

Board Meeting
November 9, 2006

ROLL CALL

DISCLOSE CERTAIN MINUTES OF EXECUTIVE SESSIONS PURSUANT TO
OPEN MEETINGS ACT

Under the Open Meetings Act passed by the General Assembly, public bodies subject to the Act that conduct business under exceptions specified in the Act must, at least every six months, determine whether the need for confidentiality still exists with respect to each item considered under such exception.

Items from October 1999 through November 2005 that have been heretofore unreleased are recommended for release at this time.

The University Counsel and the Secretary of the Board, having consulted with appropriate University officers, recommend that the following matters considered in executive session for the time period indicated above and marked as “release” be made available to the public at this time.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.

Executive Session Minutes Released to the Public**May 15, 2003, Pages 221, 222, 223****Purchase or Lease of Real Property for the Use of the University**

Mr. Rugg presented the material under this exemption. He stated that he had invited Mr. Michael Provenzano and Ms. Ellen Hamilton, director of real estate, Chicago, to join him for this presentation to assist him. Mr. Rugg explained that State law prevents the sale of University property and retention of proceeds, but does not preclude the trade of non-surplus property. He said that this provides the basis for the proposal to be presented. He then explained that the city of Chicago wants the University-owned Sangamon Street Building, located at 115 South Sangamon Street, in order to develop a park on the site. He said that this property is located north of the Eisenhower Expressway, and north of the east side of the Chicago campus, but not contiguous to any other part of the campus. He noted that it had been a tuberculosis sanitarium in the past. He also indicated that the University had received an appraisal of \$6.2 million for the property. Mr. Rugg told the board that the University had attempted two times in the past to get an exemption to the law in order to sell the property and keep the proceeds, and that these two requests had been referred to Michael J. Madigan, speaker of the Illinois House of Representatives, and he had denied the requests. Mr. Rugg added that if the University sought to relinquish control of the building it would go to the Illinois Department of Central Management Services.

He said that it would be advantageous to trade this building for a more usable building closer to other campus buildings, and he stated that there is such a building, the warehouse building at 1515 West 15th Street, that the University of Illinois Foundation owns that is currently used for storage by the Chicago campus. He said that the warehouse had been appraised at \$6.25 million. Mr. Rugg then explained that the Trust for Public Lands had agreed to purchase the warehouse for \$6.25 million from the Foundation, whereupon the Foundation would pay off the note on the building and reimburse the University for the improvements made. The Trust, as the new owner of the warehouse building, would then trade it to the University for the Sangamon Street Building. This would relieve the University of responsibility for the Sangamon Street Building and provide for it another very usable building.

Mr. Rugg then told the board that since Speaker Madigan had been involved in the past in reviewing proposals regarding the Sangamon Street Building he suggested that he present this proposal to Speaker Madigan in order for the University to be assured that he would not find it objectionable. He said that he would report back to the board after he had a response from Speaker Madigan.

Following this presentation there was brief discussion that involved Mr. Provenzano and Ms. Hamilton.

Mr. Rugg then stated that there was a matter concerning purchase of property at the Urbana campus of which he wished to apprise the board. For this discussion he invited the following individuals to join him: Eugene Pitcher, university director of real estate; Clifford J. Carey, associate director, planning, design, and

construction, Urbana; and Pamela Voitik, assistant vice chancellor for administration and human resources, and director of the Division of Campus Parking and Transportation, Urbana. He asked Mr. Provenzano to present information concerning the property sought.

With the aid of maps, Mr. Provenzano pointed out the location of the property the University desires and explained that if this were acquired there would be sufficient space for constructing a parking facility that is needed, and also an academic building at a later time. He reported that the property is owned by the Newman Foundation next to campus and currently serves as a residence for 40 students. He stated that condemnation of the property was not being recommended since the Newman Foundation is a good neighbor, and there is a long tradition of cooperative relationships between the Newman Foundation and the campus. Rather, he said that a trade of property owned by the University for property owned by the Newman Foundation was recommended. Informal conversations indicated that the Newman Foundation was willing to consider this, providing the trade involved property near their other buildings, because they want to build another residence for the students.

Lengthy discussion followed concerning appraisals of the property sought and the legal concept of “damages to the remainder” regarding the property’s value in compliance with acceptable practices for its severance from contiguous property. Mr. Pitcher stated that the University had obtained an appraisal, and that a second “review” appraisal would be obtained as well. The board cautioned that the appraisals

should be thoroughly reviewed and admonished administration to probe these carefully to avoid paying more than necessary.

September 9, 2004, Page 44

Collective Negotiating Matters

Chancellor Ringeisen referred to the speaker who addressed the board during the public comment session and told the board that that speaker's union was in mediation with the administration at Springfield, following lack of success in coming to agreement through negotiations.

November 11, 2004, Pages 110 and 111

Setting the Price for the Sale or Lease of Property Owned by the University

Sangamon Street Building

Mr. Rugg reported to the board that the city of Chicago had expressed a desire to purchase the University property known as the Sangamon Street Building. He indicated that the University had tried in the past to trade this property for another, to no avail, and now the University would seek a new appraisal and the city would also seek a separate appraisal. He said the best outcome would be to sell the property to the city, deposit the proceeds in the State treasury, and receive a comparable appropriation to purchase a needed property, such as the warehouse building on 15th Street in Chicago that the University seeks to purchase. Discussion followed regarding the likelihood that proceeds of the sale of the Sangamon Street Building would be available for use by the University.

Lease of Land to Physicians Group, College of Medicine at Peoria

The board discussed a proposal to lease five acres of land at the College of Medicine, Peoria, to a physicians group to build a professional building. The public purpose was described as providing a facility where physicians, most of whom have faculty appointments in the College of Medicine at Peoria, would have a professional building near the college in which they might carry out medical education with medical students.

Mr. Bearrows described the lease as a 50-year commitment that would provide for the University to own the building at the end of the lease period.

March 10, 2005, Pages 199, 200

Attendance at this meeting was limited to the trustees, the president of the University, university counsel, and the secretary.

Mr. Eppley turned to President White for comments. The president stated that he had asked that this session be limited to the board, the university counsel, and the secretary rather than following past practice of including all of the University officers. He invited comments from the trustees on this arrangement. The president then asked Mr. Bearrows to report on litigation matters.

May 19, 2005, Page 264

Setting the Price for the Sale or Lease of Property
Owned by the University

University of Illinois College of Medicine at Peoria

President White reported that, as discussed earlier, there was still interest in leasing University property adjacent to the College of Medicine at Peoria to a group of physicians for a professional building at the terms presented at the January board meeting and said the board may hear more of it in the near future.

At this time, Mr. Bruce and Mr. Dorris were excused due to the nature of the material to be discussed in order to eliminate the potential for any conflict of interest.

July 14, 2005, Pages 335, 336

Setting the Price for the Sale or Lease of Property Owned by the University

Chancellor Manning described a proposal to lease University property at the College of Medicine in Peoria to a not-for-profit group of physicians for construction of a physicians' office building of approximately 100,000 gross square feet that would provide another setting for medical education (materials on file with the secretary). Chancellor Manning said the amount of land would be six acres to accommodate a building and a parking garage and that the value of the land is approximately \$3.0 million in current dollars. She said that a lease for 50 years is proposed and that it is recommended that for the first 25 years the rent would be \$1.00 per year, with the percentage of market value

increasing in years 26 through 30 to a percentage of market value of 60 percent, and in years 31-50, this number would increase annually according to the Consumer Price Index with a cap rate to be renegotiated. The chancellor said this arrangement would enhance the educational environment of the campus by affording students another educational setting and having the physicians on the campus. She said discussions have been long, and during this time the leadership of both the college and the city of Peoria has changed and presently there is great desire on the part of the city's leadership to build this facility and thereby keep physicians and their practices in the city.

The board discussed this and considered the terms of the lease arrangement.

The board wanted assurance that the University would have design authority for the office building and the garage. This was assured and the chancellor said that the reversion clause in the proposal calls for the building and garage to revert to the University at the conclusion of the lease.

Dr. Schmidt asked if the local hospitals supported this and the chancellor said they did. Mr. Vickrey asked the chancellor what she sought from the board and she said that she would like consensus on the terms of the lease presented (materials on file with the secretary).

Mr. Sperling asked about appraisals of the property and Mr. Eppley explained that this was a mission-driven proposal. Mr. Shah asked about possible financial default and inquired if the University would inherit debt from this. Mr. Eppley responded stating that this would not happen.

No trustee expressed any dissent with the terms of the lease or the suggestion that negotiations proceed.

President White commended Dean Joseph A. Flaherty, College of Medicine, for his work on this matter and Mr. Vickrey said the University's property in Peoria was an important site. Mr. Eppley added that the University must preserve discretion regarding eventual signage for a professional building or garage.

Chancellor Manning and Vice President Rugg left while Mr. Thomas R. Bearrows, university counsel, joined the executive session at this time.

September 8, 2005, Pages 386, 387

Setting the Price for the Sale or Lease of Property Owned by the University

This concerns setting the price for leasing University property at the College of Medicine at Peoria for a proposed professional building for physicians. Mr. Eppley thanked Mr. Shah and Mr. Vickrey for their help in bringing this arrangement to a conclusion. Mr. Vickrey then explained the discussions leading up to the proposal to lease the University's property. He said he volunteered to assist Dr. Joseph A. Flaherty, dean, College of Medicine, and explained that Chancellor Manning put together a group that included in addition to Dean Flaherty, Professor Thomas R. Rossi and Professor James R. Debord, both of whom are faculty members at the College of Medicine at Peoria, and Dr. Rodney Lorenz, interim dean, College of Medicine at Peoria, to meet with a group of physicians in Peoria interested in leasing the property on which they wish to construct a professional building.

Dean Flaherty summarized the facts, stating first that this would be good for the College of Medicine at Peoria, in that the property considered is adjacent to hospitals and the professional building would provide opportunities for education in ambulatory medicine. He said the physicians group would provide \$15.0 to \$20.0 million for construction of the building.

Dean Flaherty explained the terms of the proposed lease as follows: a 50-year lease at \$1.00 per year, and Mr. Bearrows stated that two 25-year options to renew the lease were also contemplated with two options for rent increases. Dean Flaherty also said that the lease should not limit the use of the building because in future it may be helpful to authorize minor surgery and other procedures in the building. Mr. Bearrows also said that it should be possible to have a pharmacy or restaurant in the building in future.

Mr. Bearrows stated that according to the proposed lease 60 percent of the physicians leasing space in this building must be faculty members at the College of Medicine at Peoria and that at present 100 percent of the physicians interested in this building are faculty members. He also said the Board of Trustees would have design approval for the facility, and that this project was contingent upon a lease with the City of Peoria for a parking garage adjacent to the building.

Mr. Eppley asked about the issue of subordination in the event the physicians group defaulted and Mr. Bearrows told him the firm of Gardner, Carton & Douglas was representing the University in these arrangements and that it was planned that the University's lease rights were to be subordinate to the mortgage.

The board discussed who would have access to the space and Dean Flaherty said it would be open to four groups of physicians and that there were plans to contract with physical therapists to rent space.

Mr. Shah said he struggled to make this happen swiftly and commended Mr. Vickrey for negotiating well. He suggested that the University work out business terms of such projects in the future before involving legal counsel and commented on the amount of legal expenses for this project.

President White said that he had met with 25 leaders of the city of Peoria and found that they supported this proposal and wanted the lease issue settled. He said all view this as something good for Peoria.

Mr. Vickrey stated that Dean Flaherty led the negotiations and deserves credit for the success thus far.

November 10, 2005, Page 468

Setting the Price for the Sale or Lease of Property Owned by the University

Mr. Vickrey commented on the new process for leasing the University's endowment farms and asked that the new procedures be stated in a formal board policy for leasing such properties. There was no disagreement with this suggestion.