

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Facilities Committee

Thursday, May 8, 2008

9:45 – 11:45 a.m.

600 McNamara Alumni Center, West Committee Room

Committee Members

David Metzen, Chair
Dallas Bohnsack, Vice Chair
Anthony Baraga
Maureen Cisneros
David Larson
Patricia Simmons

Student Representatives

Jim Irrgang
Nathan Olson

A G E N D A

1. Issues Related to: President's Recommended Annual & Six-Year Capital Improvement Budgets - K. O'Brien (pp. 2-3)
2. Consent Report - Review/Action - K. O'Brien (pp. 4-7)
3. Information Items - K. O'Brien (pp. 8-15)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Facilities Committee

May 8, 2008

Agenda Item: Issues related to: President's Recommended Annual & Six-Year Capital Improvement Budgets

review review/action action discussion

Presenters: Vice President Kathleen O'Brien

Purpose:

policy background/context oversight strategic positioning

The University adopts an annual capital improvement budget which authorizes projects to begin design and construction during the upcoming fiscal year.

The Six-Year Capital Improvement Plan establishes the next capital request to be presented to the State for consideration; sets priorities and direction for continued capital and academic planning efforts; defines the boundaries of additional University debt; and identifies University financial responsibility for payment.

The purpose of the committee discussion is to provide additional detail regarding projects included in both the annual capital budget and the six year capital plan.

Outline of Key Points/Policy Issues:

The Six-Year Capital Improvement Plan includes major capital improvements planned for FY2009 to FY2014. The Plan includes projects to be funded with state capital support as well as projects to be funded by the University through a combination of University debt obligations, local unit resources/fundraising, and public/private partnerships.

The Annual Capital Budget and Six-Year Capital Improvement Plan are reflective of the following planning principles.

1. Advance the academic excellence of the University of Minnesota by aligning capital projects with the established strategic positioning goals of:
 - Recruiting and educating outstanding students
 - Recruiting and supporting innovative, energetic world-class faculty and staff
 - Being responsible stewards of resources
 - Inspiring innovation, exploration, and discovery
2. Address service unit priorities that support the academic priorities.

3. Ensure that investments in existing facilities and infrastructure contribute to the safety, renewal, preservation, and restoration objectives and are aligned with the priorities of the University's academic plan and master plan.
4. Give preference to projects that create flexible space, improve space utilization, and reduce operational costs.
5. Capitalize on unique opportunities that are aligned with academic priorities.
6. Protect the University's financial position by keeping capital expenditures within the projected debt capacity limits.
7. Advance the guiding principles of the master plan and Board of Regents Policy: *Sustainability and Energy Efficiency*.

Detailed project information sheets for projects included in the annual capital budget and a copy of the six-year capital improvement plan are included in the docket materials for the full Board of Regents.

Background Information:

Board of Regents Policy: *Board Operations and Agenda Guidelines* directs the administration to conduct capital planning with a "6-year time horizon, updated annually." This annual capital planning process is completed in two parts.

- Part 1, approved by the Board in June, is the annual Capital Improvement Budget for the coming fiscal year in which projects with completed predesigns and financing plans are approved to proceed with design and construction.
- Part 2 is a Capital Improvement Plan that establishes the institutions' capital priorities for an additional 5 years into the future. This plan will become the basis for continued capital and financial planning.

This item will be also be reviewed by the full Board and the Finance & Operations Committee.

President's Recommendation for Action:

The President recommends approval of the 2009 University Capital Improvement Budget and reaffirmation of its prior year capital expenditure authorization.

The President recommends approval of the University Six-Year Capital Improvement Plan 2009–2014.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Facilities Committee

May 8, 2008

Agenda Item: Consent Report

review review/action action discussion

Presenters: Vice President Kathleen O'Brien

Purpose:

policy background/context oversight strategic positioning

In accordance with Board of Regents Policy: *Reservation and Delegation of Authority*, review and recommend approval of the following real estate transactions:

A. Purchase of 516 Ontario Street SE, Minneapolis (Twin Cities Campus)

Outline of Key Points/Policy Issues:

The details of this transaction and its financial impact are described in the transaction information pages immediately following this page.

Background Information:

Board of Regents Policy: *Reservation and Delegation of Authority* states that "The Board of Regents reserves to itself authority to approve the purchase or sale of real property having a value greater than \$250,000 or larger than ten (10) acres, and all leases, easements, and other interests in real property with a present value of the gross rent to be paid by or to the University during the initial term in excess of \$250,000, consistent with Board policies."

In accordance with the *Board of Regents Calendar*, which is included in the Board of Regents Policy: *Board Operations and Agenda Guidelines*, the "sale or purchase of real property between 10 and 40 acres, or with a value between \$250,000 and \$500,000" and "leases with a present value between \$250,000 and \$500,000" are presented for review/action as part of the Facilities Committee Consent Report.

President's Recommendation for Action:

The President recommends approval of the Consent Report.

PURCHASE OF 516 ONTARIO STREET SE, MINNEAPOLIS (TWIN CITIES CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the purchase of 516 Ontario Street SE, Minneapolis, from Blake Bonjean.

2. Location and Description of the Property

The property is located in the block south of the University's Oak Street Parking Ramp, and consists of 0.114 acre improved with a two-story residence constructed in 1911.

The legal description of the property is:

South One-Half of Lot 5, Block 11, Baker's Addition to St. Anthony, Hennepin County, Minnesota.

3. Basis for Request

The acquisition of this property provides an opportunity to serve a number of potential University needs in conjunction with future expansion of the Twin Cities-Minneapolis Campus. The subject property could be used in the short term for surface parking and/or a staging area for a construction project in the area.

The property is leased through August 31, 2008. The current building on the subject property has reached the end of its useful life. The University will demolish the building after its purchase of the property and the relocation of existing occupants.

4. Details of Transaction

The University would pay \$285,000 in cash for the property. Closing would occur on or before June 30, 2008. The seller is Blake Bonjean.

5. Use of the Property

No specific long-term use of the property has been determined. The University's Minneapolis-East Bank Campus is landlocked and additional land needed for expansion is very difficult and costly to acquire. Planning is now in process for the Ambulatory Care Center on the block to the east.

This purchase is viewed as an opportunity purchase, providing land for University needs as they arise in the future. In the short term, the property could be used for surface parking and/or a staging area for a construction project in the area.

6. Environmental

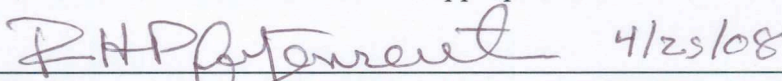
The University will be contracting for a Phase I environmental assessment, to be completed prior to closing, to confirm the property is in acceptable environmental condition.

7. Source of Funding

The purchase of the property will be funded with University debt.

8. Recommendations

The above-described real estate transaction is appropriate:

 4/25/08
Richard H. Pfitzenreuter III, Vice President for Finance and CFO

 4/25/08
E. Thomas Sullivan, Senior Vice President for Academic Affairs and Provost

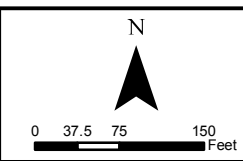
 4/25/08
Kathleen O'Brien, Vice President for University Services



Board of Regents
University of Minnesota

Purchase of 516 Ontario St SE
Minneapolis

- To Be Purchased
- University Property



This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Base Data: Real Estate Office
 MetroGIS, MNDNR, MNDOT



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Facilities Committee

May 8, 2008

Agenda Item: Information Items

review review/action action discussion

Presenters: Vice President Kathleen O'Brien

Purpose:

policy background/context oversight strategic positioning

To update the Board of Regents on the following items:

1. The granting of a permanent easement and a temporary construction easement to the Minnesota Pipeline Company for the construction of the MinnCan pipeline across Section 13 at the southeast corner of the University's property at UMore Park in Dakota County.
2. Emergency Approval of a forty month lease for use of 5,796 square feet at Baker Technology Plaza, 6121 Baker Road, Minnetonka, Minnesota.

Outline of Key Points/Policy Issues:

1. Easements for Minnesota Pipeline Company

The University granted a permanent easement and a temporary construction easement to the Minnesota Pipeline Company for the construction of the MinnCan pipeline across Section 13 at the southeast corner of the University's property at UMore Park in Dakota County on March 14, 2008. The University received a total consideration of \$150,000 for these easements. Pursuant to the policy for the sale of surplus real estate, or the sale of an interest in real estate such as a permanent easement, the net proceeds from the easement consideration are to be used for future purchases of real estate or other capital assets consistent with the University's strategic positioning initiative. That policy provides that the President may decide to use proceeds from the sale of real estate or an interest in real estate for other purposes, and report such uses to the Board of Regents.

Since the land encumbered by the easement is part of the 2,822.5 acres at UMore Park subject to joint management by the University and the State of Minnesota, Department of Natural Resources (DNR) pursuant to the football stadium legislation, the President has decided that the net proceeds from the easement for the MinnCan pipeline at UMore Park will be used for facility and program costs related to the 2,822.5 acres, as requested by the DNR.

2. Emergency Action on a forty month lease for use of 5,796 square feet at Baker Technology Plaza

On April 25, 2008, the Board Chair, Vice Chair, and Facilities Committee Chair approved an emergency action for a forty month lease for use of 5,795 square feet at Baker Technology Plaza, pursuant to Board of Regents' Board Operations and Agenda Guidelines. This lease is for the Academic Health Center's Department of Radiology – Center for Interdisciplinary Applications in Magnetic Resonance, which was displaced from the Tandem Accelerator Building as a result of the 35W Bridge collapse. Supporting documentation regarding this emergency action is included in this docket.

Background Information:


Information items are intended to provide the Board of Regents with information needed for them to perform their oversight responsibilities.

**UNIVERSITY OF MINNESOTA
Office of the Board of Regents**

600 McNamara Alumni Center
200 Oak Street S.E.
Minneapolis, MN 55455-2020
612-625-6300 (phone)
612-624-3318 (fax)

April 25, 2008

FACSIMILE

To: President Robert Bruininks
From: Ann Cieslak, Executive Director 
Re: *Emergency Approval*
Pages: 3 (including cover)

By telephone today and on April 24, 2008, Chair Simmons, Vice Chair Allen, and Facilities Committee Chair Metzen each approved the request from you for approval of the following real estate transaction (as described in the attached letter).

- Forty-Month Lease for Use of 5,796 Square Feet at Baker Technology Plaza, 6121 Baker Road, Minnetonka (Twin Cities Campus)

I understand that this action will be reported to the Board of Regents at the May 2008 meetings, as required by Board Policy.

c: Kathryn Brown, Vice President (w/o attachments)
Kathleen O'Brien, Vice President (w/o attachments)

April 23, 2008

The Honorable Patricia Simmons
The Honorable Clyde Allen
The Honorable David Metzen

Dear Members of the Board:

The Board of Regents' Board Operations and Agenda Guidelines allow for an emergency procedure if an emergency situation exists as defined in the Guidelines. Specifically, in Section II, Subd. 10, the policy reads as follows:

Upon the recommendation of the president, the Board chair, vice chair, and the respective committee chair may act on behalf of the Board when delay for Board approval poses a significant health, safety, or financial risk to the University. Any such emergency approvals will be brought to the next meeting of the Board, consistent with Board policy.

I am recommending use of this emergency process for Board approval of the following item, to prevent delay that could pose a financial risk to the institution:

Consent Agenda - Real Estate Transaction – Action:

- A. Forty-Month Lease for Use of 5,796 Square Feet at Baker Technology Plaza, 6121 Baker Road, Minnetonka (Twin Cities Campus)

Upon Board approval of this lease transaction, the University will be able to execute the above-described lease for occupancy by the Academic Health Center's Department of Radiology-Center for Interdisciplinary Applications in Magnetic Resonance (CIA-MR). Upon execution of the lease, the landlord will commence the construction in the leased premises necessary for occupancy by the University.

The CIA-MR was required to discontinue its operations in the Tandem Accelerator Laboratory Building as a result of the I-35W Bridge collapse. The CIA-MR's operations include the use of a unique 17 Tesla/50-MM bore magnet, a 5T magnet and a 1.5 magnet, which made the location of leased space for this unit quite challenging. The negotiations on the lease agreement were completed late Friday, April 18, 2008.

Emergency Approval
April 23, 2008
Page 2

Thank you for your attention to this request. Additional information regarding this item is enclosed.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert H. Bruininks". The signature is written in a cursive style with a large, prominent initial "R".

Robert H. Bruininks
President

Enclosures (2)

cc: Ann Cieslak, Executive Director, Board of Regents
Richard H. Pfitzenreuter, III, Vice President and CFO
Kathleen O'Brien, Vice President for University Services
Frank Cerra, Senior Vice President for Health Sciences

**FORTY-MONTH LEASE FOR USE OF 5,796 SQUARE FEET
AT BAKER TECHNOLOGY PLAZA,
6121 BAKER ROAD, MINNETONKA
(TWIN CITIES CAMPUS)**

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute a forty-month lease for Suite 103, 6121 Baker Road, Minnetonka, for the Academic Health Center's Department of Radiology and the Center for Interdisciplinary Applications in Magnetic Resonance (CIA-MR).

2. Description of Leased Premises

The leased premises will consist of 5,796 square feet of lab/research space described as Suite 103, 6121 Baker Road, Minnetonka.

3. Basis for Request

The lease will provide for lab/research space for the AHC's Department of Radiology/CIA-MR, which utilizes in its operations a unique 17 Tesla/50MM bore magnet for magnetic levitation of biological and material systems, as well as a 5T magnet and a 1.5 magnet. This leased space will replace the space the CIA-MR occupied in the Tandem Accelerator Laboratory Building that had to be vacated as a result of the I-35W bridge collapse.

4. Details of Transaction

The subject lease will continue for a period of forty months, June 1, 2008, through September 30, 2011, subject to completion of leasehold improvements in the leased premises by landlord. The owner of the property is Utah State Investment Funds.

5. Lease Costs

The lease provides four months of free rent. Commencing with the fifth month, base rent will be \$8.40 per square foot, or \$4,057.20 per month, plus operating costs, which are estimated at \$4.66 per square foot for 2008. Base rent will increase in year three to \$8.61 per square foot, or \$4,158.63 per month. In addition, the University will pay for utilities, custodial services and supplies and trash removal estimated at \$23,000 per year.

The University will contribute \$130,000 to the leasehold improvement project to be completed by the landlord to prepare the leased premises for the University's occupancy. The project involves the demolition of number walls to open up the area for the installation of the magnets, making the floors vibration free and able

to support a live load of up to 4,000 lbs., additional electrical grounding for the equipment, venting to the outside for each magnet, installation of counters and exhausting for bench-top soldering, and a Radio Frequency control room for equipment which drives the MRI system, the instrument cryogenic compressors and gradient heat exchangers, with cooling and an independent floor mounted air handler.

The additional University one-time costs related to this lease include \$18,000 to contract with RSP Architects to represent the University's interest as tenant during the construction project and move-in activities, \$135,000 to re-energize the magnets, \$10,000 for furniture and equipment purchase and set-up, including security system, and \$21,766.41 for space planning and pre-design.


Additionally, the University has incurred a cost of \$50,000 for relocation and temporary storage of the CIA-MR's magnets.

6. **Source of Funds**


To pay for the on-going lease costs, the leasehold improvement project and the other one-time costs in conjunction with the subject lease, the University will use relocation assistance payments received from the State of Minnesota, Department of Transportation (MnDOT) related to the I-35W Bridge collapse, payments received for the use of University land for demolition of the remaining bridge and construction of the new I35W Bridge; and other payments received by the University related to the I-35W Bridge collapse. In the event the cost of the subject lease exceeds these payments received by the University, the Medical School will provide any additional funds related to this lease.

7. **Recommendations:**

The above-described real estate transaction is appropriate:

 4/22/08

Richard H. Pfulzenreuter, III, Vice President and CFO

 4/22/08

Frank Cerra, Senior Vice President for Health Sciences


 4/23/08

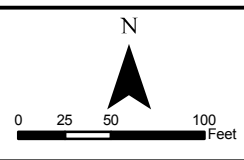
Kathleen O'Brien, Vice President for University Services



Real Estate Inventory
University of Minnesota

Lease of Suite 103,
6121 Baker Road, Minnetonka

 Proposed Lease



This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.
Base Data: Real Estate Office
MetroGIS, MNDNR, MNDOT