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# PROVING THE

Successful P3 projects transform  
a university campus.

By Mike Martindill





# POSSIBILITIES

**T**HE ICONIC UNIVERSITY OF KENTUCKY (UK) in Lexington has a long history of setting trends and being a leader in academics, athletics, and development. One great example of this is UK's use of the public-private partnerships (P3) approach to deliver projects at its campus.

Since 2011, the university has engaged in a multi-phase student housing revitalization plan, including the addition of numerous living-and-learning facilities, significantly increasing the number of beds on campus. The nearly \$500 million project is the largest on-campus housing development at a public university in the U.S. This successful effort has served as a model for university P3 housing projects, with many universities throughout the country seeking similar opportunities.





## Mixed-use and People-focused

Separately, but also important to the continued development of the UK campus, is the recent developer-led P3 project, resulting in the expansion of an existing campus parking structure into a state-of-the-art, mixed-use development. The new facility will include significant new ground-level retail space, as well as an additional 900 parking spaces. In addition, in an effort to activate the streetscape and create a true people place, the design also includes space that will be used for education, promoting innovation and encouraging collaboration for UK students as well as the community.

Things started by bringing together a qualified and experienced team to guide the process, including planning, design, and construction, as well as the development and financial details. Local architect Sherman Carter Barnhart and developer Signet Real Estate Group led the charge, retaining Wilhelm Construction as general contractor and Timothy Haahs & Associates, Inc. (TimHaahs) for parking planning, consulting, and structural engineering services.

This project includes a comprehensive public-private partnership structure, with Signet leading the way, working with Kentucky Bond Development Corporation as the bond issuer. UK will retain management and support of all parking-related activities, while Signet will handle the management and leasing of the mixed-use component. The university's preference was to completely separate the mixed-use component of the project from the parking component in a condominium ownership structure. Therefore, Signet will provide all capital and assume all risk for the tenant improvements while splitting the revenues with the university for its support of the core and shell. The goal is to establish a true public-private partnership. Once established, the idea is that the retail will generate consistent cash flow to support the development.

## The Model

The UK P3 project is structured around a lease-lease back model, in which a LLC was created to ground lease the property to Signet, which will then lease the parking deck back to the LLC. The term of the ground lease is 40 years; the term of the lease is 30 years. When the lease obligation has been fulfilled (most likely in fewer than 30 years), the parking asset reverts back to UK for full ownership.

To ensure the parking deck asset is in acceptable condition during the term of the lease, UK will work with Signet to maintain the cast-in-place, post-tensioned garage.

With an estimated useful life of 75 years, UK should have several decades of service life of the parking structure once it reverts to its full ownership. Tax-exempt bond financing is the funding source for the project, offering a very competitive and affordable annual interest rate.

## Innovative Design

One of the unique aspects of the project's design is the contribution by the developer for innovation space in the facility. As part of the overall program, Signet committed funding to build out a minimum of 5,000 square feet to serve as collaborative work-space for students and the community. The vision for this area is to create a space for entrepreneurship and innovation, allow students to incubate new businesses, and share ideas for their businesses. This space will also help activate the ground floor of the facility, inviting all students with entrepreneurial ideas and goals to participate and use the space to expand on their ideas while interacting with other like-minded students. The suites will be equipped with tools and resources to assist students in their endeavors.

Another important component of the development of this facility is the significant retail space that was designed to further activate the streetscape and enhance community. Prior to engagement, the development team assessed the specific retail needs in this section of the UK campus. They discovered, based on feedback from various groups





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that included students, faculty, and staff, that their needs for establishments such as food and beverage destinations were already being met. There was, however, still interest in a more niche-style food and beverage hangout such as a microbrewery. That said, there was a significant need and desire for more service-related retail spaces such as banking, salons, technology service providers, and event packaging and shipping. This feedback has been vital to the preliminary planning for the much-needed retail space in this facility, and a full retail market study is planned to fully evaluate the retail opportunities to best serve the market.

The new UK mixed-use facility will be an

expansion of an existing parking structure. The approximately \$26 million expansion will bring an additional 935 parking spaces to serve the growing needs of the campus and create greater connections; it will connect to the existing Parking Garage #5 with vehicular bridges that will span between the two structures at each level of the existing parking structure. To help with way-finding and reduce search time, a space-counting system will be placed at the entry point of each floor to indicate the number of available spaces in the expanded area of the parking structure. It is anticipated that many of the spaces in the new expansion will serve the tenants of recently completed student housing that was part of the P3.

The architectural design of this facility will incorporate numerous elements to complement the surrounding buildings while creating an extremely attractive and vibrant addition to the area. The expanded garage will be located in a very active area of campus, with nearby destinations including the UK Alumni Association, the University Art Museum, and the UK Visitor Center. It is also located near numerous academic buildings and colleges, as well as residential buildings. It is vital that the design enhance the architectural character of these many destinations, while accomplishing the primary goal of creating activity and serving the needs of the university students, faculty, and staff. Further, the structure will support the rapidly growing parking demand of this active area of campus.

The University of Kentucky has become a leader, and example, for unique and successful development strategies to further develop its campus spaces and create more attractive, functional, and valuable resources and spaces to serve its campus community. Public-private partnerships continue to grow in popularity on campuses throughout the country to develop campus destinations, specifically residential and parking facilities.

The University of Kentucky has already successfully managed and implemented the largest residential university P3 project in U.S. history, and no doubt this mixed-use parking facility project will also serve as a model for successful public-private partnerships in the future. Universities throughout the country can look to these projects as proof of what is possible and identify opportunities on their own campuses for growth and development now and well into the future. ♦



 **MIKE MARTINDILL** is vice president with Timothy Haahs & Associates. He can be reached at [mmartindill@timhaahs.com](mailto:mmartindill@timhaahs.com).