

# Ambulatory Care Center

## Facilities & Operations Committee

Aaron Friedman, Bobbi Daniels, Richard Pfutzenreuter  
December 12, 2013



# Clinical Care is Critical to Academic Health

- Patient care
- Education and training of health sciences students and residents
- Clinical research and translation into practice
- Recruitment and retention of top faculty, staff, and students
- Financial support of the academic mission of Medical School and health sciences



# Building on Earlier Agreements

- January 1997 Original affiliation envisioned a new ambulatory care clinic
- May 2012 Letter of Intent for new Integrated Care Structure  
Letter of Intent for new Ambulatory Care Center
- May 2013 Agreements on new Integrated Care Structure
- December 2013 Agreements on new Ambulatory Care Center



# Current Ambulatory Facilities Need to be Replaced

- Clinic facilities in Phillips Wangenstein are 40 years old:
  - Worn out: significant investments needed to remodel and replace basic infrastructure
  - Do not support today's models of care and are well below market standards
  - Crowded, over capacity, inefficient
  - No room to expand services or increase patient volumes
  - Not patient and family friendly
  - Located in middle of campus: difficult for patients to access and find
  - Do not have adequate space for clinical training of students and residents
  - Do not have adequate facilities to support clinical research



# The New Ambulatory Care Center

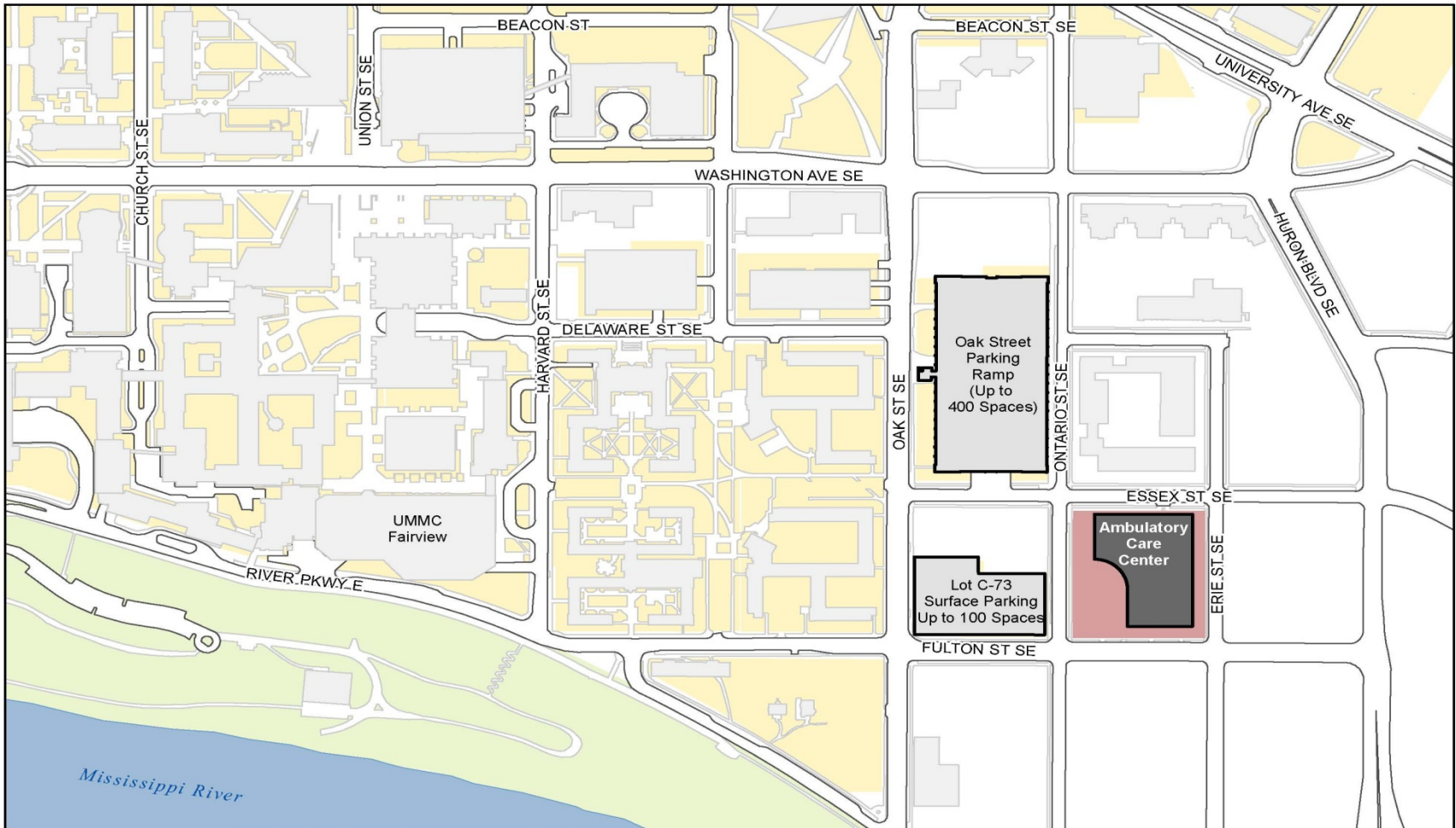
- Consolidates most adult ambulatory care services
- 330,600 gross square foot facility located at Essex/Ontario/Fulton/Erie
- Design Principles:
  - Patient and family-centered care
  - Clinical, education, and research excellence
  - Integration of patient care, education, and research
  - Collaborative environment
  - Flexibility
- Built and owned by the University
- Architect: Cannon Design, experience with top ranked academic health centers
- Facility programmed and designed collaboratively by the University, University of Minnesota Physicians, and Fairview



# Ambulatory Care Center Management

- ACC will house both UMP and Fairview clinics
- UMP and Fairview have agreed to form Newco, a new non-profit corporation
- Newco will own UMP's and UM Medical Center's freestanding clinics
- Fairview will retain ownership of its hospital-based clinics
- UMP will continue to manage both the Newco and Fairview Clinics, as it does currently
- Composition of the Newco Board will be identical to the Integrated Structure Board as long as the Integrated Structure is in place





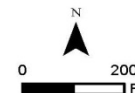
Real Estate Office



University of Minnesota

### Lease Agreements, Guaranties and Master Agreement for Ambulatory Care Center Twin Cities Campus

- Block 12 - ACC Site
- Other University Property
- Park



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  
MNDNR, MNDOT

11/26/2013

# Ambulatory Care Center Leases & Financing

- Built and owned by the University
- Construction to begin by December 31, 2013
- ACC to open by January 2016
- Leased to Fairview and Newco (joint Fairview and UMP created non-profit corporation)
- 30 year leases with options to extend term up to three times (6 yrs, 5 yrs, 5 yrs)
- Base rent to cover University's financing costs(including capitalized interest)
- Additional rent to cover taxes(if any), assessments, utilities, and other building operating costs
- Guarantees by Fairview and University of Minnesota Physicians
- Separate agreement on parking: 400 spaces in Oak Street Parking Ramp plus 100 spaces in adjoining lot to be constructed





# Ambulatory Care Center Costs & Financing

Projected Costs	
Construction	\$160,500,000
Personal Property	\$ 5,000,000
Medical Equipment	\$ 41,000,000
<b>Grand Total</b>	<b>\$206,500,000</b>

Financing Strategy	
Grand Total	\$206,500,000
Less:	
Medical Equipment	\$ 41,000,000
Personal Property	\$ 5,000,000
Mason Gift	\$ 10,000,000
<b>Net:</b>	<b>\$150,500,000</b>
Plus:	
Capitalized Interest	\$ 12,200,000
<b>Total Long Term Debt</b>	<b>\$162,700,000</b>

Guarantee	
LT Debt	\$162,700,000
Fairview(Hospital Based):	29.0%
Fairview(Newco Share):	35.5%
UMP(Newco Share):	35.5%

Summary Guarantee	
<b>Fairview:</b>	<b>64.5% = \$104,900,000</b>
<b>UMP:</b>	<b>35.5% = \$ 57,800,000</b>

Summary "Base Rent" Assuming Annual @ \$10,100,000	
<b>Fairview:</b>	<b>64.5% = \$6,514,500</b>
<b>UMP:</b>	<b>35.5% = \$3,585,500</b>

Each of Fairview and UMP unconditionally, absolutely, and irrevocably agrees that upon demand by the University it will promptly pay the debt if for any reason the University has not received the "Base Rent" due under the relevant lease.



# Board of Regents Action

- Facilities and Operations Committee
  - Authorization to execute leases for the ACC with Fairview and Newco
  - Authorization to execute a parking facility agreement
  - Approval of Schematic Plans for the ACC
- Finance Committee
  - Authorization to execute ACC Master Agreement, establishing framework for management and operation of the ACC
  - Authorization to execute two corporate guarantees from Fairview and UMP. Required for issuance of University debt to finance the construction of the ACC





**REGENTS OF THE UNIVERSITY OF MINNESOTA**

**RESOLUTION RELATED TO**

**LEASE AGREEMENTS, GUARANTIES, AND MASTER AGREEMENT FOR THE  
AMBULATORY CARE CENTER**

**NOW, THEREFORE, BE IT RESOLVED** that the President is hereby authorized to execute and deliver each of the Lease Agreements, each of the Guaranties, and the Master Agreement, and the President and all other appropriate University officers are authorized to take such further action as may be necessary or appropriate to carry out their intended purpose, subject to the obtaining of all additional approvals required under the Board Policy: Reservation and Delegation of Authority.



# Ambulatory Care Center

## Finance Committee

## Facilities & Operations Committee

Aaron Friedman, Bobbi Daniels, Richard Pfutzenreuter  
December 12, 2013



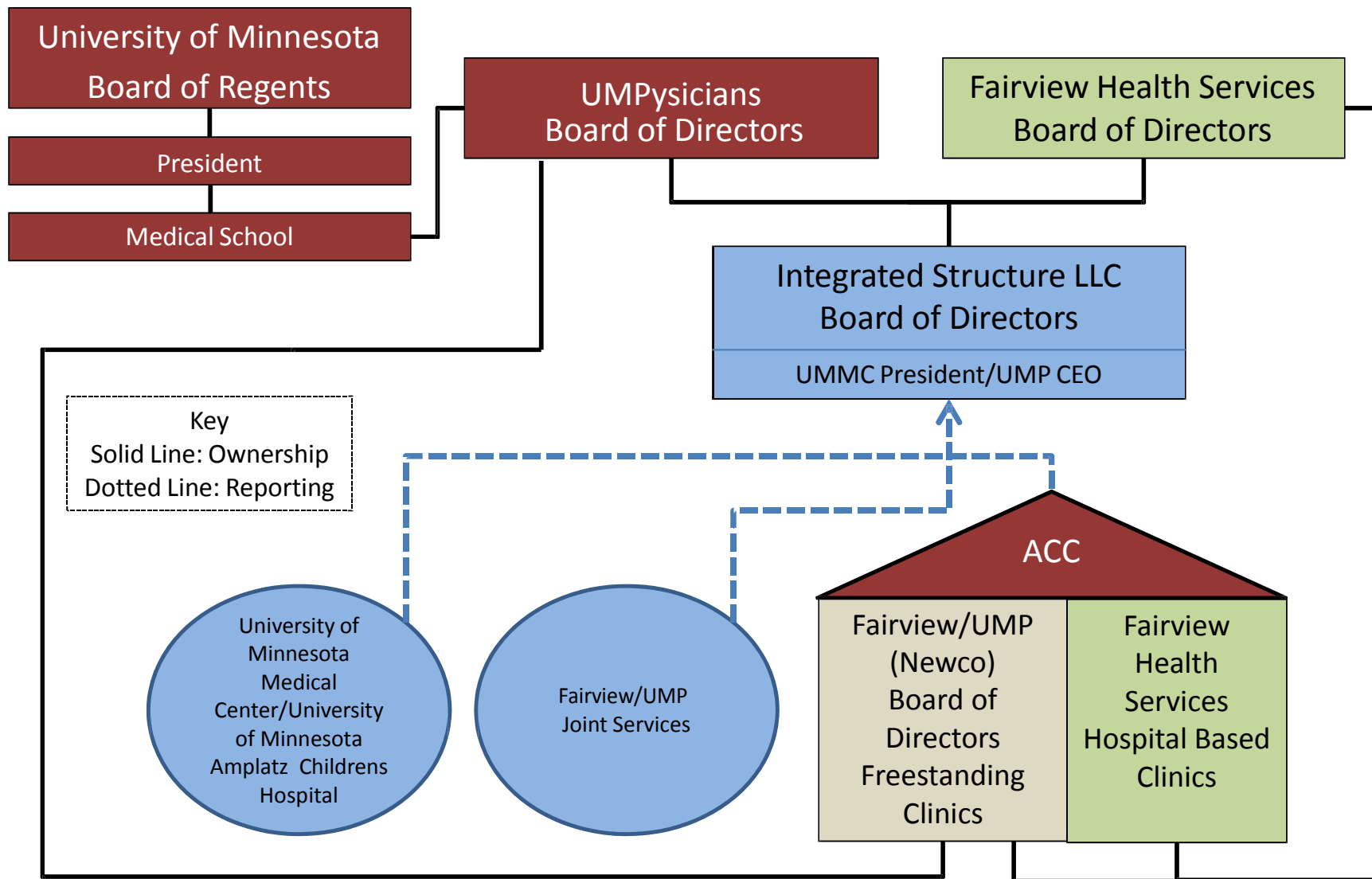
UNIVERSITY OF MINNESOTA

Driven to Discover<sup>SM</sup>

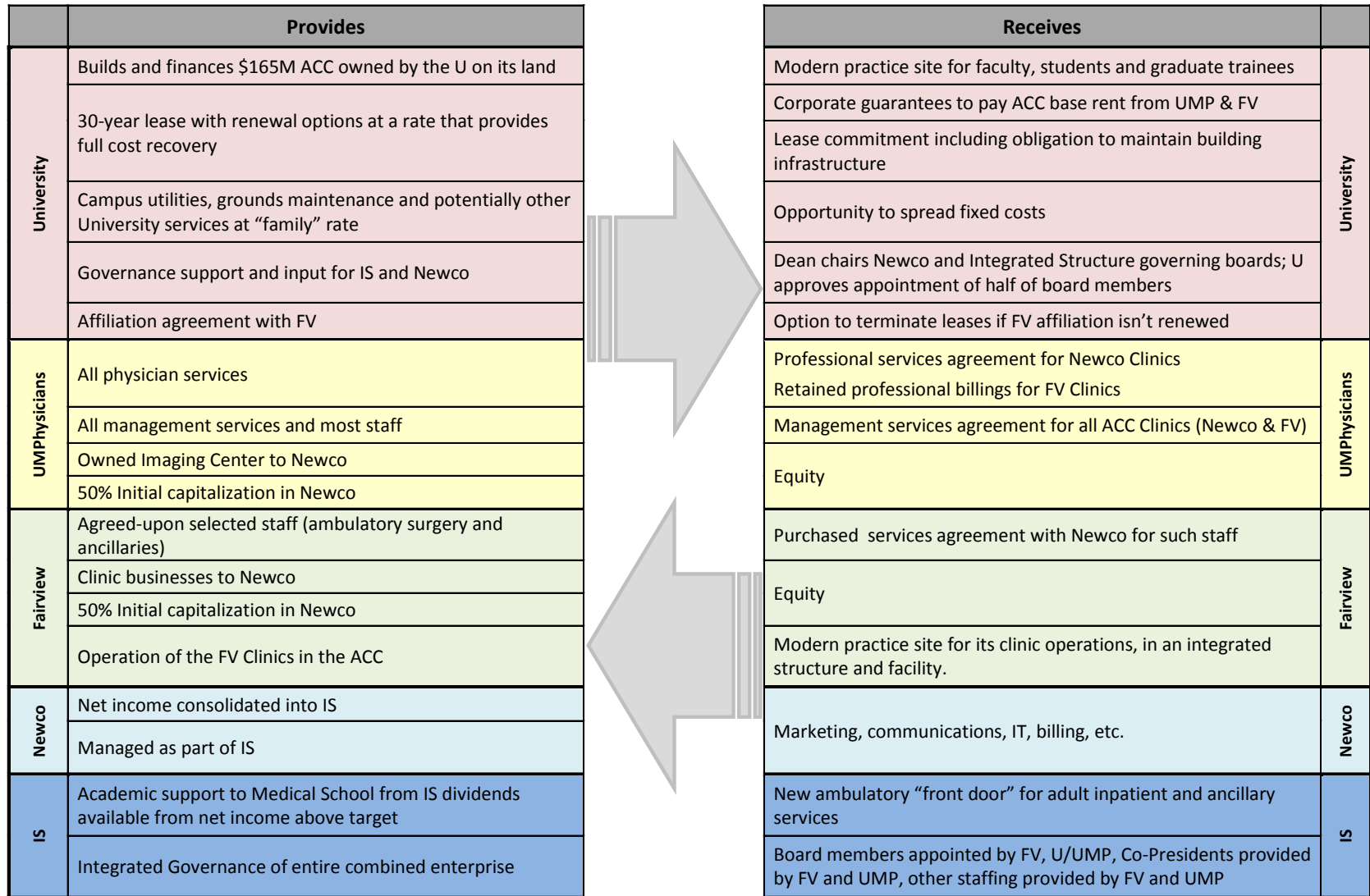
# Backup Slides



# University of Minnesota, UMPsicians & Fairview Health Services Integrated Structure(IS) & Ambulatory Care Center(ACC)



# Ambulatory Care Center Benefit Flows



GP:3528512 v2  
10/30/13

