AGENDA

1. Real Estate Transactions - Action - K. O’Brien/S. Weinberg (pp. 3-7)
   A. Purchase of 724 First Avenue SW, Rochester (UMR)

   A. St. Anthony Falls Laboratory Remodel (UMTC)

3. Capital Budget Amendments - Review/Action - K. O’Brien (pp. 16-31)
   A. Higher Education Asset Preservation & Replacement (System-wide)
   B. Physics & Nanotechnology Building (UMTC)
   C. Central Corridor Laboratory Mitigations (UMTC)
   D. Center for Magnetic Resonance Research 3.0 T Magnetic Resonance Imaging (UMTC)

4. Capital Budget Amendment - Review - K. O’Brien/A. Friedman (pp. 32-38)
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5. Issues Related to: 2012 State Capital Budget Request - K. O’Brien (pp. 39-40)

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Facilities Committee September 8, 2011

Agenda Item: Real Estate Transaction

☐ review   ☐ review/action   ☑ action   ☐ discussion

Presenters: Vice President Kathleen O’Brien
Susan Carlson Weinberg, Director of Real Estate

Purpose:

☐ policy   ☐ background/context   ☑ oversight   ☐ strategic positioning

In accordance with the Board of Regents Policy: Reservation and Delegation of Authority, review the following real estate transaction:

A. Purchase of 724 First Avenue SW, Rochester (Rochester 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:

The 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 of real property, easements and other interests in real property if the initial term amount to be paid by or to the University exceeds $250,000, consistent with Board policies.”

President's Recommendation for Action:

The President recommends approval of the following real estate transactions:

A. Purchase of 724 First Avenue SW, Rochester (Rochester Campus)
PURCHASE OF 724 FIRST AVENUE SW, ROCHESTER
(ROCHESTER CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute the appropriate documents providing for the purchase of the property at 724 First Avenue SW, Rochester.

2. Location and Description of the Property

The subject property is located in close proximity to and southwest of 617 and 701 Broadway Avenue South, Rochester, purchased previously by the University and across the street from the Rochester Area Family YMCA.

The property consists of .21 acre improved with a multi-tenant office building constructed in 1966 containing 7,000 gross square feet and 15 surface parking stalls.

The legal description of the property:

Lot 13, Part of Lot 14, and West ½ of adjacent vacated alleyway, Wilson’s Addition, City of Rochester, Olmsted County, Minnesota.

3. Basis for Request

The subject property is desired for future development for the Rochester Campus. The property would be operated as a multi-tenant office building until September 30, 2012, when all current office space leases expire. The building, which has reached the end of its useful life, would then be demolished.

4. Details of Transaction

The owner of the property is the Rochester Area Family YMCA. The purchase price is $400,000, to be paid in cash at the closing, which would occur on or before October 1, 2011.

5. Use of Property

The property would be operated as a multi-tenant office building until September 30, 2012, when all current office space leases would expire, and then the building would be demolished.
6. **Environmental**

The University has completed a Phase I environmental site assessment and a building hazardous materials and asbestos study which 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:

________________________________________________________________________
Richard H. Pfunzenreuter III, Vice President for Finance and CFO

________________________________________________________________________
Stephen Lehmkuhle, Chancellor, Rochester Campus

________________________________________________________________________
Kathleen O’Brien, Vice President for University Services
This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.

Sources: Real Estate Office, MnDNR, MnDOT

Real Estate Office
University of Minnesota

Purchase of 724 1st Ave SW
Rochester

Property to be purchased
University-owned property
University-leased property
Rochester Downtown Master Plan Research and Education District

6th St SW
5th St SW
4th St SW
2nd St SW
1st Ave SW
4th Ave SW
2nd Ave SW
3rd Ave SW
5th St SW
6th St SW

University Square
102 Broadway Ave S
320 1st Ave SW
Stabile Building
617 Broadway Ave S
701 Broadway Ave S
724 1st Ave S

University-owned property
University-leased property

Rochester Downtown Master Plan Research and Education District
6. **Environmental**

The University has completed a Phase I environmental site assessment and a building hazardous materials and asbestos study which 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:

- Richard H. Pfutzenreuter III, Vice President for Finance and CFO

- Stephen Lehmkuhl, Chancellor, Rochester Campus

- Kathleen O’Brien, Vice President for University Services
Facilities Committee

September 8, 2011

Agenda Item: Schematic Plans

☐ review  ☒ review/action  ☐ action  ☐ discussion

Presenters:  Vice President Kathleen O’Brien
Associate Vice President Michael Perkins
Associate Dean Mostafa Kaveh
Fotis Sotiropoulos, Director

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

In accordance with Board of Regents Policy: Reservation and Delegation of Authority, and consistent with current practice for reviewing the design of major capital projects, review of the schematic plans for the following project:

A. Saint Anthony Falls Lab Infrastructure Upgrade, Minneapolis - Twin Cities Campus

Outline of Key Points/Policy Issues:

The project schematic plans will be presented at the Facilities Committee meeting. The attached data sheet addresses the basis for request, cost estimate, funding and schedule. A map locating the project is also attached.

Saint Anthony Falls Lab (SAFL) Infrastructure Upgrade - Twin Cities Campus
Located in the heart of the St. Anthony Falls Historic District and perched on the limestone bluff of Hennepin Island surrounded by the Mississippi River, the St Anthony Falls Laboratory (SAFL) is a world renowned research facility built in 1938. SAFL is a world-class interdisciplinary fluid mechanics research facility conducting societally relevant research on energy, the Earth-surface environment, and human health. SAFL was recently designated a major national research facility for marine and hydrokinetic energy research by the Department of Energy.
SAFL has been added to but never renovated. This project received federal and state funding in order to address critical building infrastructure issues and prepare the building to address 21st century research questions. The renovation project will help transform the laboratory into a national shared research facility conducting cutting edge research in the energy/environment nexus, expand its role as major hub for industry/academia collaborations, and strengthen and broaden its educational and outreach missions.

**Background Information:**

The project was included in the FY2012 Capital Budget, which was acted upon at the June 2011 Board meeting.

**President's Recommendation for Action:**

The President recommends approval of Schematic Design plans for the Saint Anthony Falls Lab Infrastructure Upgrade project.
1. Basis for Request:

Since its 1938 completion on the Mississippi River’s Hennepin Island, St. Anthony Falls Laboratory (SAFL) has evolved from a traditional “hydraulic laboratory” to a world-class interdisciplinary fluid mechanics research facility conducting societally relevant research on energy, the Earth-surface environment, and human health. Major research thrusts include restoration and sustainable development of aquatic ecosystems, development and optimization of renewable energy technologies, including wind, hydro and biofuels, and development of computer simulation tools for patient-specific optimization of medical devices.

SAFL is world-renowned for its unique facilities, including an atmospheric boundary layer wind tunnel, flumes, water tunnels, stratigraphic basins, and ecological laboratories. SAFL operates field-scale facilities: the Department of Energy (DOE) funded 2.5 MW Wind Energy Research Station at UMORE Park, algal bioreactors, and the Outdoor Stream Lab. It hosts major national-scale research initiatives: 1) the National Center for Earth-surface Dynamics (NCED), a National Science Foundation (NSF) Science and Technology Center (STC), the only STC led by the University of Minnesota; and 2) the Eolos Wind Energy Research consortium, (one of three such national consortia awarded by DOE in 2010). SAFL has been recently designated a major national research facility for marine and hydrokinetic energy research by DOE.

SAFL is a key educational and outreach resource for the University. Approximately 40-50 graduate students conduct their research at SAFL. Each summer the laboratory hosts over 20 undergraduate interns, SAFL has a nine-year track record via NCED of increasing the diversity of our scientific community, through our partnerships with the Fond du Lac Tribal and Community College, the North Star STEM Alliance, and other nationwide recruiting efforts. Broader educational efforts include: SAFL’s Stream Restoration certificate program; the laboratory’s founding role in a new professional organization, the Partnership for River Restoration in the Upper Midwest; and its partnership with a national leader in informal science education institution, the Science Museum of Minnesota, to design exhibitions for national and international audiences.

In 2011, in recognition of its broadening research scope and contributions to the University's mission, SAFL was administratively transferred from the Department of Civil Engineering to the College of Science and Engineering.

SAFL has been added to but never renovated. This project received federal and state funding in order (1) to address critical building infrastructure issues and (2) prepare the building to address 21st century research questions. The main elements of research and training that will be enabled by this funding are: (1) to complete the transition of SAFL to a modern, interdisciplinary laboratory in energy and environmental science and engineering; (2) to adapt existing facilities and expertise in turbulence and the atmospheric boundary layers to wind-power optimization; (3) to optimize methods for sustainable hydrokinetic and hydro power; (4) to adapt existing facilities and expertise in fluid-biota interaction to biofuels research focusing on optimization of algal bioreactors under variable environmental conditions; (5) to enhance our indoor and outdoor laboratory capabilities in environmental
restoration and management, including streams, rivers and deltas; and (6) to allow researchers, practitioners, and a broad spectrum of students and teachers and other learners to experience and participate in SAFL through cyber collaboration, visualization, and virtual experiments.

In summary, the renovation project will help transform the laboratory into a national shared research facility conducting cutting edge research in the energy/environment nexus, expand its role as major hub for industry/academia collaborations, and strengthen and broaden its educational and outreach missions.

2. **Scope of Project:**

The laboratory is located in the heart of the St. Anthony Falls (SAF) Historic District and is perched on the limestone bluff of the Hennepin Island surrounded by the Mississippi River. SAFL is considered a contributing element to the SAF Historic District therefore with NSF approval, a Programmatic Agreement Document (PAD) between the University, NSF, National Park Service, Minnesota State Historic Preservation Office (SHPO), Minneapolis-Heritage Preservation Commission (HPC) and the Minneapolis Riverfront Corporation has been established to review the historical site impact of the infrastructure renovation project. NSF completed a Finding of No Significant Impact (FONSI) as part of their Environmental Assessment before granting SAFL/UMN the ARI R² award.

SAFL is an active 60,000 gross square foot / 49,000 usable square foot research laboratory of the University, which houses approximately 100 employees including University faculty, staff, students and visitors. The proposed select renovation includes but is not limited to:
- Provide fire / life safety improvements such as: a new fire alarm system and sprinkler system.
- Address Building Code / ADA regulations such as: doors, bathrooms, vertical floor access, and a new elevator,
- Evaluate / upgrade building structural systems to support current and future building use.
- Provide new collaboration meeting spaces
- Update / replaced select building infrastructure systems,
- Re-purpose the main reception/administrative function area,
- Update existing research areas for new science requirements/needs,
- Provide new methods for material handling at select research areas,
- Reconfigure the fabrication shop layout and provide an updated waste disposal system,
- Provide a new chemical laboratory,

3. **Master Plan or Precinct/District Plan:**

SAFL ARI2 project will comply and advance the Twin Cities Campus Master Plan 2009 foundation principles as follows:

1. **Guiding Principle Two – Strengthen Community Connections**: Project will strengthen connections to adjacent communities by supporting shared interests through ongoing project design public dialog.

2. **Guiding Principle Five - Steward Historic buildings and Landscapes**: Project will preserve and optimize this National Register historic property through creative adaptive use rehabilitation. Project design will carefully consider historic impacts to
building and site, following all appropriate historic preservation best practices and guidelines.

3. Guiding Principle Seven – Preserve & Enhance Natural Features and Systems; Project will support the intent of the Critical Area Act and MNRRA guidelines through appropriate physical and research design.

4. Guiding Principle Nine – Optimize use of land & facilities; Project design will ensure building and site are flexible and adaptable to meet academic needs by following all appropriate best practices and space guidelines.

5. Guiding Principle Ten – Develop a sustainable campus; Project design is intended to be environmentally and operationally sustainable and responsive to unique site-specific riverfront environmental conditions.

6. Guiding Principle Eleven – Utilize the campus as a living laboratory; Project will promote the use of campus lands and open spaces as research, teaching and demonstration lab for outreach and scientific endeavors.

4. Environmental Issues:

St. Anthony Falls Laboratory has known asbestos and lead materials, based on previously conducted hazardous materials surveys. Those materials that will be impacted during the Renovation Project will be removed and disposed of by certified individuals and firms. The University's Facility Management - Hazardous Material Program will be involved in the preparation of abatement documents and will monitor the removal and disposal of the hazardous materials during the project. Removal costs for the hazardous materials on the project have been estimated at approximately $190,000 and are included in the project budget. This project will not be able to remove all the asbestos and lead materials from the building and will only remove those areas impacted by the limited scope of the work.

5. Cost Estimate:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost</td>
<td>$11,800,000</td>
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<tr>
<td>Non Construction Cost</td>
<td>4,000,000</td>
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<tr>
<td>Total Project Cost</td>
<td>$15,800,000</td>
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</table>

The construction cost per gross square foot is $197 and the total project cost per gross square foot is $263.

6. Capital Funding:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>National Science Fdn ARI-R2 Grant</td>
<td>$7,100,000</td>
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<tr>
<td>University HEAPR</td>
<td>$8,700,000</td>
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<tr>
<td>Project total</td>
<td>$15,800,000</td>
</tr>
</tbody>
</table>

7. Capital Budget Approvals:

The project was approved by the Board of Regents in their June 2011 meeting regarding the FY 2012 Annual Capital Budget.
8. **Annual Operating and Maintenance Cost and Source of Revenue:**

The total cost to run SAFL in FY10: **$381,422.** After the project is complete in September of 2013 the first year of operating costs is estimated to be **$450,000.** Increased operating costs are the result of infrastructure expansion such as: a complete HVAC system, a new elevator, and expanded program equipment.

9. **Time Schedule:**

- Establish Construction Guaranteed Maximum Price: October 2011
- Complete Design: December 2011
- Begin construction: March 2012
- Complete construction: September 2013

10. **Architect (and/or Engineer, Design / Builder, Construction Manager):**

Architect: Perkins + Will

Construction manager at risk: McGough Construction

11. **Recommendation:**

The above described project scope of work, cost, funding, and schedule is appropriate:

__________________________________________________________
Richard Pfutzenreuter, Vice President and Chief Financial Officer

__________________________________________________________
E. Thomas Sullivan, Senior Vice President and Provost

__________________________________________________________
Kathleen O’Brien, Vice President for University Services
St. Anthony Falls Laboratory - Map
8. Annual Operating and Maintenance Cost and Source of Revenue:

The total cost to run SAFL in FY10: $381,422. After the project is complete in September of 2013 the first year of operating costs is estimated to be $450,000. Increased operating costs are the result of infrastructure costs such as: a complete HVAC system, a new elevator, and expanded program equipment.

9. Time Schedule:

<table>
<thead>
<tr>
<th>Task</th>
<th>Date</th>
</tr>
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<tbody>
<tr>
<td>Establish Construction Guaranteed Maximum Price</td>
<td>October 2011</td>
</tr>
<tr>
<td>Complete Design</td>
<td>December 2011</td>
</tr>
<tr>
<td>Begin construction</td>
<td>March 2012</td>
</tr>
<tr>
<td>Complete construction</td>
<td>September 2013</td>
</tr>
</tbody>
</table>

10. Architect (and/or Engineer, Design / Builder, Construction Manager):

- **Architect**: Perkins + Will
- **Construction manager at risk**: McGough Construction

11. Recommendation:

The above described project scope of work, cost, funding, and schedule is appropriate:

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Richard Pfutzenreuter, Vice President and Chief Financial Officer

E. Thomas Sullivan, Senior Vice President and Provost

Kathleen O'Brien, Vice President for University Services
Facilities Committee

Agenda Item: Capital Budget Amendments

☐ review  ☑ review/action  ☐ action  ☐ discussion

Presenters: Vice President Kathleen O’Brien
Vice President Aaron Friedman
Associate Vice President Mike Perkins

Purpose:

☐ policy  ☐ background/context  ☑ oversight  ☐ strategic positioning

In accordance with Board of Regents Policy: Reservation and Delegation of Authority, review and take action on amending the 2012 Annual Capital Improvements budget to include:

- Projects funded by the Minnesota Legislature in capital appropriations bill passed during the 2011 special session:
  - Higher Education Asset Preservation and Replacement, Systemwide
  - Physics and Nanotechnology Building, Twin Cities Campus
  - Central Corridor Laboratory Mitigations, Twin Cities Campus
- Center for Magnetic Resonance Research - Magnetic Resonance Imaging, Twin Cities Campus

Outline of Key Points/Policy Issues:

Higher Education Asset Preservation & Replacement (System-wide)
This project will design and construct asset preservation and renewal projects throughout the University of Minnesota system. Projects will focus on building code required elevator improvements and waterproofing projects.

This action will increase the 2012 Annual Capital Improvement budget by $25 million. The Minnesota Legislature provided full funding for this set of facility renewal projects.

Physics & Nanotechnology Building (UMTC)
This project will construct, furnish, and equip a new physics and nanotechnology building on the Twin Cities campus. The facility will include research laboratories, offices, a clean room supporting nanotechnology, faculty and student meeting space, infrastructure, and support spaces.
This action will increase the 2012 Annual Capital Improvement budget by $77 million. The Minnesota Legislature provided $51.3 million of state bond funds to be matched by $25.7 of University funds.

**Central Corridor Laboratory Mitigations (UMTC)**
This project will design, construct, furnish, and equip the relocated biomedical nuclear magnetic resonance imaging facility and mitigate impacts on other research laboratories associated with the construction of the Central Corridor Light Rail Transit (CCLRT) line, the costs of which are not covered by the CCLRT project budget.

This capital budget amendment is being presented to show a change in the source of funding for a project authorized in a previous capital budget. The Minnesota Legislature provided $12.5 million of state bond fund to be matched by $12.5 million of University funds. The $12.5M of state bond funds will be substituted for University resources conditionally allocated to the project pending the outcome of the University’s request. The total value of the project was approved in a previous annual capital budget.

**Center for Magnetic Resonance Research - Magnetic Resonance Imaging (UMTC)**
The Center for Magnetic Resonance Research has been awarded an Infrastructure Investment Initiative grant from the Office of the Vice President for Research for the campus-wide access to a 3T MRI. This project will renovate the existing MRI suite to accommodate the purchase of a new 3.0T MRI. The existing 9.4T MRI will be decommissioned. This project will increase the 2012 Annual Capital Improvement budget by $2.73 million.

**Background Information:**

**Higher Education Asset Preservation & Replacement (System-wide)**
The Board of Regents has approved previous HEAPR authorizations in the FY2011 and FY2010 Annual Capital Improvements budget.

**Physics & Nanotechnology Building (UMTC)**
The Board of Regents reviewed and approved the schematic design for the new Physics and Nanotechnology building in February 2011.

The Board of Regents approved design funding for the Physics and Nanotechnology building in the FY2011 Annual Capital Budget.

**Central Corridor Laboratory Mitigations (UMTC)**
The Board of Regents approved this project in November 2011 with provisional funding while legislative funding opportunities were explored. University funding currently committed to fund the project will be substituted for the legislative funds.

**Center for Magnetic Resonance Research - Magnetic Resonance Imaging (UMTC)**
An amendment to the Fiscal Year 2012 Capital Budget is being requested at this time for the Center for Magnetic Resonance Research - Magnetic Resonance Imaging project.

**President's Recommendation for Action:**

The President recommends approval of amending the FY 2012 Annual Capital Improvement Budget by $102 million for:
- Higher Education Asset Preservation and Replacement (Systemwide)
- Physics and Nanotechnology Building (UMTC)
- Central Corridor Laboratory Mitigations (UMTC)

The President also recommends $2.73 million to provide funding for the Center for Magnetic Resonance Research - Magnetic Resonance Imaging project.
1. **Basis for Request:**

This 3.0 Tesla MR system will support the University’s growing need for imaging technology in numerous disciplines, as well as free up demand on the existing 3.0T to accommodate the new Center for Clinical Imaging Research (CCIR) clinical research demands. Nearly all disciplines examining human disorders have recognized the critical importance of in vivo human imaging for making progress in the better understanding of mechanism and pathophysiology. The existing CMRR 3T is currently over capacity and additional scanner demand is anticipated as this technology is made available to researchers across the institution.

This request aligns with the 2011-2015 Capital Budget Goals:

Ensure research productivity and impact by:
- Providing space conducive to the conduct of contemporary research in order to enhance competitiveness.
- Creating flexible spaces that adapt to new science and research trends.
- Providing research facilities that will allow competitive responses to unique research opportunities aligned with strategic priorities

Recognize current extraordinary financial realities by:
- Honoring projects that have an identified source of payment for debt costs.

2. **Scope of Project:**

This project will renovate the existing 1,200 square feet 9.4T MRI suite to accommodate the purchase of a new 3.0T MRI. The 9.4T MRI will be decommissioned.

3. **Environmental Issues:**

There are no environmental issues associated with this project.

4. **Cost Estimate:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Cost</td>
<td>$393,000</td>
</tr>
<tr>
<td>Non Construction Cost</td>
<td>168,000</td>
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<tr>
<td>Imaging Equipment</td>
<td>2,169,000</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$2,730,000</strong></td>
</tr>
</tbody>
</table>

5. **Capital Funding:**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Investment Initiative</td>
<td>$1,499,000</td>
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<tr>
<td>Colleges/Department</td>
<td>934,000</td>
</tr>
<tr>
<td>User Charges</td>
<td>297,000</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td><strong>$2,730,000</strong></td>
</tr>
</tbody>
</table>
6. **Annual Operating and Maintenance Cost and Source of Revenue:**

   There is no change to the projected annual cost to operate and maintain the facility associated with this amendment.

7. **Time Schedule:**

   | Order / Fabricate 3.0T Magnet | Fall 2011 - Spring 2012 |
   | Complete construction         | Spring 2012             |
   | Occupancy                     | Summer 2012             |

8. **Architect / Construction Manager:**

   RSP Architects / to be determined

9. **Recommendation:**

   The above described project scope of work, cost, funding, and schedule is appropriate:

   __________________________________________
   Richard Pfutzenreuter, Vice President and Chief Financial Officer

   __________________________________________
   Aaron Friedman, Vice President for Health Sciences

   __________________________________________
   Kathleen O'Brien, Vice President for University Services
Center for Magnetic Resonance Research
Magnetic Resonance Imaging
Twin Cities Campus
Board of Regents Facilities Committee
September 8, 2011
LOCATION PLAN

Center for Magnetic Resonance Research

NORTH
The Center has been awarded an Infrastructure Investment Initiative grant by the Office of the Vice President for Research.

This new 3.0 Tesla MR system will support the University’s growing need for imaging technology in numerous disciplines.

The existing CMRR 3T is currently over capacity and this project will free up demand to accommodate the new Center for Clinical Imaging Research (CCIR) clinical research.

Interdisciplinary proposal includes Departments of Psychology, Psychiatry, Biomedical Engineering, Radiology, Political Science, and the Institute of Child Development.
PROJECT RATIONALE: CAPITAL PLAN METRICS

- 2011-2015 Capital Budget Goals:
  » Ensure research productivity and impact by:
    Providing space conducive to the conduct of contemporary research in order to enhance competitiveness
    Creating flexible spaces that adapt to new science and research trends.
    Providing research facilities that will allow competitive responses to unique research opportunities aligned with strategic priorities
  » Recognize current extraordinary financial realities by:
    Honoring projects that have an identified source of payment for debt costs
PROJECT DESCRIPTION

- This project will renovate the existing 1,200 square feet 9.4T MRI suite to accommodate the purchase of a new 3.0T MRI. The 9.4T MRI will be decommissioned.

- Anticipated Completion: Spring 2012

- Project Team:
  - Architect of Record: RSP Architects
  - Construction Manager: Mortenson Construction
  - Magnet Vendor: To be determined
PROJECT DESCRIPTION (continued)

- **Project Costs:**
  - Construction Cost: $393,000
  - Non Construction Cost: 168,000
  - Imaging Equipment: 2,169,000
  - Total Project Cost: $2,730,000

- **Capital Funding:**
  - Infrastructure Investment Initiative: $1,499,000
  - Colleges/Department: 934,000
  - User Charges: 297,000
  - Total Funding: $2,730,000

- **Estimated additional annual operating cost:**
  - There is no change to the projected annual cost to operate and maintain the facility associated with this amendment.
Recently Competed CMRR Expansion
Existing 9.4 Tesla Floor Plan
Existing 3.0 Tesla Magnet
Center for Magnetic Resonance Research
Magnetic Resonance Imaging
Twin Cities Campus
Board of Regents Facilities Committee
September 8, 2011
CMRR Location Map

University of Minnesota
Twin Cities Campus
6. Annual Operating and Maintenance Cost and Source of Revenue:

There is no change to the projected annual cost to operate and maintain the facility associated with this amendment.

7. Time Schedule:

<table>
<thead>
<tr>
<th>Task</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order / Fabricate 3.0T Magnet</td>
<td>Fall 2011 - Spring 2012</td>
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<tr>
<td>Complete construction</td>
<td>Spring 2012</td>
</tr>
<tr>
<td>Occupancy</td>
<td>Summer 2012</td>
</tr>
</tbody>
</table>

8. Architect / Construction Manager:

RSP Architects / to be determined

9. Recommendation:

The above described project scope of work, cost, funding, and schedule is appropriate:

[Signatures and dates]

Richard Pfutzner, Vice President and Chief Financial Officer

[Signature and date]

Aaron Friedman, Vice President for Health Sciences

[Signature and date]

Kathleen O'Brien, Vice President for University Services
Facilities Committee

September 8, 2011

**Agenda Item:** Capital Budget Amendment

- review
- review/action
- action
- discussion

**Presenters:** Vice President Kathleen O'Brien
Vice President Aaron Friedman
Associate Vice President Mike Perkins

**Purpose:**

policy
background/context
oversight
strategic positioning

In accordance with Board of Regents Policy: *Reservation and Delegation of Authority*, review of the Capital Budget Amendment for the following project:

A. Cardiology Department – Building/Infrastructure Systems Upgrade – Variety Club Research Center 2nd Floor located on the Twin Cities, Minneapolis, East Bank Campus.

**Outline of Key Points/Policy Issues:**

The attached Project Data Sheet addresses the basis for the request, project scope, construction document cost estimate, and schedule. A map locating the project on the campus is also attached.

The Cardiovascular Division of the University of Minnesota Medical School has 31 physician faculty members who are housed in the Variety Club Research Center (VCRC) building. The VCRC was built in 1951 and was the first Heart Hospital in the United States. With the opening of the University of Minnesota Medical Center in 1986, the building was converted to faculty/staff offices and research space. Over the last 4 years, the division has made great strides in advancing research, improving teaching, growing its clinical programs, and stabilizing its financial health. Its growth, mission, and funding are now limited by the physical facility.

**Background Information:**

An amendment to the Fiscal Year 2012 Capital Budget is being requested at this time for the Cardiology Department – Building Infrastructure System Upgrade -VCRC 2nd floor project.
President's Recommendation for Action:

The President recommends approval of amending the Fiscal Year 2012 the Capital Budget by $856,000 to provide funding for the Cardiology Department - Building/Infrastructure Systems Upgrade - VCRC 2nd Floor project.
1. Basis for Request:

The Cardiovascular Division of the University of Minnesota Medical School has 31 physician faculty members who are housed in the Variety Club Research Center (VCRC) building. The VCRC was built in 1951 and was the first Heart Hospital in the United States. With the opening of the University of Minnesota Medical Center in 1986, the building was converted to faculty/staff offices and research space. Over the last 4 years, the division has made great strides in advancing research, improving teaching, growing its clinical programs, and stabilizing its financial health. Its growth, mission, and funding are now limited by the physical facility.

The Cardiovascular faculty and staff occupy the 2nd floor of the VCRC, which has not been remodeled since at least 1986. The faculty number has grown over 50% since that time. The facilities have not kept pace with either the technology or space needed to fulfill the teaching or research mission and to support this number of faculty. In addition, the poor condition of the hallways and space is such that the Division faces major hurdles in recruiting national level faculty.

A large conference room designed for medical education is too small to accommodate the Division faculty and trainees and its air-handling infrastructure is significantly undersized. It has no video capabilities, which is a major problem for an area of medicine that is dependent on imaging of a beating organ. Consequently, many major teaching conferences have been moved to remote sites. Similarly, there also are no video conferencing facilities requiring the division to move its videoconferences to remote sites. This has impeded the Division’s statewide teaching mission and prevented research collaborations.

In addition to the lack of adequate conference and meeting room space, the facility is poorly lit, has stained and threadbare carpet, and low ceilings. The wiring for IT networks is inadequate to support the teaching, clinical and research missions. Access to the hospital network cannot be accommodated due to the unavailability of network wiring. The imaging and interventional cardiology sections cannot even meet in the Division offices because they lack access to X-ray, MR, and CT imaging files.

The goal of the Cardiovascular Division of the University of Minnesota is to be a Top 10 program. This renovation will provide a new, enlarged, modern conference room that is large enough to hold the Division faculty and students. The room will have modern video capabilities. In addition, the project will provide video capable meeting rooms for faculty and students, will add support staff space, and update the lighting, wall coverings, and flooring. As importantly, the division plans to display the history of the Cardiovascular Division, starting with the legendary inception of cardiovascular surgery, continuing with the development of medical devices (such as heart valves, pacemakers, and heart catheterization tools), progressing to revolutionary new therapies for heart failure (from drugs to transplantation), and leaving room for our current work in cell therapy and transcatheter/robotic devices.
2011-2015 Capital Budget Goals:

Ensure research productivity and impact by:

• Providing space conducive to the conduct of contemporary research in order to enhance competitiveness
• Providing regulatory, code and life safety upgrades for facilities which leverage the highest priority funded research
• Creating flexible spaces that adapt to new science and research trends.

Protecting public assets and investment by:

• Leveraging facility investment to advance the academic mission and priorities
• Improving facility conditions, addressing code deficiencies, life safety and accessibility requirements
• Making infrastructure investments that ensure reliability over the long term, lower energy and operating costs and advance environmental stewardship

2. Scope of Project:

The project consists of infrastructure, fire/life/safety, and ADA improvements to the 2nd floor of VCRC. Improvements include complete fire sprinkler installation of the second floor, upgrade of existing non-compliant restrooms to meet current ADA requirements, install of HVAC equipment and A/V equipment within a renovated conference room, and cosmetic upgrades to corridors and select offices. Square foot area to be renovated: 5,337 SF. Seating capacity of main conference room: 81.

3. Master Plan or Precinct/District Plan:

This project is in compliance with the University of Minnesota Twin Cities Campus Master Plan: 2009. According to the plan, this project is a renovation of an existing building on an established site within the Health and Housing District.

4. Environmental Issues:

The University has completed a hazardous material survey of the existing conditions in the building affected by this project. Hazardous material located within the work area is primarily floor tile/mastic and pipe insulation. This material will be removed by the University prior to construction.

5. Cost Estimate:

- Construction Cost: $758,500
- Non Construction Cost: $97,500
- Total Project Cost: $856,000

6. Capital Funding:

- Dept of Medicine: $500,000
- Medical School Administration: $131,000
- FM Repair & Replacement: $225,000
- Total Project Cost: $856,000

7. Annual Operating and Maintenance Cost and Source of Revenue:
Operating and maintenance cost include: Utilities (fuel/heat, electrical, water), maintenance, custodial, waste, grounds, and administrative.

It is anticipated there will be no change in annual operating costs for this area as the result of this project.

8. **Time Schedule: (Additional milestone maybe added or substituted if appropriate.)**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Design</td>
<td>May 2011</td>
</tr>
<tr>
<td>Establish Construction Guaranteed Maximum Price</td>
<td>June 2011</td>
</tr>
<tr>
<td>Begin construction</td>
<td>November 2011</td>
</tr>
<tr>
<td>Complete construction</td>
<td>February 2012</td>
</tr>
</tbody>
</table>

9. **General Contractor, Architect:**

- Design - Bid - Build Contractor: Award Construction, Maplewood, MN
- Architect: C.M. Architecture, Minneapolis, MN

10. **Recommendation:**

The above described project scope of work, cost, funding, and schedule is appropriate:

__________________________________________________________________________

Richard Pfutzenreuter, Vice President and Chief Financial Officer

__________________________________________________________________________

Dr. Aaron Friedman, Vice President for Health Sciences and Dean, Medical School

__________________________________________________________________________

Kathleen O’Brien, Vice President for University Services
University of Minnesota

Minneapolis Campus
7. Annual Operating and Maintenance Cost and Source of Revenue:

Operating and maintenance cost include: Utilities (fuel/heat, electrical, water), maintenance, custodial, waste, grounds, and administrative.

It is anticipated there will be no change in annual operating costs for this area as the result of this project.

8. Time Schedule: (Additional milestone maybe added or substituted if appropriate.)

<table>
<thead>
<tr>
<th>Task</th>
<th>Date</th>
</tr>
</thead>
<tbody>
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</tr>
</tbody>
</table>

9. General Contractor, Architect:

Design - Bid - Build Contractor: Award Construction, Maplewood, MN
Architect: C.M. Architecture, Minneapolis, MN

10. Recommendation:

The above described project scope of work, cost, funding, and schedule is appropriate:

Richard Pfitzenmayer, Vice President and Chief Financial Officer 8/24/11
Dr. Aaron Friedman, Vice President for Health Sciences and Dean, Medical School 8/26/11
Kathleen O'Brien, Vice President for University Services 8/24/11
Facilities Committee  September 8, 2011

**Agenda Item:** Issues related to: 2012 State Capital Budget Request

- review  - review/action  - action  - discussion

**Presenters:** Vice President Kathleen O'Brien

**Purpose:**

- policy  - background/context  - oversight  - strategic positioning

Regents policy requires the Board to approve the University’s legislative capital request before it is submitted for consideration by the Governor and the Legislature.

The purpose of the committee discussion is to provide additional detail regarding projects included in the 2012 capital request.

Project descriptions are included in the docket materials for the full Board of Regents.

**Outline of Key Points/Policy Issues:**

The 2012 capital request continues to conform to the principles used in the development of the most recent six-year capital plan.

- Align capital plan with the established academic strategic positioning goals:
  - Recruit and educate outstanding students,
  - Recruit and support innovative, energetic world-class faculty and staff,
  - Inspire innovation, exploration, and discovery.

- Maintain continuity of priorities from previous legislative requests, including the restoration of funding for vetoed projects included in the University’s long-term capital plan.

- Protect the University’s financial position by keeping capital expenditures within projected debt capacity limits and controlling operating costs.
  - Be responsible stewards of resources.

- Invest in facilities and infrastructure that:
  - Advance the University’s life safety, renewal, and preservation objectives and sustainability policies,
- Create flexible space, promote collaborative interdisciplinary activities, optimize space utilization, and reduce operational costs.

Request Summary:

<table>
<thead>
<tr>
<th>Location</th>
<th>Project</th>
<th>Total</th>
<th>State</th>
<th>U of MN</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYSTEM</td>
<td>HEAPR</td>
<td>$90,000</td>
<td>$90,000</td>
<td>-</td>
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<tr>
<td>UMTC</td>
<td>Ambulatory Care Clinic</td>
<td>$200,000</td>
<td>$100,000</td>
<td>$100,000</td>
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<td>UMTC</td>
<td>Old Main Utility Building Renovation</td>
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<td>STATE</td>
<td>Itasca Facilities Improvements</td>
<td>$6,090</td>
<td>$4,060</td>
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<td>American Indian Learning Resource Center</td>
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<td>$409,115</td>
<td>$269,410</td>
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Background Information:

In July 2011, the Board of Regents reviewed the Preliminary 2012 State Capital Budget request.

In February 2011, the Board of Regents approved a Supplemental 2011 State Capital Request.

The 2012 State Capital Request continues the priorities outlined in the previous request.

In December 2009, the Board of Regents last updated the University's Six-Year Capital Improvements Plan for 2010 - 2015. The Preliminary 2012 State Capital Request has been modified from the adopted six-year plan to reflect current priorities.
Facilities Committee

September 8, 2011

Agenda Item: Strategic Issues Related to: University Plan, Performance & Accountability Report

☑ review  ☐ review/action  ☒ action  ☒ discussion

Presenters: Vice President Kathleen O'Brien
Leslie Krueger, Chief of Staff, University Services

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

To inform the committee about the University's performance as reported in the 2011 University Plan, Performance, and Accountability Report, and to provide the committee an opportunity to discuss the report's major trends, findings, and implications for the University as related to the following strategic goal and objectives:

Outstanding Organization: Be responsible stewards of resources, focused on service, driven by performance, and known as the best among peers.

Strategic Objectives

• Ensure the University's financial strength.
• Be responsible stewards of resources.
• Promote performance, process improvement, and effective practice.
• Foster peer-leading competitiveness, productivity, and impact.
• Ensure a safe and healthy environment for the University community.
• Focus on quality service.

Outline of Key Points/Policy Issues:

The principal goal of support and administrative units at the University is to support and enhance its academic and research mission. University administrative and support units strive for stewardship, service, and management excellence, with the goal that the University be known as much for its service and business innovation as for its high-quality research, education, and outreach. Achieving this goal requires working across a large, complex university, which has distinct needs for each of its academic units, operating in diverse competitive environments, and responding to unique external forces.
Background Information:

In 2000, the Board approved the creation of the *University Plan, Performance, and Accountability Report*. In its resolution, the Board noted that it “...holds itself accountable to the public for accomplishing the mission of the University” and that the report was to become the principal annual documentation of that accountability. The first report was published in 2001. In December 2005, the Educational Planning and Policy Committee took steps to ensure the report was aligned with the University’s strategic positioning efforts. In May 2006, the Board revised the timetable for the production of the report to each September. The 2011 edition is the tenth edition produced for the Board of Regents.
Facilities Committee

September 8, 2011

Agenda Item: Facilities Condition Assessment Update

☐ review  ☑ review/action  ☐ action  ☑ discussion

Presenters: Vice President Kathleen O'Brien  
Associate Vice President Mike Berthelsen

Purpose:

☐ policy  ☑ background/context  ☐ oversight  ☐ strategic positioning

To review the Facilities Condition Assessment and discuss the use of the information provided by the Facilities Condition Assessment as a capital and financial planning tool.

Outline of Key Points/Policy Issues:

The Facilities Condition Assessment is a comprehensive evaluation of the condition of the University of Minnesota's campus facilities and infrastructure portfolio.

Owning and operating the University's physical plant is critical to supporting the University's mission of teaching, research, and outreach. The University has instituted the Facilities Condition Assessment to:

• Create a central repository of facilities needs information.
• Provide the University with a tool for master planning, facilities programming and capital planning, and financial planning and budget forecasting.
• Improve processes, which will assist the administration and the Board of Regents with their stewardship responsibilities for the University's physical assets.

The presentation will include an update on the FCA program, a review of recent investments to address facilities needs, and a review of next steps.

Background Information:

The Facilities Condition Assessment has been discussed annually with the Board of Regents facilities committee since 2003.

Reviewing the Facilities Condition Assessment provides a framework for the upcoming review of the Six Year Capital Plan.
Facilities Committee

September 8, 2011

Agenda Item: 2011 - 12 Committee Workplan Discussion

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Regent Dean Johnson
Vice President Kathleen O'Brien

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

According to Board of Regents Policy: Board Operations and Agenda Guidelines, Section II, Subdivision 7: Workplans, “Each year the Board and its committees develop workplans with the advice of the president or delegate.”

This discussion is intended to focus on major issues the committee may wish to address in FY 2011-2012.

Outline of Key Points/Policy Issues:

The Facilities Committee oversees the University’s physical assets (e.g., land, buildings, infrastructure, and equipment). This committee considers the general adequacy, condition, and use of existing facilities; oversees policy related to physical planning, reviews renewal, replacement, and new construction decisions; and recommends capital projects.

Specifically, this committee recommends:
- Campus Master Plans
- Six Year Capital Plan
- Annual Capital Plan
- Capital Budget Amendments
- Schematic Plans
- Real Estate Purchases, Sales and Leases
- Disposition of Historic Resources

This committee also:
- Reviews semi-annual capital improvement reports; and
- Receives miscellaneous facilities management reports and notification of significant issues
Background Information:

The Facilities Committee had a preliminary discussion of its work plan at its July 2011 meeting.
The Facilities Committee oversees the University’s physical assets (e.g., land, buildings, infrastructure, and equipment). This committee considers the general adequacy, condition, and use of existing facilities; oversees policy related to physical planning, utilities and energy management; reviews renewal, replacement, and new construction decisions; and recommends capital projects.

Specifically, this committee recommends:

- Campus Master Plans
- Six Year Capital Plan
- Annual Capital Budget
- Capital Budget Amendments
- Schematic Plans
- Real Estate Purchases, Sales and Leases
- Disposition of Historic Resources

The following issues will be considered by the committee in addition to the normal business items:

<table>
<thead>
<tr>
<th>Date</th>
<th>Facilities Committee Agenda Items</th>
<th>Facilities-related Agenda Items for the Full Board</th>
</tr>
</thead>
</table>
| September| • Issues related to 2012 State Capital Budget Request  
• Facilities Condition Assessment                                                                 | • 2012 State Capital Request (Review)  
• Ambulatory Care Center work session                                                                  |
<p>| October  | • Real Estate Transaction Threshold Report                                                          | • 2012 State Capital Request (Action)                                    |
| November | <em>No meeting (tentative)</em>                                                                            |                                                                        |
| December | • Report on Sustainability and Energy Efficiency Policy and University Sustainability Goals      |                                                                        |
|         | • Open Space Plan Progress                                                                         |                                                                        |
|         | • Capital Planning and Project Management Semi-Annual Project Report                               |                                                                        |
| January  | <em>No meeting</em>                                                                                       |                                                                        |
| February | • Issues related to 2012 Six Year Capital Plan                                                    | • 2012 Six Year Capital Plan (Review)                                    |</p>
<table>
<thead>
<tr>
<th>Date</th>
<th>Facilities Committee Agenda Items</th>
<th>Facilities-related Agenda Items for the Full Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td><em>No committee meetings</em></td>
<td>• 2012 Six Year Capital Plan (Action)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tour <em>to be determined</em></td>
</tr>
<tr>
<td>April</td>
<td><em>No meeting</em></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>• Issues related to Annual Capital Budget</td>
<td>• President’s Recommended FY 2012 Annual Capital Budget (Review)</td>
</tr>
<tr>
<td></td>
<td>• Space Utilization and Building Decommissioning/Demolitions Impact Update</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>• Capital Project Delivery – Methods and Experience</td>
<td>• President’s Recommended FY 2012 Annual Capital Budget (Action)</td>
</tr>
<tr>
<td></td>
<td>• Capital Planning and Project Management Semi-Annual Project Report</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td><em>Short committee meetings – if needed</em></td>
<td></td>
</tr>
</tbody>
</table>

*Additional items for consideration by the Facilities Committee:*

- Report on Research Infrastructure
- Report on Clinical Facilities
Facilities Committee

September 8, 2011

Agenda Item: Consent Report

☐ review  ☒ review/action  ☐ action  ☐ discussion

Presenters: Vice President Kathleen O’Brien

Purpose:

☐ policy  ☐ background/context  ☒ oversight  ☐ strategic positioning

There are no consent agenda items for the September Facilities Committee meeting.
Facilities Committee

September 8, 2011

Agenda Item: Information Item

☐ review  ☐ review/action  ☐ action  ☒ discussion

Presenters: Vice President Kathleen O'Brien

Purpose:

☐ policy  ☒ background/context  ☐ oversight  ☐ strategic positioning

To update the Board of Regents regarding the following information items:

A. Emergency Approval of Fifty-Year Land Lease and Parking Facility Agreement for Hotel at 615 Washington Avenue SE, Minneapolis (Twin Cities Campus)

Outline of Key Points/Policy Issues:

Fifty-Year Land Lease and Parking Facility Agreement for Hotel at 615 Washington Avenue SE, Minneapolis (Twin Cities Campus)

Emergency approval on July 29, 2011 of a fifty-year land lease and parking facility agreement for hotel at 615 Washington Avenue SE, Minneapolis (Twin Cities Campus)

In accordance with the Board of Regents Policy: Board Operations and Agenda Guidelines, the President requested emergency action for the approval of the fifty-year land lease and parking facility agreement for the hotel at 615 Washington Avenue SE, Minneapolis. The emergency approval was requested in order to execute documents at the closing on the sale of the hotel which occurred on August 11, 2011.

The buyer of the hotel, tenant under the ground lease and licensee under the parking facility agreement is RBP Minneapolis, LLC, an affiliate of RockBridge Capital LLC in partnership with OPERS (Ohio Public Employees Retirement System). The manager of the hotel is Noble House Minneapolis, LLC, an affiliate of Noble House Hotels and Resorts.

The University received a $1.5 million payment at the closing on the sale of the hotel.
The transaction approved on July 29, 2011 and completed on August 11, 2011 is not substantially different from the ground lease and parking facility transaction approved by the Board of Regents in March, 2011 for the sale of the hotel to Platinum Equity. Platinum Equity subsequently decided not to complete its planned purchase of the hotel.

Refer to attached documentation.

**Background Information:**

Information items are intended to provide the Board of Regents with information needed for them to provide their oversight responsibilities.
FIFTY-YEAR LAND LEASE AND PARKING FACILITY AGREEMENT
FOR HOTEL AT 615 WASHINGTON AVENUE SE, MINNEAPOLIS
(TWIN CITIES CAMPUS)

1. Recommended Action

The President recommends that the appropriate administrative officers receive authorization to execute a fifty-year lease with a ten-year renewal option covering 2.019 acres of land, and a fifty-year parking facility agreement with a ten-year renewal option covering 122 parking spaces, for the hotel at 615 Washington Avenue SE, Minneapolis.

2. Description of Leased Premises

The leased premises will consist of 2.019 acres in Block 18 and adjacent vacated streets, St. Anthony City, Hennepin County, Minnesota. The subject 2.019 acres are located at 615 Washington Avenue SE, Minneapolis.

The 122 parking spaces to be leased for hotel operations are currently located in University Parking Lot C-82 on the north side of the hotel building (72 spaces) and in University Parking Lot C-58 at 18th Avenue and 4th Street SE (50 spaces), but are subject to relocation.

3. Basis for Request

The current owner of the Radisson University Hotel situated on University-owned land at 615 Washington Avenue SE, Minneapolis, desires to sell the hotel building. In conjunction with the purchase of the hotel by RockBridge Capital LLC, RockBridge has requested a 50-year ground lease with a ten-year renewal option, and a 50-year parking facility agreement with a ten-year renewal option.

RockBridge Capital LLC is an investment firm headquartered in Columbus, Ohio focused on the hospitality industry. Since 1992, RockBridge has invested approximately $3 billion in over 300 hotels in more than 40 U.S. states, with $400 million in current hotel investments including 11 university markets. Its focus is to invest debt and equity in markets with strong, stable demand generators, such as universities, military bases, and corporations, and acquire high-quality properties in strong markets with repositioning potential through a high-impact renovation and property operations.

In partnership with the OPERS (Ohio Public Employees Retirement System), RockBridge will create an affiliated entity named RBP Minneapolis LLC to lease the subject land from the University and enter into the parking facility agreement.
For the operation of the hotel, RockBridge has advised that it will partner with Noble House Hotels and Resorts, formerly named Westgroup Partners, which is a privately-held real estate development company based in Kirkland, Washington with 30 years in the hospitality industry. Noble House currently owns and manages 15 boutique hotels and resorts in 6 U.S. states.

RockBridge will make a substantial investment of at least $10 million in renovating the hotel. RockBridge will decide in the first 90 days of its ownership whether the hotel will be operated as an independent, upscale hotel integral to the University setting, or flagged with at least a 3-star brand (such as Marriott or Hilton).

4. Details of Transaction

The subject transaction includes a ground lease for the subject 2.019 acres and a parking facility agreement covering 122 parking spaces that the University would execute with RBP Minneapolis LLC. Both agreements would commence upon the sale of the hotel building, currently scheduled for August 8, 2011, and continue thereafter until December 31, 2061, with one renewal option of ten years. Both agreements would include the possibility of up to two additional 10-year extensions (to December 31, 2091), but only upon RockBridge’s sale of the hotel during the first 20 years of the initial term and subject to Board of Regents approval at that time.

As part of the subject transaction, the current land lease and parking facility agreement with the owner of the Radisson University Hotel, which agreements will expire in 2033, will be terminated upon the sale of the hotel to RockBridge.

The lessee of the new ground lease will be required to fund a FF&E Reserve Account in the amount of 2% of gross revenues in the first year, 3% in the second year, and 4% per year thereafter, for the on-going renewal, replacement and additions of FF&E (Furniture, Fixtures and Equipment) and Building Equipment required for operation of the hotel.

At the closing of RockBridge’s purchase of the hotel, the University will receive a transfer fee of $1.5 million.

In March, 2011, the Board of Regents approved a ground lease and parking facility agreement transaction in conjunction with the planned purchase of the hotel by Platinum Equity. Platinum did not complete its purchase of the hotel. A comparison of the terms included in the ground lease and parking facility agreement transaction approved by the Regents in March with the subject transaction with RockBridge is attached.

5. Lease Payments to the University

The lessee will pay a minimum annual rent of $150,000 the first 10 years of the initial term, $237,500 during the second 10 years, $275,000 during the third 10 years, $350,000 during the fourth 10 years and $425,000 during the final 10 years of the 50-year initial term. During the 10-year renewal option, the minimum annual rent is $500,000. Should the lease continue after the
initial term and renewal option, which would require Board of Regents approval at a future date, the minimum annual rent would be $550,000 during the first potential 10-year extension and $700,000 during the second potential 10-year extension.

The ground lease will also require percentage rents based on gross revenues from hotel operations if in excess of the minimum annual rent, as follows:

Revenues from Guest Rooms: 1% during the first year, 1.5% the second year, 1.75% the third year, 2% thereafter through the initial term, and 2.25% during the renewal option and any extension term or terms.

Food and Beverage Revenues: .25% during the first year, .35% the second year, .45% the third year, .50% thereafter through the initial term, and .75% during the renewal option and any extension term or terms.

All Other Revenues: .25% during the first year, .50% the second year, .75% the third year, 1.0% thereafter through the initial term and during the renewal option and any extension term or terms.

For the parking, RockBridge will pay the University’s monthly contract fee for faculty and staff parking per space, plus the property taxes assessed as a result of the parking facility agreement.

6. Use of Funds Received by the University

The funds received by the University on this transaction are unrestricted.

7. Recommendations

The above-described real estate transaction is appropriate:

Richard H. Pfutzenreuter, III, Vice President and CFO

E. Thomas Sullivan, Senior Vice President for Academic Affairs and Provost

Kathleen O’Brien, Vice President for University Services
COMPARISON OF PLATINUM GROUND LEASE TRANSACTION
APPROVED BY THE BOARD OF REGENTS IN MARCH, 2011
AND PROPOSED ROCKBRIDGE GROUND LEASE TRANSACTION

<table>
<thead>
<tr>
<th></th>
<th>Platinum</th>
<th>RockBridge</th>
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<tr>
<td><strong>Leased Premises</strong></td>
<td>2.019 acres at 615 Washington Avenue SE (Twin Cities Campus)</td>
<td>2.019 acres at 615 Washington Avenue SE (Twin Cities Campus)</td>
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<tr>
<td><strong>Lease Term</strong></td>
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<tr>
<td>-Initial</td>
<td>50 years</td>
<td>50 years</td>
</tr>
<tr>
<td>-Renewal Option</td>
<td>7 years</td>
<td>10 years</td>
</tr>
<tr>
<td>-Potential Extension</td>
<td>Not included in Platinum ground lease</td>
<td>20 years maximum, subject to Board of Regents’ approval at time of sale of hotel by RockBridge to non-affiliated buyer.</td>
</tr>
<tr>
<td><strong>Annual Base Rent</strong></td>
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<td></td>
</tr>
<tr>
<td>-Initial Term</td>
<td>$120,000 increasing to $475,000 over 50-year initial term (increase every 3 years for first 12 years, then every 5 years for next 35 years, then final increase)</td>
<td>$150,000 increasing to $425,000 over 50-year initial term (increase every 10 years).</td>
</tr>
<tr>
<td>-Renewal Option</td>
<td>$500,000</td>
<td>$500,000</td>
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<tr>
<td>-Potential Extension</td>
<td>Not included in Platinum ground lease</td>
<td>$550,000 for first potential 10-year extension</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$700,000 for second potential 10-year extension</td>
</tr>
<tr>
<td>Category</td>
<td>First 3 years</td>
<td>Second 3 years</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td><strong>Guest Rooms</strong></td>
<td>1%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>1% for first year</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>1.5% for second year</td>
<td></td>
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<tr>
<td></td>
<td>2.0% for third year</td>
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<td>3.0% thereafter</td>
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<tr>
<td></td>
<td>0.35%</td>
<td></td>
</tr>
<tr>
<td><strong>Other Revenues</strong></td>
<td>1%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td></td>
<td>1.0%</td>
<td>0.75%</td>
</tr>
<tr>
<td><strong>FF&amp;E Reserve</strong></td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Renovation Investment</strong></td>
<td>$6 million minimum</td>
<td>$10 million minimum</td>
</tr>
<tr>
<td><strong>Renovation Period</strong></td>
<td>No later than 12 months following lease commencement through March 17, 2014</td>
<td>No later than 12 months following lease commencement through January 31, 2014</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Deposit</strong></td>
<td>$500,000</td>
<td>$100,000 from initial Lessee (RockBridge) if any breach or default occurs; $150,000 from any subsequent Lessee</td>
</tr>
<tr>
<td><strong>Lessee</strong></td>
<td>Affiliate of Platinum Equity Advisors, LLC</td>
<td>RBP Minneapolis, LLC (Affiliate of RockBridge in Partnership with OPERS)</td>
</tr>
<tr>
<td><strong>Hotel Operation</strong></td>
<td>As independent lifestyle hotel integral to the University setting. If branded in the future minimum of 3-star quality hotel</td>
<td>Lessee will decide within first 90 days whether to brand the hotel or operate independently. If branded, minimum of 3-star quality hotel</td>
</tr>
<tr>
<td><strong>Hotel Manager</strong></td>
<td>Richfield Hospitality, Inc.</td>
<td>Noble House Hotels and Resorts</td>
</tr>
<tr>
<td><strong>Parking</strong></td>
<td>122 parking spaces; Lessee’s consent required to relocate parking outside of defined area surrounding hotel</td>
<td>122 parking spaces; Lessee’s consent required to relocate parking outside of defined area surrounding hotel; Lessee can withhold consent if relocation would violate brand standards or leasehold mortgage requirements; possibility of additional 50 parking spaces on weekends except for Gopher home football games and any Minnesota Vikings football games at TCF Bank Stadium</td>
</tr>
<tr>
<td><strong>Transfer Fee from Current Hotel Owner</strong></td>
<td>$1.375 million</td>
<td>$1.5 million</td>
</tr>
</tbody>
</table>
Fifty-Year Land Lease for Hotel at 615 Washington Ave SE
Minneapolis (Twin Cities Campus)

Radisson University Hotel Building
615 Washington Ave SE
(2.019 acres)

University Hotel Building
Land area leased to hotel
Other university-owned land

Sources: U of M, MetroGIS
This map is intended to be used for planning purposes only and should not be relied upon where a survey is required.
Parking Lot C-58
50 Parking Spaces

Parking Lot C-82
72 Parking Spaces

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

Sources: Real Estate Office, Engineering Records, MetroGIS
July 28, 2011

The Honorable Linda Cohen  
The Honorable David Larson  
The Honorable Dean Johnson

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:

Real Estate Transaction – Review/Action:
Fifty-Year Land Lease and Parking Facility Agreement for Hotel
at 615 Washington Avenue SE, Minneapolis (Twin Cities Campus)

Upon Board approval of this real estate transaction, the University will be able to sign the ground lease and parking facility agreement for the hotel at 615 Washington Avenue SE; the closing on the purchase of the hotel by the ground lease lessee, RBP Minneapolis, LLC, which is an affiliate of RockBridge Capital LLC in partnership with OPERS (Ohio Public Employees Retirement System), will occur as scheduled on August 8, 2011; and the University will receive the $1.5 million transfer fee.

The subject transaction is not substantially different from the ground lease and parking facility transaction approved by the Board of Regents in March, 2011 for sale of the hotel to Platinum Equity. Platinum Equity subsequently decided not to complete its planned purchase of the hotel.
Thank you for your attention to this request. Additional information regarding this item is enclosed.

Sincerely,

[Signature]

Eric W. Kaler
President

Enclosures

cc: Ann Cieslak, Executive Director, Board of Regents
Richard H. Pfutzenreuter, III, Vice President and CFO
Kathleen O’Brien, Vice President, University Services
Susan Carlson Weinberg, Director of Real Estate
August 1, 2011

MEMORANDUM

To: President Eric Kaler

From: Ann Cieslak, Executive Director & Corporate Secretary

Re: Emergency Approval

By email and telephone on July 29, 2011, Chair Cohen, Vice Chair Larson, and Facilities Committee Chair Johnson each reviewed and approved the request from you for emergency approval of the following real estate transaction (as described in the attached letter):

- Fifty-Year Land Lease and Parking Facility Agreement for Hotel at 615 Washington Avenue, SE, Minneapolis.

I understand that this information will be reported to the Board of Regents at the September 2011 meetings, as required by Board Policy.

c: Kathleen O'Brien, Vice President
Amy Phenix, Chief of Staff
initial term and renewal option, which would require Board of Regents approval at a future date, the minimum annual rent would be $550,000 during the first potential 10-year extension and $700,000 during the second potential 10-year extension.

The ground lease will also require percentage rents based on gross revenues from hotel operations if in excess of the minimum annual rent, as follows:

Revenues from Guest Rooms: 1% during the first year, 1.5% the second year, 1.75% the third year, 2% thereafter through the initial term, and 2.25% during the renewal option and any extension term or terms.

Food and Beverage Revenues: .25% during the first year, .35% the second year, .45% the third year, .50% thereafter through the initial term, and .75% during the renewal option and any extension term or terms.

All Other Revenues: .25% during the first year, .50% the second year, .75% the third year, 1.0% thereafter through the initial term and during the renewal option and any extension term or terms.

For the parking, RockBridge will pay the University’s monthly contract fee for faculty and staff parking per space, plus the property taxes assessed as a result of the parking facility agreement.

6. Use of Funds Received by the University

The funds received by the University on this transaction are unrestricted.

7. Recommendations

The above-described real estate transaction is appropriate:

Richard H. Pfutzenreuter, III, Vice President and CFO

Robert M. McMaster 7/29/11

E. Thomas Sullivan, Senior Vice President for Academic Affairs and Provost

Kathleen O’Brien, Vice President for University Services

7/28/11