

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
March 8, 2019**

A meeting of the Board of Regents of the University of Minnesota was held on Friday, March 8, 2019 at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Michael Hsu, Dean Johnson, Peggy Lucas, Abdul Omari, Darrin Rosha, and Randy Simonson. Steve Sviggum participated by phone.

Staff present: President Eric Kaler; Chancellors Michelle Behr, Lendley Black, Lori Carrell, and Mary Holz-Clause; Executive Vice President and Provost Karen Hanson; Acting Executive Vice President and Provost Robert McMaster; Senior Vice President Brian Burnett; Vice Presidents Michael Berthelsen, Christopher Cramer, and Matt Kramer; General Counsel Douglas Peterson; Executive Director Brian Steeves; Associate Vice Presidents Stuart Mason and Michael Volna.

The docket materials for this meeting are [available here](#).

RECOGNITIONS

Faculty Consultative Committee Outgoing Chair

Recognition was given to Joseph Konstan, outgoing Faculty Consultative Committee Chair. The docket materials for this item begin on page 4. The closed captioned video of this item is [available here](#).

APPROVAL OF MINUTES

The Board voted unanimously to approve the following minutes as presented in the docket materials:

Finance & Operations Committee – February 7, 2019
Audit & Compliance Committee – February 7, 2019
Litigation Review Committee – February 7, 2019
Mission Fulfillment Committee – February 7, 2019
Governance & Policy Committee – February 8, 2019
Board of Regents – February 8, 2019

The docket materials for this item begin on page 5. The closed captioned video of this item is [available here](#).

REPORT OF THE PRESIDENT

President Kaler delivered the report of the President. A copy of the Report of the President is on file in the Board Office.

The docket materials for this item begin on page 27. The closed captioned video of this item is [available here](#).

REPORT OF THE CHAIR

Regent McMillan delivered the report of the Chair. A copy of the Report of the Chair is on file in the Board Office. McMillan also thanked departing Regent Linda Cohen for her service.

The docket materials for this item begin on page 28. The closed captioned video of this item is [available here](#).

RECEIVE AND FILE REPORTS

Regent McMillan noted the receipt and filing of reports, as described in the docket materials, including:

- Quarterly Report of Grant and Contract Activity
- Eastcliff Annual Report

The docket materials for this item begin on page 29. The closed captioned video of this item is [available here](#).

CONSENT REPORT

Regent McMillan presented for review and action the Consent Report as described in the docket materials, including:

- Gifts
- Finance & Operations Committee Consent Report
- Report of the All-University Honors Committee

A motion was made and seconded, and the Board voted unanimously to approve the Consent Report.

The docket materials for this item begin on page 50. The closed captioned video of this item is [available here](#).

REPORT OF THE STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Regent McMillan invited Marta Dean, Chair, Student Representatives to the Board of Regents, and Alexandra Ulland, Vice Chair, Student Representatives to the Board of Regents, to present the report of the Student Representatives to the Board of Regents, as detailed in the docket.

The docket materials for this item begin on page 64. The closed captioned video of this item is [available here](#).

UMC, UMD, UMM, UMR ENROLLMENT PLANS

Regent McMillan invited Chancellor Behr, Chancellor Black, Chancellor Carrell, Chancellor Holz-Clause, and Acting Executive Vice President and Provost McMaster to present for review the UMC, UMD, UMM, and UMR Enrollment Plans, as detailed in the docket.

The docket materials for this item begin on page 114. The closed captioned video of this item is [available here](#).

HISTORICAL BUILDING NAMINGS: REPORT OF THE TASK FORCE AND REVIEW OF PRESIDENT KALER'S PRELIMINARY RECOMMENDATIONS

Regent McMillan invited President Kaler; Executive Vice President and Provost Hanson; and Susanna Blumenthal and John Coleman, co-chairs, Task Force on Building Names and Institutional History, to present the report of the task force and review of President Kaler's preliminary recommendations, as detailed in the docket.

The docket materials for this item begin on page 173. The closed captioned video of this item is [available here](#).

RESOLUTION RELATED TO THE APPROVAL AND FINANCING OF THE PURCHASE OF 2515 UNIVERSITY AVENUE SE, UNIVERSITY VILLAGE (TWIN CITIES CAMPUS)

Regent McMillan invited Senior Vice President Burnett, Leslie Krueger, Assistant Vice President for Planning, Space, and Real Estate, and Stuart Mason, Associate Vice President and Chief Investment Officer to present for action the resolution related to the approval and financing of the purchase of 2515 University Avenue SE, University Village (Twin Cities campus), as detailed in the docket.

The docket materials for this item begin on page 184. The closed captioned video of this item is [available here](#).

Regent Sviggum left the meeting.

A motion was made and seconded, and the Board voted unanimously to approve the resolution, as follows:

WHEREAS, University Village, a mixed-use residential and retail property with 199 residential units, 24,161 square feet of retail space, and 373 parking stalls, is operating at 2515 University Avenue SE, Minneapolis (the property), immediately adjacent to the Twin Cities campus; and

WHEREAS, this area near campus is experiencing dramatic change and holds long-term, strategic value to the University of Minnesota (University); and

WHEREAS, University Village's current non-profit mission provides apartments at lower than average rents to University students, thereby positively impacting cost of attendance for such students; and

WHEREAS, in September 2018, the Board of Regents (Board) approved the creation of a private entity to be in a position to acquire, improve, and operate the property, subject to further Board review prior to closing; and

WHEREAS, on November 6, 2018, the University formed 2515 University Avenue SE LLC (2515 LLC), as a Minnesota non-profit limited liability company for the express purpose of being in the position of acquiring, improving, and operating the property, and the University is the sole member of such company, having the exclusive right to manage and conduct its affairs; and

WHEREAS, the Board reserves to itself authority to recognize 2515 LLC as an associated organization and to approve University agreements and commitments to the company consistent with Board of Regents Policy: *Reservation and Delegation of Authority* and other applicable University policies and procedures; and

WHEREAS, the University administration, acting through and on behalf of 2515 LLC, has negotiated with Wedum University Village, LLC (Seller) to purchase the property for \$43 million; and

WHEREAS, the due diligence process identified environmental contamination at the Property; as a result, the Minnesota Pollution Control Agency ("MPCA") requires the installation of a vapor mitigation system; and

WHEREAS, 2515 LLC and Seller have negotiated that the University, acting on behalf of 2515 LLC, is contracting with a qualified environmental engineering firm to design and install the vapor mitigation system, secure a Completion of Vapor Mitigation Response Actions Letter from the MPCA, and take all other actions reasonably necessary to satisfy MPCA VIC Program and Petroleum Brownfields Program requirements to obtain liability assurances. In addition to the vapor mitigation system now required by the MPCA, soil remediation will be necessary when the Property is redeveloped; and

WHEREAS, if the transaction is consummated, 2515 LLC intends to contract with Great Lakes Management Company, the current property manager, to continue the management of the property and act as the owner's agent; and

WHEREAS, it is proposed that the acquisition of the property by 2515 LLC (including vapor mitigation and other closing expenses totaling approximately \$500,000) be financed by the University through the making of two fully amortizing loans with payments of interest only during the first five years, the first by the Temporary Investment Pool (TIP) in the amount of \$34.8 million at 4.5 percent interest and secured by a first lien on the Property (the TIP Loan), and the second by the Consolidated Endowment Fund (CEF) in the amount of \$8.7 million at 8.0 percent interest (the CEF Loan, the Tip Loan and the CEF Loan collectively, the Loans); and

WHEREAS, in order to provide for the funding of potential deficiencies in the ability of proceeds from the operations of 2515 LLC to cover debt service or unanticipated capital or operating needs, it is proposed that the University create and maintain the "2515 LLC Depreciation Reserve Fund" (2515 Reserve Fund), to be funded solely by the portion of the

interest payments associated with the TIP Loan that exceeds the book yield of TIP at time of receipt of each payment.

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the University to approve, as the sole member of 2515 LLC, the company's acquisition and ongoing operations of the property; and

BE IT FURTHER RESOLVED, that in order to enable the Loans to be made, the Board hereby waives the following portions of Board of Regents policies: 1) the latter portion of Section II, Subd. 2 of Board of Regents Policy: *Investment of Reserves* that relates to the interest-bearing portion of TIP investments, with respect to part (a) in that it imposes a maximum duration of seven years for any individual holding, and with respect to parts (b) and (c) in that the credit quality and securities ratings requirements contained therein cannot meaningfully be applied to this investment; 2) parts (4), (5), and (6) of Section II, Subd. 5(b) of Board of Regents Policy: *Investment of Reserves*, which prohibit the direct purchase in TIP of securities that are unrated, private and/or illiquid, or those not traded on a major exchange; and 3) Section IV, Subd. 4 (b)(2) of Board of Regents Policy: *Endowment Fund*, which requires that the direct purchase of securities by CEF be done only in the context of a co-investment sponsored by an existing investment manager; and

BE IT FURTHER RESOLVED, that the Board authorizes the Loans and the establishment of the 2515 Reserve Fund; and

BE IT FURTHER RESOLVED, that the President and his designees are hereby authorized, empowered and directed to execute, deliver and enter into, on behalf of the University, all agreements, instruments and other documents necessary or desirable to carry out this effort.

The meeting adjourned at 12:40 p.m.



BRIAN R. STEEVES
Executive Director and
Corporate Secretary