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Minutes, December 21, 1999

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**MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF TRUSTEES**

THE UNIVERSITY OF CONNECTICUT

University of Connecticut at Storrs
Rome Commons Ballroom
South Campus Complex
Storrs, Connecticut

December 21, 1999

The meeting was called to order at 10:05 a.m. by Chairman Roger Gelfenbien. Trustees present were: Alyssa Benedict, Louise Berry, James Donich, John Downey, Lenworth Jacobs, Claire Leonardi, Michael Martinez, and Frank Napolitano. Trustees who participated by telephone were: William Berkley, Michael Cicchetti, Shirley Ferris, Linda Gatling, Irving Saslow, Richard Treibick, and James Bentivegna, who represents the Governor's Office.

Trustees James Abromaitis, Louise Bailey and Theodore Sergi were absent from the meeting.

University Staff present were: President Austin, Interim Chancellor and Provost for University Affairs Maryanski, Vice President for Institutional Advancement Allenby, Associate Vice President for Institutional Advancement Aronson, Vice Chancellor for Business and Administration Dreyfuss, Vice Chancellor for Student Affairs Triponey, Assistant Attorney General Shapiro, and Ms. Locke.

All actions taken were by unanimous vote of the Trustees present, except as otherwise noted.

The following members of the public addressed the Board on the topics noted:

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|---|----------------------------------|
| •Janet Jones, UConn Alumnus | Jorgensen Auditorium Programming |
| •Mrs. Halvorson-Dellafera | Jorgensen Auditorium Programming |
| •Catherine Kalonia,
Jorgensen Auditorium employee | Jorgensen Auditorium Programming |
| •Meryl Kogan, UConn retiree | Jorgensen Auditorium Programming |
| •Iris Kinnard, Mansfield resident | Jorgensen Auditorium Programming |
| •David Jordan, Professor Emeritus,
School of Engineering | Jorgensen Auditorium Programming |

When provided, copies of individual public statements are attached to the file copy of the Board minutes.

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Chairman Gelfenbien welcomed Vice Chancellor Dreyfuss back from an illness. He also noted the upcoming resignation of Mr. Artie Travis, Senate staff representative to the Board.

Trustee Gatling called into the meeting at this time.

Chairman Gelfenbien called upon Vice-Chair Jacobs to present a financial update. Vice-Chair Jacobs directed trustee attention to the **Overview of the Quarterly Report of the Operating and Research Funds Analysis of First Quarter Operations for the Three Months Ended September 30, 1999** in Attachment 1. Vice-Chair Jacobs summarized a new format for reporting financial revenues, expenditures, and projections on a monthly, quarterly, and annual basis. In his discussion, Vice-Chair Jacobs reviewed the revenues and expenditures of the first quarter and the projections for the remainder of the fiscal year. He noted that future reports will be presented in a similar format. Background information listed as **Attachment 1** is attached to the file copy of the Board minutes.

Trustee Napolitano asked Associate Vice President Aronson to address the specific budgetary concerns. Associate Vice President Aronson responded that the University did not receive the full request for current services from the General Assembly. In an effort to offset a substantial budget shortfall, the administration instituted a hiring delay at the beginning of the academic year 1999-2000, which produced \$1.7 million of the necessary \$2 million needed to balance the budget. She also noted that the increase in enrollment brought in more tuition revenues, but the University had to spend an additional \$600,000 to meet the financial aid needs.

Chairman Gelfenbien noted that he met with Vice-Chair Jacobs, Associate Vice President Aronson, and several University staff members earlier in the day. He assured the Board that there would be a more detailed discussion of the budget status at the Financial Affairs meeting in February.

Chairman Gelfenbien asked Vice President Allenby to present an **Endowment Review**. Vice President Allenby gave a report on the strong growth in the endowment portfolio, professional management of the organization, investment performance, and revised endowment spending policy. Chairman Gelfenbien praised the efforts of the University of Connecticut Foundation staff and the Board of Directors Investment Committee. A copy of the **Handout** is attached to the file copy of the Board minutes.

In response to Trustee Napolitano's question, Vice President Allenby responded that the School of Law's assets were not included in the Endowment Review.

Trustee Jacobs asked Vice President Allenby to discuss future endowment projections. Vice President Allenby discussed the goals of the Capital Campaign and noted that the projections are driven by the Strategic Plan, in which the Storrs-based academic programs, the Athletics program and the Health Center are the top priorities. He also noted that the Campaign's success is measured by meeting the needs of the critical areas of the University.

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Trustee Downey congratulated Vice President Allenby, his staff, the UConn Foundation, and the Board of Directors Investment Committee. He asked Vice President Allenby to explain the relationship between the UConn Foundation and the School of Law Foundation.

Vice President Allenby responded that the School of Law has a separate foundation in which the endowment assets, which currently total \$10 million, are managed. He stated that the Law School is normally included in the Foundation's overall projections and reports. Vice President Allenby noted that discussions are underway to maximize the relationship.

Trustee Berkley noted that he is affiliated with two universities, both of which have joint investment activities. He explained that parts of each university have separate foundations with separate endowments, but jointly invest their endowments to achieve greater diversification. Trustee Berkley encouraged the administration to consider joint investment between the UConn and the Law School foundations. Discussions are currently underway.

A. **The Report of the Chairman** included the following items:

Chairman Gelfenbien asked Vice Chancellor Dreyfuss to present an overview of the **Finding of No Significant Impact for the construction of on-campus apartment style housing**. Vice Chancellor Dreyfuss reported that the environmental study was published for public comment in mid-November. He noted that several public hearings were scheduled whereby the concerns of individuals from the neighboring area and from the Mansfield community were addressed. Copies of the **Handouts** are attached to the file copy of the Board minutes.

Trustee Benedict raised concerns about the comments from the Department of Public Health and from the Office of Policy and Management (OPM). She asked if the recommendations would be incorporated into the final document. Vice Chancellor Dreyfuss asked Mr. Larry Schilling, University Architect, to address the issues. Mr. Schilling responded that the Department of Public Health raised concerns about the removal of asbestos and lead-based paint from House 19 (formerly known as the Cheney House). Mr. Schilling noted that asbestos has been found and will be removed before the building is demolished. Mr. Schilling also reported that OPM commented on concerns that were raised during the public hearings. He assured the Board that all the concerns will be addressed in the final document to OPM. Trustee Downey noted that the proposed recommendations are suggestions not directives; therefore, the University is under no obligation to change its plans unless the circumstances warrant such action.

1. On a motion by Mr. Berkley, seconded by Mrs. Gatling, **THE BOARD VOTED** to approve the Finding of No Significant Impact (FONSI) for the construction of the on-campus apartment style housing. (Trustee Benedict abstained on this item.) (Attachment 2)

Chairman Gelfenbien reported that the financial terms are not finalized for the **ground lease/construction of apartment style housing** and recommended that the Board defer approval of this item until the terms are complete, possibly in January. Trustee Napolitano asked if there were any financial implications with the potential lenders if the

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Board did not approve the ground lease/construction proposal at today's meeting. Chairman Gelfenbien responded that he shared Trustee Napolitano's concerns about the time frame, but expressed greater concern about approving an incomplete financial package.

Trustee Downcy applauded the administration for making great strides toward achieving the goals set forth by the Trustees. He also commended the exceptional work of Assistant Attorney General Paul Shapiro and his staff, and the contributions of the law firm of Halloran & Sage, but cautioned that unresolved issues remain. Chairman Gelfenbien explained that the University expected to receive tax exempt financing for the student apartment complex at an interest rate of 6%. Because of some resistance from lending institutions, the University may have to consider a commercial lending agreement at an interest rate of 7.5 or 8%, which is not acceptable.

Trustee Berkley asked the administration to consider ways to change the structure of the transaction.

2. **THE BOARD REMOVED** the Ground Lease/Construction of Apartment-Style Student Housing. (Attachment 3)

Chairman Gelfenbien asked Vice Chancellor Dreyfuss to discuss the final proposal of the **ground lease and development agreement for a hotel and conference center and accompanying joint use agreement**. Vice Chancellor Dreyfuss reported that the successful competitors for this venture are Campus Associates Limited Partnership, owned and controlled by Robert B. Friedman, and its manager, MeriStar Hotels and Resorts, Inc. Vice Chancellor Dreyfuss assured the Board that this proposal is an economic investment for the University.

Vice Chancellor Dreyfuss gave a brief overview of some of the basic terms of the ground lease and development agreement. He noted that the base rent for years 1-5 is \$5,000 a year and for years 6 and beyond is \$25,000 a year with annual inflation adjustments. The University will receive, fully paid, a 3% interest in the Limited Partnership. The net present value of the lease payments will be about \$258,000 over 25 years and the present value of the equity stake is expected to be approximately \$240,000. The hospitality consultants project that approximately \$400,000 will be realized from the sale of food and beverages in the Rome Commons Ballroom. Vice Chancellor Dreyfuss concluded that all negotiations are complete.

Trustee Downey asked Attorney Paul Shapiro if the University had signed a final agreement. Attorney Shapiro responded that the University is not authorized to sign until the Board authorizes the administration to do so based upon the basic terms and conditions described by Vice Chancellor Dreyfuss. Attorney Shapiro noted that some minor terms of the agreement will be negotiated in the next few weeks. Attorney Shapiro introduced Attorney James Maher from the law firm of Halloran & Sage as the University's representative in the negotiations.

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Trustee Downey asked for more information regarding the non-negotiated terms of the agreement. Attorney Shapiro asked Attorney Maher to address these items.

Attorney Maher responded that the University has not formally signed the ground lease or the joint use agreement. The detailed term sheet, which covers the basic finances of the transaction, has been negotiated. The terms to be negotiated are routine and should not derail the transaction, they include real estate, insurance, and condemnation provisions.

Trustee Berkley asked if the proposal specifies the University's right to restrict or to approve a change in ownership or in management. Attorney Maher responded that the proposal contains these provisions. In response to Trustee Berkley's question, Attorney Maher affirmed that the enterprise could not be sold or the manager replaced without the University's consent.

Attorney Maher responded to Trustee Berkley's concerns about changes in ownership and indicated that the University would have the right of first refusal. Trustee Berkley stated that this provision is different from the University's approval of the purchaser. Attorney Maher said that both provisions are included in the agreement. He also noted that the agreement will include some degree of flexibility with regard to related party transfers only if there are qualified transferees which meet the standards outlined in the lease, such as hotel and financial expertise. There will also be some ability for the initial developer to transfer the project subject to the limitations outlined in the proposal.

In response to Chairman Gelfenbien's question, Attorney Maher confirmed that the University has the final authority on the project. Attorney Maher also noted that the negotiations and discussions thus far have focused on the transfer of the other party's interest. He further noted that this agreement will contain strict qualifications for permitted transferees, e.g., financial and credit standing, and expertise in the marketplace.

Trustee Berkley raised concerns about protecting the University's interests in the agreement.

Trustee Cicchetti raised concerns about provisions to uphold University performance standards. Attorney Maher responded that the agreement will include performance terms approved by the University, which have yet to be agreed upon. A joint use committee, which would consist of representatives from the University, Campus Associates Limited Partnership, Robert B. Friedman et al., and its manager, MeriStar Hotels and Resorts, Inc., will address ongoing issues and remedies to situations that may arise.

Trustee Napolitano asked who was responsible for the final approval of the site plans, the design, and any changes that may occur. Vice Chancellor Dreyfuss responded that he is as the Business Officer and Mr. Schilling is as the University Architect.

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Chairman Gelfenbien expressed concern about giving approval to a partial ground lease and development agreement and recommended that the Board remove this item until a meeting at a later date, possibly in January. Trustee Berkley agreed with the Chairman's concerns. Vice Chancellor Dreyfuss responded that in the past the administration did not routinely bring the details of lease agreements to the Board for approval. Vice Chancellor Dreyfuss anticipated a final agreement in the next few weeks.

Trustee Berkley cautioned the Board that this was not a typical lease agreement, but one that contains a 40-50 year relationship in which financing and operating responsibilities are still unresolved. Chairman Gelfenbien asked what the implications were if approval of the agreement was deferred until January. Vice Chancellor Dreyfuss responded that a delay would not have a significant impact on the transaction except to introduce uncertainty on the University's part in the final negotiations.

Trustee Leonardi recommended that the Board consider an amendment to the resolution. She suggested that the Board approve only the financial terms of the ground lease and then bring back the final agreement at a later meeting. Chairman Gelfenbien and Vice Chancellor Dreyfuss agreed with this recommendation. Chairman Gelfenbien accepted this amendment and asked the Board to vote only on the financial terms of the proposal. Chairman Gelfenbien asked that in the future all items come to the Board finalized.

3. On a motion by Ms. Leonardi, seconded by Mr. Downey, **THE BOARD VOTED** to approve the **financial terms** of the Ground Lease and Development Agreement for a Hotel and Conference Center Adjacent to the University's South Campus and Joint Use Agreement - University of Connecticut and Campus Associates Limited Partnership. The final ground lease and development agreement and accompanying joint use agreement will be brought back to the Board for final approval at its next meeting.

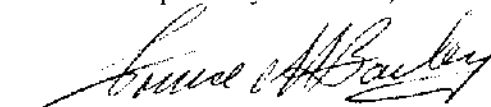
(Trustee Berkley abstained on this item.)

(Attachment 4)

Chairman Gelfenbien noted that the Board will hold a telephone meeting in January. The next regular meeting of the Board of Trustees is scheduled for Wednesday, February 2, 2000 at 1:00 p.m. at the University of Connecticut, Rome Commons Ballroom, South Campus Complex, Storrs, Connecticut.

There being no further business appropriate to the subject of the special meeting, the meeting was adjourned at 10:55 a.m.

Respectfully submitted,



Louise M. Bailey
Secretary