value-added sectors of the Toronto economy.
 - Use of development projects to further complementary agendas related to philanthropy, building material innovation, AI, etc.
 - Sequencing of development projects carefully mapped out into the future.

¹¹ See governingcouncil.utoronto.ca/sites/default/files/ogc/agendas/a0110-4-2018-2019pb.pdf

¹² See www.u3advisors.com/projects/university-of-toronto

¹³ See governingcouncil.utoronto.ca/sites/default/files/ogc/agendas/a0110-4-2018-2019pb.pdf

¹⁴ See governingcouncil.utoronto.ca/sites/default/files/ogc/agendas/a0110-4-2018-2019pb.pdf

¹⁵ See governingcouncil.utoronto.ca/sites/default/files/ogc/agendas/a0110-4-2018-2019pb.pdf

¹⁶ See <https://governingcouncil.utoronto.ca/sites/default/files/imported-residual-wp/wp-content/uploads/2019/06/a0618-9-2018-2019bb.pdf>

The Ohio State University Summary of Auxiliary / Asset Monetization Initiatives¹⁷ (As of December 2019)

THE SITUATION (WHERE THEY WERE)

Ohio State University, like many other public universities, faced fiscal challenges. In particular, the share of campus funding from state support flipped with tuition (from a 50–50 mix in 2000 to a 75% tuition base in 2015). This has caused the university leadership to example its assets and activities to ensure that resources focus on the core of the mission (e.g., teaching, research). Objectives related to sustainability and operational performance of other assets had fallen below sustainable funding levels as the institution directed critical investments to the core.

WHAT THEY DID

- Ohio State looked for opportunities related to non-core assets that deliver stable, predictable performance, potentially with innovative monetization impacts.
- Ohio State transferred operations of heating, cooling, and electricity for the Columbus campus in 2017 to Paris-based ENGIE in exchange for a \$1B+ concession payment.¹⁸
- Utility entity that manages Ohio State utilities under a long-term (50 year) concession agreement.
- Obligates OSU to long-term purchase agreement with cost escalators:
 - Escalation should be helped by sustainability (e.g., reduced consumption).
 - Endowment return expected to exceed escalators.

HOW THEY DID IT/IMPACTS TO-DATE

- Ohio State developed an RFP (request for proposal) around a long-term energy solution. Multiple consortia bid on the deal and, ultimately, ENGIE secured the concession. Ohio State engaged multiple external entities, including legal. Moody's has evaluated the impact of the deal on the overall credit rating of the university and pronounced it positive on balance. Other universities are currently pursuing including Iowa (deal with ENGIE in December 2019), Duquesne (deal with UPMC in April 2019), Dartmouth, and Syracuse.
- Impact: Sustainability
 - Converted > 100,000 light fixtures to LED technology and installed more than 375 smart meters;

- Embarked on infrastructure improvements to support utility systems for facilities around the Oval, within the Arts District and for health sciences facilities; and
- Launched upgrade for the energy systems in 14 buildings with a goal to improve their energy efficiency by more than 26% on average.
- Impact: Mission (leverage endowment)
 - Funding support for Buckeye Opportunity Program (a program that covers tuition and fees for Pell recipients)
 - Faculty support (training, chairs, and tenured positions).

KEY CAMPUS PERSPECTIVES/LESSONS

- Develop a long-term strategy that contemplates opportunities and needs related to the mission and to non-core assets.
- Ensure that monetization / value created around non-core assets has clear tie back to the mission.
- Evaluate opportunities in conjunction with the overall risk framework of the university.
- Engage third party experts to ensure that the university's interests are adequately represented and that goals are achieved.

¹⁷ This brief case study is based upon a variety of sources including original research and correspondence. However, virtually no published research has been written up about this initiative. Any errors in this case will be corrected if and when we receive additional information.

¹⁸ See www.engie.com/en/journalists/press-releases/engie-axium-management-contract-ohio

ANNEX 4: KEY OPERATIONAL CONSIDERATIONS

Option A: Real Estate	Key Operational Considerations
Capacity/Expertise Needs Does UW currently have staff expertise & capability to bring this idea to life & propel it forward? —If Y, where, organizationally, does this expertise/capability reside? —If N, how could we resolve this gap (e.g., build capacity, or contract out, etc.)?	Current capacity/expertise and mission alignment exists within (at a minimum): • University Research Park (URP) • Facilities Planning & Management (FP&M) • UW schools/colleges, especially: • Wisconsin School of Business, • College of Letters & Science, • Nelson Institute and • School of Human Ecology. • Wisconsin Foundation & Alumni Association • WARF • Alumni base Expertise/capacity gaps and needs: • UW–Madison lacks a comprehensive real estate strategy. Broad strategy should include principles, risk analysis, opportunity sizing. A real estate strategy should address issues, including (but not limited to): • Assessment of magnitude of real estate-related revenue via on and off campus activities, factoring in campus and URP plans; • Legal-financial-organizational models based on best practices and a thorough understanding of UW–Madison regulatory context; • Identification of partners to develop opportunities; and • Sequencing of development sites. • Will likely require formal and informal consultancy/advisory function from real estate industry • Consider tapping industry alumni. • Potential conflicts of interest exist so establish guiding principles (e.g., University of Toronto’s informal “nose in, fingers out” principle). • Units that may need capacity building in the areas of real estate law, development, and finance: • Office of Legal Affairs, • Facilities Planning and Management, and • URP.
Ideal Process What are the likely steps, process-wise, that should be followed to activate this idea and ensure adequate momentum is built to make this initiative a success?	Planning process should include attention to: • Communications strategy, including at leadership level, about why this form of revenue innovation is needed, and what dimensions of campus operations and life will 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. In addition, the communications strategy should: • Pay substantial attention to any potentially impacted employees and/or students, as well a campus units. • Foster dialogue and ensure communication about plans for how proceeds will and won’t be used. • Need for comprehensive real estate strategy; • Relationships with City of Madison, Village of Shorewood Hills; • Alignment with ongoing and special initiatives (e.g., Opportunity Zones, Bus Rapid Transit, workforce planning); • Potential role of pilot projects to test model in context of sequencing plan; • Capacity to support complementary agendas (e.g., diversity); • Consideration of future (25+ years) trends regarding housing forms/design, higher education, campus activities and usage patterns, sustainability, transport, university business models; • Consideration of how much land the university actually needs on its main campus in order to meet our mission. Assess internally and also in comparison to peers in North America; • Establish scope and goals • Operational • Mission critical • Mission centric • Sustainability • Capital requirements • Reliability / risk mitigation / resilience • Financial • What would we do with the proceeds? • What are the financial risks?

Option A: Real Estate	Key Operational Considerations
Key Allies & Partners Who must also be involved (both on- and off-campus) in an effort of this kind to ensure its success?	Key allies and partners to work with include (but are not limited to): • Government • State leadership/management (legislature, governor, Department of Administration) • City of Madison leadership/management (road/utility infrastructure) and Village of Shorewood Hills • Federal departments/units located on UW–Madison property • Ho-Chunk Nation, especially for real estate considerations • Higher education • UW System Board of Regents • UW System • UW–Madison • University Relations • Office of Legal Affairs • URP • VCRGE • WARF • Deans • Boards of Visitors/Advisory bodies • Wisconsin Foundation & Alumni Association • Private and nonprofit sectors • Developers • Bankers and brokers • MG&E • Architecture and landscape architecture firms • Madison Regional Economic Partnership • Hospitals • URP tenants
Potential Costs 1. What are the likely up-front monetary costs associated with bringing this idea to life? 2. What are the likely opportunity costs of focusing on this idea? 3. What are the likely political costs of focusing on this idea?	Potential costs include (but are not limited to): • Organizational • Communication time (at senior leadership level) • Staff time diverted from other projects/initiatives • Consultancy/advisory/lobbying costs • Infrastructure investment on and adjacent to campus and URP • Legal: • Review of existing regulations • Development of new units and/or reform of existing units • Cultural-political • Process requires buy-in at all levels of government. • Upfront investment may be required and needs to be rationalized. • Likely to lead to debates about the changing nature of the campus and how its mission is best supported. • Need for ongoing discussions about the changing nature of built form, density, urban sustainability, aesthetics, etc.
Legal & Regulatory Context What are the key legal and/or regulatory issues that need to be addressed to bring this idea to life?	Key legal and regulatory issues to be addressed/clarified: • Clarify legal/regulatory rules as they stand regarding this agenda. • Consider the tax implications of real estate (re)development. • Clarify all relevant land use regulations and zoning requirements. • Clarify leasehold agenda implications associated with common real estate revenue generating strategies at peer universities. • Outline impact of all relevant legislative statutes. • Clarify lease arrangements we have with Federal Government agencies (e.g., US Forest Products Lab). • Clarify Opportunity Zone regulations. • Clarify options for an implementing agency.

Option A: Real Estate	Key Operational Considerations
Information Gaps, Risks, Concerns What additional information gaps should be addressed to ensure we can fully and effectively explore this idea? Are there any key risks and concerns about this idea that have not been flagged above?	Key information gaps, risks, and concerns include: - Is this a campus leadership priority? Does it need to be in order to succeed? - Ownership and approval procedures; and - Perceived ownership vs. legal ownership. - Perceptions and realities of revenue generation sharing internally and externally. - Most appropriate and effective ways to engage with likely critics of this initiative. Likely parties include: - Neighbors/nearby property owners, and - Private market competitors. - Major infrastructural investments likely needed to enable this initiative to be realized. - Details regarding time horizons planning should be aligned to ability of UW–Madison to manage the complicated internal and external governance processes this agenda would trigger.

Option B: Corporate and Industry Strategy Engagement	Key Operational Considerations
Capacity/Expertise Needs Does UW currently have staff expertise & capability to bring this idea to life & propel it forward? —If Y, where, organizationally, does this expertise/capability reside? —If N, how could we resolve this gap (e.g., build capacity, or contract out, etc.)?	Current capacity/expertise and mission alignment exists within (at a minimum): - Office of Business Engagement (OBE, launched in 2018). - OBE is the central campus office responsible for growing and strengthening partnerships with business and industry. OBE has recently completed a strategic plan that should be used as a starting point for advancing corporate engagement efforts (see Annex 6) - Boards of Visitors (that are populated by industry and thought leaders) associated with campus units. - Existing corporate partners associated with specific research, training, sponsorship and recruiting activities. - URP, including with respect to negotiation. - Expertise via former UW faculty now employed at city-region-based firms, as well as firms across the state and country. - UW schools/colleges, especially: - Wisconsin School of Business, - College of Letters & Science, - College of Agricultural and Life Sciences, and - College of Engineering. - Relevant departments (e.g., Chemistry) in UW–Madison schools/colleges - University of Wisconsin Foundation. - WARF. - Alumni base. - VCRGE is currently recruiting for a new position focused on industry-sponsored research that will work in collaboration with OBE and facilitate research opportunities for companies with researchers across campus. Expertise/capacity gaps and needs - Existing “scattershot” approach to corporate/industry engagement, including with respect to training, intellectual property rights - Due to UW’s size and complexity different schools/colleges/divisions often have varying built relationships, processes, agendas. - Internal competition for corporate investment at the school/college level will sometimes present barriers for campus to more fully explore a partnership with a company (concern with losing revenue from one college that will go to another). - Complexity and lack of transparency re governance pathways for proposed partnerships - Perceived and/or actual scale of overhead charges - Internal lack of awareness of perception of how bureaucratic and decentralized UW–Madison and the UW System can be in comparison to potential independent off-campus partners - Strong IP focus but possible gap between IP and startup incubation - Incentive structures that are attractive to industry
Ideal Process What are the likely steps, process-wise, that should be followed to activate this idea and ensure adequate momentum is built to make this initiative a success?	Planning process should include attention to: - Communications strategy, including at leadership level, about why this form of revenue innovation is needed, and what dimensions of campus operations and life will need to be developed. 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. In addition, the communications strategy should: - Pay substantial attention to any potentially impacted employees and/or students, as well as campus units. - Foster dialogue and ensure communication about plans for how proceeds will and won’t be used. - Review and adapt best practices of other universities (e.g., MIT, RTP, Purdue). - Consider using campus communicators group or UW Foundation model for corporate partnerships (at unit/school/college/division level). - Establish new campuswide communication effort to share with research community opportunities to partner with industry. - Leverage the new OBE website recently launched to streamline external-facing information on how to partner with UW.

Option B: Corporate and Industry Strategy Engagement	Key Operational Considerations
	- Enhancing understanding - Views of current and recent department chairs with strong UW-industry linkages to acquire a disciplinary/sectoral view on this agenda. - Review OBE's strategic plan to guide internal and external priorities to facilitate company engagements. - 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. This work will be included as part of the new external-facing Salesforce software implementation. OBE was selected as one of a handful of pilots for this tool (which will include campus partners involved in external relations) and it will provide campus with advanced capabilities to track and collaborate on corporate engagement efforts across campus and guide strategy for enhanced partnerships. - Leverage the opportunity presented by campus proceeding with APLU Innovation & Economic Prosperity Universities (IEP) designation, which will be focused on creating an innovative culture at UW, and address many of the challenges identified as barriers to industry collaboration. - Focus on clear and present corporate and industry needs and desires (e.g., improved clinical trial process, and corporate-sponsored research strategy). - Potential for linkages between workforce development and R&D. - Potential for capacity to support complementary agendas (e.g., diversity). - Devising lessons from revenue sharing agreements with programs running professional graduate programs to incentivize departments to create unit-firm partnerships and on- or near-campus presences. - Support cross-campus efforts that explore potential synergies with campus careers/internship-related initiatives. - Organizational change and best practices - Need for a set of principles for UW-Madison in corporate engagement (consistent with WI Idea and the RISG principles) - Potential synergy with real estate strategy - Capacities and best practices associated with URP - Potential role of pilot projects to test model in context of sequencing plan - Campus Planning, parking, etc., if substantial campus or edge of campus presence involved. Potential for synergy with Bus Rapid Transit agenda - Important to engage deans and department chairs and garner their buy-in - Creation of cross-campus working group to include URP, WARF, D2P, OBE, VCRGE, schools/colleges with interest in corporate partnerships to ensure information sharing, strategy setting and shared goals established. - Work with Board of Regents to streamline current policies related to approval of research agreements with for-profit entities. - Examine ways to integrate and co-brand campus professional development programs so to ensure we are not competing with ourselves internally but rather going to market with a unified brand to attract large-scale corporate partnerships.
Key Allies & Partners Who must also be involved (both on- and off-campus) in an effort of this kind to ensure its success?	Key allies and partners to work with include (but are not limited to): - Government - State leadership/management (legislature, governor, Department of Administration) - City of Madison leadership/management (road/utility infrastructure) and Village of Shorewood Hills - Partner w/City of Madison to enhance strategic industrial partnerships - Federal departments/units located on UW-Madison property - Higher education - UW System Board of Regents - UW System leadership - UW-Madison - University Relations - Office of Legal Affairs - VCRGE - URP - RSP - WARF - D2P - Deans - Boards of Visitors/Advisory bodies - Wisconsin Foundation & Alumni Association - Private and nonprofit sectors - Developers - Bankers and brokers - Madison Regional Economic Partnership - Hospitals - URP tenants - Engagement with the community (e.g., Urban League, etc.), including a focus on economic infrastructure / enablers, pipeline programs, and job efforts - Local and national corporate entities / leaders (from BOVs, existing partners, etc.). Broad focus on skill development, research, recruiting, and general economic development. - Madison and larger Wisconsin business communities (including major local corporations including Johnson Controls, GE, Exact Sciences)

Option B: Corporate and Industry Strategy Engagement	Key Operational Considerations
Potential Costs 1. What are the likely up-front monetary costs associated with bringing this idea to life? 2. What are the likely opportunity costs of focusing on this idea? 3. What are the likely political costs of focusing on this idea?	Potential costs include (but are not limited to): - Organizational - Communication time/costs (at senior leadership level) - Investment in updating and extending existing corporate engagement strategy - Staff time diverted from other projects/initiatives - Consultancy/advisory/lobbying costs - Engagement with internal constituencies - Cultural-political - Process would require buy-in at all levels of government - Upfront investment may be required - Likely to lead to debates about the changing nature of the university and how its mission is best supported - Perception that transactions with corporate partners are not 'arm's length.' Concerns about quid pro quo
Legal & Regulatory Context What are the key legal and/or regulatory issues that need to be addressed to bring this idea to life?	Key legal and regulatory issues to be addressed/clarified: - Significant intellectual property questions between campus, WARF, and partners on research efforts - Potential questions about whether the university should be partnering with Venture firms and others to incubate startups more expansively - Review legal hurdles to enabling firms to establish presences on campus, as well as invest in the redevelopment of campus spaces Possible tax, insurance, parking, etc., implications - UW has more barriers than most institutions in bringing businesses on to campus due to conflict of interest laws
Information Gaps, Risks, Concerns What additional information gaps should be addressed to ensure we can fully and effectively explore this idea? Are there any key risks and concerns about this idea that have not been flagged above?	Key information gaps, risks, and concerns include: - Is this a campus leadership priority? Does it need to be in order to succeed? - Perceived and/or actual political implications of deepening corporate/industry partnerships; - Legal/regulatory implications of IP changes; - WARF's perspective and power regarding shifting needs on IP and commercialization; - Current dispersed engagement model remains a significant barrier. How would we improve without adversely impacting the character of the university and the underlying entrepreneurial spirit of the researchers? - Do we have appropriate focus on IP protection without straying into ultra-restrictive? IP ownership issues will have to be thoroughly researched/developed/vetted; - Limitations of physical space on campus. If creating shared spaces for corporate/industry connection with UW, does this need to be on campus or can it be close by (i.e., a Regent St - "Innovation District"), or only at URP? - UW-Madison has a tendency to be risk averse, cautious, and overly-scrutinizes itself as an institution. This culture may be an important impediment to overcome for UW to develop in this area; - Can we import capacity on campus, at URP, or beside campus rather than fit it into existing structures or attempt big change to existing structures (e.g., create an entity separate from UW but connected to it that performs clinical trials)? - Residual trauma exists from past corporate/industry engagements in some sectors/fields (e.g., Dow riots).

Option C. Strategic Management of Auxiliaries and Assets	Key Operational Considerations
Capacity/Expertise Needs Does UW currently have staff expertise & capability to bring this idea to life & propel it forward? —If Y, where, organizationally, does this expertise/capability reside? —If N, how could we resolve this gap (e.g., build capacity, or contract out, etc.)?	Current capacity/expertise and mission alignment exists within (at a minimum): • Office of Legal Affairs • Facilities Planning & Management • Environment, Health & Safety • Existing auxiliaries: • Housing • Wisconsin Union and Recreation & Wellbeing • Athletics • Physical Plant: • Utilities and Energy Operations • Services • Campus Renovation Services • Maintenance and Operations • Facilities Management • Office of Sustainability • Transportation Services (incl. Parking) • University Health Services • Division of Information Technology • Conference Services • Miscellaneous auxiliaries (e.g., Vet Med Teaching Hospital, Babcock Dairy, Waisman Biomanufacturing) • Pockets of expertise in UW schools/colleges (e.g., on structured deals) • Alumni base Expertise/capacity gaps and needs: • UW–Madison lacks a comprehensive strategy for the strategic management of auxiliaries and assets. Broad strategy should include principles, risk analysis, opportunity sizing. An auxiliaries strategy should address issues, including (but not limited to): • Assessment of magnitude of auxiliary-related revenue; and • Legal-financial-organizational models based on best practices and a thorough understanding of UW–Madison regulatory context. • Financial, strategic, and legal expertise in deal framing, structure, execution • Comprehensive goals and/or objectives for why we should explore these opportunities • Financial upside? • Cost certainty? • Risk mitigation? • Other goals? • Determination of nature of capital intensity v labor intensity auxiliaries • Determination of nature of core mission auxiliaries (e.g., student housing vs. parking or utilities) • Ability to deliver true/broad innovation in utilities/auxiliaries • Construction and operating expertise (project management, finance, legal, etc.)

Option C. Strategic Management of Auxiliaries and Assets	Key Operational Considerations
Ideal Process What are the likely steps, process-wise, that should be followed to activate this idea and ensure adequate momentum is built to make this initiative a success?	Planning process should include attention to: • Communications strategy, including at leadership level, about why this form of revenue innovation is needed, and what dimensions of campus operations and life will likely need 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. In addition, the communications strategy should: • Pay substantial attention to any potentially impacted employees and/or students, as well a campus units. • Foster dialogue and ensure communication about plans for how proceeds will and won't be used. • Facilitate creation of comprehensive strategy for strategic management of auxiliaries. Broad strategy should include principles, risk analysis, opportunity sizing, as well as: • Identify partners to develop opportunities; • Understand legal and regulatory implications; • Identification and exploration of best practices; • Infrastructure resiliency strategy; • Long-term parking and infrastructure needs; • Political strategy; • Shared governance strategy; and • Long-range trends in densification, parking needs, utility operations. • Identify small-scale revenue opportunities / efficiency gains on the path to &/or in place of the "big deal" • Establish scope and goals • Operational • Mission critical • Mission centric • Capital intensity v labor intensity auxiliaries • Sustainability • Capital requirements • Reliability / risk mitigation / resilience • Financial • What would we do with the proceeds? • What are the financial risks? • What is our approach for ensuring that, in long-term concession agreements, we have progress points to adjust / ensure compliance and control while avoiding major problems in cost / operations? • Relationships with City of Madison, Village of Shorewood Hills • Alignment with ongoing and special initiatives (e.g., Opportunity Zones, Bus Rapid Transit, workforce planning) • Potential role of pilot projects to test model in context of sequencing plan • Capacity to support complementary agendas (e.g., diversity) • Consideration of future (25+ years) trends regarding housing forms/design, higher education, campus activities and usage patterns, sustainability, transport, university business models
Key Allies & Partners Who must also be involved (both on- and off-campus) in an effort of this kind to ensure its success?	Key allies and partners to work with include (but are not limited to): • Government and state level • State leadership/management (legislature, governor, Department of Administration) • City of Madison leadership/management (road/utility infrastructure) and Village of Shorewood Hills • Federal departments/units located on UW-Madison property • Public Service Commission • Higher education • UW System Board of Regents • UW System • UW-Madison • University Relations • Office of Legal Affairs • Auxiliary units • OHR • FP&M • Campus governance entities • Wisconsin Foundation & Alumni Association • Boards of Visitors/Advisory bodies • URP • Private and nonprofit sectors: • NCAA/Big 10 (athletics) • Bankers and brokers • MG&E (on utilities) • Hospitals

Option C. Strategic Management of Auxiliaries and Assets	Key Operational Considerations
Potential Costs 1. What are the likely up-front monetary costs associated with bringing this idea to life? 2. What are the likely opportunity costs of focusing on this idea? 3. What are the likely political costs of focusing on this idea?	Potential costs include (but are not limited to): - Organizational - Communication time/costs (at senior leadership level) - Staff time diverted from other projects/initiatives - Consultancy/advisory/lobbying costs - Cost to develop strategies - Cost associated with retaining partner(s) through project/initiative life (esp. if we lack expertise) - If university ever granted right to issue debt, could have impact on credit ratings - Legal - Review of existing regulations - Development of new units or reform of existing units - Cultural-political - Political capital - Process would require buy-in at all levels of government - Upfront investment may be required - Likely to lead to debates about the changing nature of the campus, governance, and how its mission is best supported
Legal & Regulatory Context What are the key legal and/or regulatory issues that need to be addressed to bring this idea to life?	Key legal and regulatory issues to be addressed/clarified: - Do we require specific permission from UW System/Board? - How does this vary based on deal type? - Nature of legislative support vis a vis: - Changing current relationship with MG&E; - Changing current approach to parking; - Creating PPPs; - Structuring underlying transactions; - To retain resources; and - Impact on debt and ratings. - Political implications with large-scale job transfers - Management of procurement - Identification of appropriate legal partners
Information Gaps, Risks, Concerns What additional information gaps should be addressed to ensure we can fully and effectively explore this idea? Are there any key risks and concerns about this idea that have not been flagged above?	Key information gaps, risks, and concerns include: - All auxiliaries - Ensure long-term ownership —we might do long-term lease or operating concession but generally want to retain ownership. - Best practices research needed about how to pursue and communicate about the lease model for revenue generation. - Understand implications of a 3rd party entity. - How do we structure the various agreements (e.g., ground lease / concession / P3)? - Utilities - Where are we on behind-the-meter renewables? - What is the role of energy conservation? - How do we protect future state against cost explosions? - What are the KPIs? - Housing - How much value do we have to transfer? - What is the balance of “front of house” (the academic / student facing programming) v. “back of house?”

ANNEX 5: UW-MADISON STRATEGIC FRAMEWORK (2020–2025)

Excellence in Teaching & Educational Achievement

Provide access to a world-class, affordable educational experience.

- Strengthen educational outcomes, career development, and the student experience for all students.
- Expand access to a UW–Madison education, including new modes of delivery to engage with students throughout their lives.
- Expand educational programming in areas of high student demand, while maintaining the broad-based strength of our educational enterprise.
- Further grow faculty and staff teaching excellence.

Excellence in Research & Scholarship

Provide leadership for discovery, through support of the fearless sifting and winnowing of our world-class research enterprise and the dissemination of knowledge in its many forms.

- Grow UW–Madison’s research enterprise and expand its global impact, supporting the scholarship of faculty, staff, and students.
- Further grow faculty and staff research excellence.
- Provide a modern research support structure that fosters innovation, promotes interdisciplinary collaboration, and drives discovery on future research challenges.
- Ensure the continued vitality, competitiveness, and strength of our graduate and professional programs.

Living the Wisconsin Idea

Partner with the community and the state to extend and apply our research, education, and practice-based knowledge to foster learning and support innovation and prosperity through Wisconsin.

- Engage with the community to provide positive social, cultural, and economic impact in Wisconsin and beyond.
- Promote entrepreneurship, innovation, and economic development in Wisconsin and beyond.
- Share the benefits of a world-class teaching and research university throughout Wisconsin and beyond our borders.

A Vibrant Campus Community

Build an organizational culture and climate that fosters engagement, inclusion, diversity, and equity.

- Provide an inclusive, safe, healthy, and enriching environment for learning and working that promotes wellness among students and employees.
- Enhance the holistic development of students by combining learning in and out of the classroom that is steeped in the values of the university.
- Enhance diversity among our students, faculty, and staff and build upon our strong commitment to diversity to create a welcoming, empowered, and inclusive community.

A High Performing Organization

Practice continuous improvement in all we do, for those we serve.

- Strengthen our financial performance, growing revenues, controlling costs and delivering new and innovative ways to invest in our strategic priorities.
- Build upon and further support our high-quality and committed workforce that advances our mission and reflects our values.
- Expand and deepen relationships with key partners and stakeholders critical to our success and maintain our commitment to shared governance.
- Practice sustainability principles in the stewardship of campus resources, recognizing our environmental responsibility to people and the planet.

ANNEX 6: UW-MADISON OFFICE OF BUSINESS ENGAGEMENT STRATEGY MAP (DECEMBER 2019)

