

RECORD OF THE MEETING

of the

BOARD OF REGENTS
OF THE UNIVERSITY OF WISCONSIN SYSTEM
EXECUTIVE COMMITTEE

Monday, August 1, 2016
10:00 a.m.

Held by telephone conference
1820 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin

PRESENT: Regents John Behling, Mark Bradley, Michael Grebe, Edmund Manydeeds, Regina Millner (Chair), Janice Mueller, and Gerald Whitburn

UNABLE TO ATTEND: Regents Eve Hall and Drew Petersen

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After the roll call and introductions, President Millner explained that all of the items on the agenda were capital planning items that required the approval of the Board of Regents sooner than the Board's regular meeting schedule would allow, particularly to coincide with an impending Building Commission meeting. Stating that each item would be taken up separately, she asked Associate Vice President Alex Roe to provide an overview of each project.

UW-Eau Claire: Authority to Lease Space for the Purpose of Housing

Associate Vice President Roe introduced the first item, which was a request from UW-Eau Claire for authority to lease space for the purpose of housing. The university currently has a housing capacity for 3,754 students and an enrollment of more than 4,000 freshman and sophomore students, which leaves it with a significant shortage of beds. During 12 of the last 15 years, UW-Eau Claire has entered into short-term arrangements with local hotels to house new students in campus-sponsored space. However, the redevelopment of those hotels, coupled with planned renovations of university residence halls during the next several years, will reduce the total bed count by 585 by the fall of 2017. UW-Eau Claire is anticipating a 470-bed shortfall in fall of 2016.

A new lease of 154,372 gross square feet at the Haymarket Landing apartment building would increase UW-Eau Claire's student housing availability to keep pace with housing requests. Haymarket Landing is mixed-use development containing a 410-bed student apartment complex and 34,000 of retail space located one mile from campus. The project was developed

by Haymarket Concepts, LLC, through a partnership between Commonwealth Development, Market & Johnson, and Blugold Real Estate, Inc., on behalf of the UW-Eau Claire Foundation. The residential component is in the process of a condominium conversion, which will then be solely owned by Blugold Real Estate.

Associate Vice President Roe explained that this lease will need to be reviewed and approved by the State Building Commission. The university will lease the facility for five years, with the option of two one-year renewals. Regarding financing, she indicated that UW-Eau Claire will pay rent and provide necessary student services such as resident assistants, security, and mental health counseling.

In response to a question from Regent Whitburn, Chancellor Schmidt indicated that the UW-Eau Claire Foundation has already invested \$10 million in this development, and will borrow an additional \$20 million.

After another question from Regent Whitburn, Associate Vice President Roe clarified that the university attempted to get a 15-year lease, as this would have been more advantageous to the students, but was restricted to a five-year option by the Secretary of the Department of Administration.

Regent Behling moved adoption of Resolution 10726A, granting UW-Eau Claire authority to lease space for the purpose of housing. The motion was seconded by Regent Manydeeds. President Millner asked if there was any additional discussion.

Responding to a series of questions from Regent Mueller, Associate Vice President Roe and Chancellor Schmidt confirmed that the Haymarket Landing apartments are located adjacent to the Confluence Center at UW-Eau Claire. Chancellor Schmidt additionally clarified that of the three entities partnering on this project, Blugold Real Estate, Inc. is the only one affiliated with the university. While the other two companies will work on the first floor retail space, Blugold Real Estate, Inc. will own the five floors of student apartments above that space, as well as the parking.

Regent Mueller inquired as to whether the new apartments would be assigned to freshmen and sophomores, or only juniors and seniors. Chancellor Schmidt indicated that freshmen would not be assigned to this property because the university wanted them on campus, but otherwise assignments would be made based on students' preferences, under the same process used with other residence halls.

Chancellor Schmidt noted that, due to the lack of space, UW-Eau Claire has never enforced the Regents' policy of requiring freshmen and sophomore students to live on campus. While this would be the first year since the 1970s that UW-Eau Claire had not assigned students to hotels, he indicated that renovations to the Tower residence hall the following year would place the university back into a crisis. Residence halls were already operating at over 100 percent capacity; resident assistants were living with roommates; and all of the study lounges had been converted to bedrooms.

Hearing no additional questions, President Millner called for a vote on the motion to adopt Resolution 10726A. The resolution was adopted on a voice vote.

Authority to Lease Space for the Purpose of Housing, UW-Eau Claire

Resolution 10726A That, upon the recommendation of the UW-Eau Claire Chancellor and the President of the University of Wisconsin System, authority be granted to enter into a new lease of 154,372 gross square feet at the Haymarket Landing apartment building for the purpose of housing.

UW-Eau Claire: Authority to Enter in an Agreement with Confluence Council, LLC

Associate Vice President Roe then introduced another request from UW-Eau Claire, for authority to enter into an agreement with Confluence Council, LLC, to provide performing and visual arts space. She provided some background into the Confluence project, which had been in development for several years and was considered by the Board of Regents in 2012. At that time, the Board set down five guiding principles for the development of the project, all of which have since been addressed.

State bonds valued at about \$15 million were provided for the project as part of the 2015-17 biennial budget request, and an additional \$12 million had been raised by the community. The Confluence Arts Center was now seeking approval from the State Building Commission to release the \$15 million in non-state grant funds at the commission's August 2016 meeting. As part of that request, operational costs must be identified; Associate Vice President Roe indicated that this was the reason for bringing this item before the Executive Committee two years before the possible occupation of the facility.

UW-Eau Claire's Haas Fine Arts Center, which houses the departments of art and design, music, and theatre arts, has had only minor repairs and renovations since its original construction. A pre-design study completed in December of 2015 considered various alternatives that culminated in a three-phase renovation plan and the relocation of the Theatre Arts Program into the new Confluence Center. Associate Vice President Roe indicated that the university will not own the Confluence Center but, rather, would enter into a long-term facility rental agreement.

Chancellor Schmidt suggested that the Confluence project is a new model for how the university can work with the community to support economic development. The Confluence Arts Center spurred more than \$100 million in capital improvements in the area immediately next to the Center, even before legislative approval. He praised the project's organizational and ownership structures and noted that Vice Chancellor Michael Rindo, who had been directly involved in putting those together, was available by phone to answer any questions.

Regent Manydeeds moved adoption of Resolution 10726B, granting UW-Eau Claire authority to enter an agreement with the Confluence Council, LLC, to provide performing and visual arts space. The motion was seconded by Vice President Behling, and President Millner then opened the floor to discussion.

In response to a question from Regent Whitburn, Associate Vice President Roe clarified that a reference made in the agreement concerned UW-Eau Claire, and not the UW-Eau Claire Foundation.

Regent Whitburn observed that major downtown projects in some communities have, over time, required additional capital infusions or experienced challenges with ongoing success. Observing that there were many entities involved in the project in addition to initial funding from the state, including UW-Eau Claire, the UW-Eau Claire Foundation, the City of Eau Claire, and Eau Claire County, he asked Chancellor Schmidt about who would own the business plan going forward.

Answering a question from Regent Whitburn, Vice Chancellor Rindo explained that an agreement was reached between the Visit Eau Claire (VEC) Board of Directors and the Eau Claire City Council to change the funding formula for revenues from the city's hotel/motel room tax. Under the new agreement, VEC's portion of the revenues will increase from 54 percent to 70 percent. VEC will then use this increase to fund the Confluence Arts Center's ongoing operational expenses. Vice Chancellor Rindo stated that this commitment of at least 20 years would provide funds of at least \$200,000 annually.

Regent Mueller expressed concerns about the future financial health of the center and whether the university would be paying more than its fair share, but noted that Chancellor Schmidt and others seemed confident on both counts. Referring to the materials provided to the committee members, she observed that the university would be responsible for paying about 22 percent of total operating costs.

At President Millner's request, Associate Vice President Roe explained the differences between a use agreement and a lease agreement, and how a use agreement would work to minimize the university's risk in this case. Unlike a lease agreement, which would give the university an interest in the land and property and make it subject to real estate laws; the facility rental agreement allows the university to operate the spaces inside the facility for 20 years. Having conferred with UW-Eau Claire and the System's legal team, Associate Vice President Roe said that the System was comfortable with the use agreement approach, which would not make the university responsible for the building itself.

Hearing no additional questions, President Millner called for a vote on the motion to adopt Resolution 10726B. The motion was adopted on a voice vote.

Authority to Enter into an Agreement with Confluence Council, LLC, to Provide Performing and Visual Arts Space, UW-Eau Claire

Resolution 10726B That, upon the recommendation of the UW-Eau Claire Chancellor and the President of the University of Wisconsin System, authority be granted to enter into a facility rental agreement with Confluence Council, LLC, to provide performing and visual arts space for a period of 20 years.

UW-Madison: Authority to Lease Space for College of Agricultural and Life Sciences

Associate Vice President Roe indicated that there was an opportunity for UW-Madison to lease a fully-operational 100,000 square-foot crop biotechnology research facility in the city of Middleton. The facility was being vacated by Monsanto Company, Inc. and gifted to the University Research Park, which in turn would lease the facility to UW-Madison for ten years for \$1 plus operating costs. The Wisconsin Crop Innovation Center, which the university plans to establish in the leased premises, will be responsible for paying those operating costs. With this lab and greenhouse complex, the College of Agricultural and Life Sciences would be able to compete more aggressively for crop-related grants. She indicated that this item was being brought forward to the Executive Committee in hopes that all of the documents could be agreed upon by the middle of August.

Kathryn VandenBosch, Dean of the College of Agricultural and Life Sciences at UW-Madison, indicated that this offer from the Monsanto Company had come at just the right time. In considering what use CALS might have for the space, she had learned that while there had been a great deal of federal investment into the study of crop genetics, nowhere in the national public sector was there the capacity for the high-volume investigative work that needs to be done. She reported that CALS faculty have a great interest in being leaders in this area, and had already formed a scientific advisory committee and identified a director for the prospective Wisconsin Crop Innovation Center.

Regent Manydeeds moved adoption of Resolution 10727, granting UW-Madison authority to lease space for the College of Agricultural and Life Sciences. The motion was seconded by Vice President Behling.

President Millner indicated that this was indeed an exciting opportunity. Hearing no questions, she called for a vote on the motion. Resolution 10727 was then adopted on a voice vote.

Authority to Lease Space for the College of Agricultural and Life Sciences, UW-Madison

Resolution 10727 That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to enter into a new lease agreement to provide 100,000 gross square feet of research-based space for the College of Agricultural and Life Sciences.

UW-Madison: Authority to Purchase Agricultural Land for the Marshfield Agricultural Research Station

Associate Vice President Roe then introduced another request on behalf of UW-Madison's College of Agricultural and Life Sciences, this time for authority to purchase two contiguous parcels of land for the Marshfield Agricultural Research Station (MARS). MARS supports agricultural development and conservation, and a large component of its research is centered on nutrient management systems. The addition of this 81.6-acre property would allow

manure application to meet livestock needs, provide acreage for crop production to sustain the dairy herd, and aid in agronomic research trials.

Associate Vice President Roe explained that although the university currently leases this land, long-term ownership is the preferable option because land in that part of the state is highly valuable. Dean VandenBosch affirmed that this land is necessary for the research station's current operations, and noted that this purchase would use the new authority provided to the university by the legislature earlier in the year.

Regent Manydeeds moved adoption of Resolution 10728, granting UW-Madison authority to purchase agricultural land for Marshfield Agricultural Research Station. The motion was seconded by Regent Mueller, and President Millner then opened the floor to discussion.

In response to a question from Regent Whitburn, Dean VandenBosch explained that non-state funds would be used to purchase the land, including available gift funds and program revenue. She noted that the new legislative provisions allowing the purchase of this land could also allow the university to someday sell it and then invest the proceeds in another part of the research station network. Associate Vice President Roe additionally clarified that the university's ability to lease the land is ending because the property is listed for sale.

Hearing no additional questions, President Millner called for a vote on the motion to adopt Resolution 10728. The motion was adopted on a voice vote.

Authority to Purchase Agricultural Land for the Marshfield Agricultural Research Station, UW-Madison

Resolution 10728 That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to acquire two contiguous parcels of land totaling 81.6 acres located in the Town of McMillan, Wisconsin, for \$309,500 Cash.

UW-River Falls: Authority to Demolish the Karges Center and the Nelson Building

Associate Vice President Roe next introduced Resolution 10729, granting UW-River Falls authority to demolish the Karges Center and the Emogene Nelson Building as part of the Falcon Center for Health Education and Wellness project. The building trust funds necessary for Phase III of this project were not available until recently.

Both buildings were built in the early 1960s and currently have an "F" condition rating; Associate Vice President Roe emphasized that these were not buildings that the university wished to keep long term. In addition to the demolition of both buildings, UW-River Falls' master plan calls for the construction of a future residence hall on the Karges Center site, and the expansion of the May Residence Hall on the Nelson Building site. She indicated that it was preferable to demolish these buildings now rather than to leave them vacant, as this would avoid the possibility of people moving into the vacant buildings and allow the university to save money on operational costs.

Regent Manydeeds then moved for the adoption of Resolution 10729. The motion was seconded by Vice President Behling. Hearing no discussion, President Millner called for a vote on the motion and the resolution was adopted on a voice vote.

Authority to Demolish the Karges Center and the Nelson Building, UW-River Falls

Resolution 10729 That, upon the recommendation of the UW-River Falls Chancellor and the President of the University of Wisconsin System, authority be granted to demolish the Karges Center and Emogene Nelson Building as Phase III of the Falcon Center for Health Education and Wellness project for a total project cost of \$1,100,000 (\$700,000 Building Trust Funds and \$400,000 Gift Funds).

Before introducing the next item, President Millner noted that this meeting was providing an interesting overview of some of the alternatives – including leases, use agreements, purchases, and gifts – that are available to help the university manage its facilities. She expressed appreciation to Capital Planning staff at the System and on the campuses for their work in meeting the needs of the university while dealing with financial constraints.

UW-Whitewater: Approval of the Design Report and Authority to Increase the Budget and Construct the Athletic Complex Buildings Project

Associate Vice President Roe then provided some background on Resolution 10730, approving the design report and authorizing an increase to the budget of UW-Whitewater's Athletic Complex Buildings project. The project includes four components: 1) the development of a new Concessions/Press Box building to support baseball services; 2) a new Athletics Grounds Maintenance building; 3) renovation and an addition to the Athletic Services building for multi-sports; and 4) renovation, demolition and an addition to the Baseball Services building.

This project is funded through a combination of gift funds, program-revenue-supported borrowing, and cash. During the development process it became apparent that the original budget would not be sufficient; therefore, the request includes a \$1 million increase to the projects' budget of cash and gift funds. Rather than delay construction of the concessions and grounds maintenance buildings, and in order for DOA to release the project for bidding, the decision was made to raise the additional funds necessary to complete the original design. Opening of the bids was anticipated to happen in October, and both Associate Vice President Roe and UW-Whitewater Chancellor Beverly Kopper expressed hope that those estimates would be lower than the current projected cost.

Regent Manydeeds moved adoption of Resolution 10730. The motion was seconded by Vice President Behling, and President Millner then opened the floor to discussion.

Responding to a question from Regent Whitburn, Associate Vice President Roe clarified that the Board had previously acted to authorize the Athletic Complex Buildings project at a total project cost of \$4.2 million (not \$1.4 million, as was erroneously stated in the materials provided to the Committee members).

Jeff Arnold, Vice Chancellor for Administrative Affairs at UW-Whitewater, answered a follow-up question from Regent Mueller by explaining that the \$1.7 million cash portion of the funding included some reserve balances from the sports teams, as well as some program revenue balances generated from UW-Whitewater's large summer camp operations.

Hearing no other questions, President Millner called for a vote on the motion to adopt Resolution 10730. The motion was adopted on a voice vote.

Approval of the Design Report and Authority to Increase the Budget and Construct the Athletic Complex Buildings Project, UW-Whitewater

Resolution 10730 That, upon the recommendation of the UW-Whitewater Chancellor and the President of the University of Wisconsin System, the Design Report of the Athletic Complex Buildings project be approved and authority be granted to: (a) increase the project budget by \$1,000,000 (\$550,000 Cash and \$450,000 Gift Funds); and (b) construct the project for an estimated total cost of \$5,236,000 (\$1,403,000 Program Revenue Supported Borrowing, \$1,733,000 Cash, and \$2,100,000 Gift Funds).

UW-Whitewater: Authority to Lease Space for the Children's Center and Other Community-Based Outreach Programs

Associate Vice President Roe then introduced another request on behalf of UW-Whitewater, for authority to lease 51,000 square feet of space for the Children's Center and other community-based outreach programs. As part of UW-Whitewater's 2015 master plan, it was determined that, while the campus did not need a lot of new space, it did require some reorganization of its current academic and clinical programs. In addition to the Children's Center, which is currently located in the center of campus, the plan identified community outreach activities that would benefit from more convenient access by members of the community. Associate Vice President Roe noted that the Children's Center's current location prohibits expansion, which in turn limits the number of students it can accommodate.

Relocation of these activities to the new space, centrally located just two or three blocks from the campus, would allow UW-Whitewater to reutilize its current facilities to deal with the pressing needs of its academic programs. The Warhawk Foundation plans to acquire the new building and lease it back to the university, and will provide \$500,000 for renovations. UW-Whitewater will be able to sell the parking spots for additional revenue.

Chancellor Kopper confirmed that this reorganization would help to address UW-Whitewater's critical space needs. Associate Vice President Roe added that the 10-year lease with two five-year options provides the university with flexibility to end or extend the lease depending on future enrollment and programmatic activities.

Regent Whitburn asked what the foundation would do with the building if the university decided not to extend its lease. Jonathan Enslin, Vice Chancellor for University Advancement and UW-Whitewater Foundation President, indicated that the foundation would likely seek to

sell the facility if the university no longer felt it was needed after ten years. The foundation's board had determined that this was an acceptable risk, given the expected benefit to the university.

Regent Whitburn asked a series of follow-up questions. Chancellor Kopper reported that no objections to the arrangement were being raised by Whitewater's city manager or city council. Mr. Enslin indicated that the foundation had not sought the donation of the building, which was privately held.

Regent Whitburn compared the building's \$2.9 million purchase price to the \$7.1 million that would be paid by the university over the ten years of the initial lease. In response, Associate Vice President Roe indicated that if the university instead of the Foundation were to purchase the building, the transaction would need to be enumerated through the state's budget. She also noted that the proposed agreement included \$3,595,500 in base rent and that the remainder of the initial lease term cost consisted of operational costs, which would need to be paid.

Replying to a question from Regent Mueller, Associate Vice President Roe indicated that this lease had been negotiated entirely outside of DOA using the new authority given to the university by the legislature.

Vice President Behling then moved adoption of Resolution 10731, granting UW-Whitewater authority to lease space for the Children's Center and other community-based outreach programs. The motion was seconded by Regent Manydeeds and adopted on a voice vote.

Authority to Lease Space for the Children's Center and Other Community-Based Outreach Programs, UW-Whitewater

Resolution 10731 That, upon the recommendation of the UW-Whitewater Chancellor and the President of the University of Wisconsin System, authority be granted to enter into a new lease of 51,000 square feet of space for the Children's Center and other community-based outreach programs.

Upon introducing the next item, Associate Vice President Roe indicated that these were the first UW-managed projects under the new autonomy established by 2015 Wisconsin Act 55. UW-Madison was seeking to renovate two floors of the Wendt Commons, which are assigned to the College of Engineering. The second floor will be transformed into a student innovation and design center, and the third floor will be renovated into general assignment classrooms.

The first project began at DOA, before the university received its new autonomy. DOA selected an architect and began the design for the renovation of the third floor; those design documents have reached 35 percent, at which point the Division of Facilities Development (DFD) agreed to allow the UW System to assume sole management of the project. The second project began later, under the university's authority. The UW System selected the architect in consultation with UW-Madison, and that design has reached 25 percent, triggering the requirement for Regent approval for projects over \$1 million. The university now wishes to

combine the two projects, which have the same architectural consultant, are located in adjacent spaces, and are scheduled to bid simultaneously, in order to achieve cost and time efficiencies.

Associate Vice President Roe noted that the second floor renovation is a \$2.8 million project, and the third floor renovation is a \$2.9 million project. Combined, these renovations will have a total cost of \$5,839,000 in gift funds. It is the university's intention to release the project for bidding in fall 2016, with construction starting as soon as possible; project completion and occupation of the building are targeted for the beginning of the 2017-18 academic year.

Regent Manydeeds moved adoption of Resolution 10732. The motion was seconded by Vice President Behling. President Millner then opened the floor for discussion.

Replying to a question from Regent Mueller, Associate Vice President Roe confirmed that funding for this project can come only from gift funds; the System is not allowed to use program revenue funds on university-managed projects. The funds for this project came from two separate gifts made to the College of Engineering.

Regent Mueller observed that the Executive Committee was called into session in advance of the State Building Commission's next meeting; however, for some of the items that had been brought forward, the university was exercising its new authority to manage its own projects, which had little to do with the State Building Commission. She noted a lack of precedent for this, as well as the difficulty of doing business over the phone and a preference for the full involvement of the Capital Planning and Budget Committee.

Acknowledging Regent Mueller's concerns, Associate Vice President Roe affirmed that all of the items brought before the Executive Committee either required approval at the State Building Commission's next meeting, or had an August 15th real estate deadline. Concerning the Wendt Commons project, she indicated that because the design documents had reached 25 percent, activity on the project would have to stop until the Board's next meeting, which was three weeks away. Instead, the project was brought before the Executive Committee to keep its aggressive schedule on track.

In response to a related question from Regent Whitburn about the previous item, Associate Vice President Roe explained that the option to purchase the building for the UW-Whitewater Children's Center had already expired, and an additional extension had been issued with the understanding that the item would be taken up at this Executive Committee meeting.

President Millner acknowledged Regent Mueller and Regent Whitburn's concerns, but also noted that the university-managed and gift-sourced projects were still new and would take time to be incorporated into the current system for capital projects. She then called for a vote on the motion to adopt Resolution 10732; the motion was adopted on a voice vote.

Approval of the UW-Madison Wendt Commons Second and Third Floor Projects and Authority to Combine the Projects, UW System

Resolution 10732 That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to complete the design and construction of the following two UW-Madison projects in the Kurt F. Wendt Commons facility: (1) renovation of 13,000 gross square feet of the second floor as a laboratory, (2) renovation of 15,000 gross square feet of the third floor as instructional space; and, in addition, to combine the two projects into one, for a total cost of \$5,839,000 Gift Funds.

UW System: Approval of the UW-Madison Wendt Commons Second- and Third-Floor Projects and Authority to Combine the Projects

Moving on to the final item, Associate Vice President Roe described the projects included in the UW System’s request to construct various all agency maintenance and repair projects. The projects included sanitary sewer system repairs at UW-Parkside; improvements to the southwest precinct vehicle entrance at UW-Platteville; an increased housing complex renovation budget to allow for exterior lead paint removal at UW-Madison; and various energy conservation efforts at UW-Madison and UW-Oshkosh.

Regent Manydeeds moved adoption of Resolution 10733. The motion was seconded by Regent Bradley. There were no questions, and the resolution was adopted on a voice vote.

Authority to Construct Various All Agency Maintenance and Repair Projects, UW System

Resolution 10733 That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated total cost of \$10,551,000 (\$460,600 General Fund Supported Borrowing; \$8,943,500 Program Revenue Supported Borrowing; and \$1,146,900 Cash).

President Millner thanked Executive Committee members for their time, noting that the meeting would prevent delays for several projects.

Associate Vice President Roe also thanked the Executive Committee on behalf of the System and campus capital planning staff. She indicated that future State Building Commission meetings were expected to take place after the Capital Planning and Budget Committee meetings, allowing a return to the regular course of business for capital projects.

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The meeting was adjourned at 10:55 a.m.

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/s/ Jane S. Radue
Jane S. Radue, Executive Director and Corporate Secretary
Office of the Board of Regents
University of Wisconsin System