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**MINUTES OF THE TELEPHONE MEETING
OF THE BOARD OF TRUSTEES**

THE UNIVERSITY OF CONNECTICUT

University of Connecticut
Bishop Center
Storrs, Connecticut

January 11, 2000

The meeting was called to order at 9:05 a.m. by Chairman Roger Gelfenbien. Trustees who participated by telephone were: Louise Bailey, Alyssa Benedict, Louise Berry, Michael Cicchetti, James Donich, John Downey, Linda Gatling, Claire Leonardi, Michael Martinez, Frank Napolitano, Irving Saslow, and James Bentivegna, who represents the Governor's Office.

Trustees James Abromaitis, William Berkley, Shirley Ferris, Lenworth Jacobs, Theodore Sergi, and Richard Treibick were absent from the meeting.

University Staff present were: President Austin, Interim Vice Chancellor for Academic Administration Archambault, Vice Chancellor for Business and Administration Dreyfuss, Vice Chancellor for Student Affairs Triponey, Assistant Attorney General Shapiro, Dr. Schurin, and Ms. Locke. Vice President for Financial Planning and Management Aronson participated by telephone.

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

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

- (i) Items requiring Board discussion and approval:
 - (a) On a motion by Ms. Bailey, seconded by Mrs. Berry, **THE BOARD VOTED** to authorize the Vice Chancellor for Finance and Business Affairs or the Vice President for Financial Planning and Management to enter into a ground lease and development agreement with Campus Associates Limited Partnership, a Delaware limited Partnership owned and controlled by Robert B. Friedman, for the construction and operation of a hotel and conference center adjacent to the University's South Campus. The development costs will be approximately \$8.1 million. (Attachment 1)

Trustee Gatling joined the meeting at this time.

Chairman Gelfenbien asked Vice Chancellor Dreyfuss to discuss the basic terms of the ground lease and development agreement for a hotel/conference center. Vice Chancellor Dreyfuss responded that the development costs will be approximately \$8.1 million. The term will be a 50-year lease with no extension option. 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 net present value of the

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lease payments will be approximately \$258,000 over 25 years. Vice Chancellor Dreyfuss noted that the University will receive, fully paid, a 3% interest in the Limited Partnership, which is projected at a net present value of approximately \$240,000. He noted that the ground lease provides for the establishment and maintenance of reserves for the maintenance of the building and for furniture, fixtures, and equipment (FFE), to the extent not required by Campus Associates' lenders. The University and Campus Associates Limited Partnership will each pay half of the cost of constructing conduits for utilities to the site. The utilities, e.g., water, chilled water for cooling, steam for heating, sewer, and telecommunications, will be provided and brought to the site by the University. Vice Chancellor Dreyfuss noted that the hotel is expected to be operational by December 2001.

Trustee Downey joined the meeting at this time.

Vice Chancellor Dreyfuss confirmed that the University will protect itself by having the right of first refusal with respect to any sale by Campus Associates Limited Partnership. The name of the hotel/conference center will be mutually agreed upon by the University and Campus Associates Limited Partnership and cannot be changed other than by mutual consent. The manager of the hotel will be MeriStar Hotel and Resorts, Inc., a large operation with approximately 214 properties worldwide. A change in the management of the hotel would require the University's consent. A Joint Use Committee will be established consisting of representatives from the University, Campus Associates Limited Partnership and MeriStar Hotels and Resorts, Inc.

Vice Chancellor Dreyfuss stated that the University has agreed not to develop any competing hotel properties on campus or within a 15-mile radius during the first five years of the ground lease and development agreement without the prior consent of Campus Associates Limited Partnership. If the University proposes another hotel project, the University will be required to obtain an impact study from a nationally recognized hotel consultant mutually agreed upon by the University and Campus Associates Limited Partnership. If the consultants determine that a second hotel would result in a 5% or greater loss of room revenue to the first hotel, then the second project could be blocked. Vice Chancellor Dreyfuss stated that he does not anticipate that a second project will be considered in the near future.

Vice Chancellor Dreyfuss concluded that there has been a lengthy and exhaustive solicitation process for proposals from potential developers. He was confident that the partnership with Campus Associates Limited Partnership and MeriStar Hotels and Resorts, Inc. will provide the University with the best economic value and the most experience in hotel operations.

Chairman Gelfenbien indicated that after discussion with President Austin about past practice, he had reconsidered his request to approve only complete ground lease agreements.

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Trustee Napolitano asked Vice Chancellor Dreyfuss to discuss the Joint Use Agreement as it relates to the use of the Rome Commons Ballroom and to explain what space in the hotel/conference center would be available for conferences. Vice Chancellor Dreyfuss responded that the hotel/conference center will have a restaurant that will seat approximately 75 people and will have 400 square feet of conference space. Trustee Napolitano asked what was the largest gathering the hotel/conference center could accommodate. Vice Chancellor Dreyfuss responded that he has not seen the plans for the hotel/conference center but estimated that the largest conference space could accommodate approximately 150 people. Trustee Napolitano asked how the space would be reserved and whether or not the Rome Commons Ballroom would be available to outside groups of 300-400 participants. Vice Chancellor Dreyfuss responded that the Ballroom would be the only banquet site available to accommodate such a large gathering. The space in the hotel/conference center would be available for smaller meetings. The Joint Use Agreement stipulates that the University will retain the exclusive right to serve food in University buildings.

Trustee Leonardi raised concerns regarding the University's right of first refusal. She asked Vice Chancellor Dreyfuss if the University could control any sale by Campus Associates Limited Partnership. Vice Chancellor Dreyfuss responded that the terms of the right of first refusal are currently being reviewed and that provisions will be developed to protect the University's interest in the event of a transfer of control in which the University does not choose to exercise our right of first refusal. He noted that the University will have the right to approve within certain limitations the identity of a purchaser based upon the purchaser's financial and hotel expertise and business reputation, especially on college campuses.

Trustee Leonardi asked for clarification regarding the provision for the development of an additional hotel. Vice Chancellor Dreyfuss responded that the requirement of an impact study was stipulated for only the first five years not for the duration of the 50-year lease. In response to Trustee Leonardi's concerns regarding the percentage loss of room revenue to the first hotel, Vice Chancellor Dreyfuss responded that 5% was recommended by Horvath Landauer (former known as the Landauer Hospitality Group), the University's hotel consultants out of Boston. They concluded that a 5% or greater reduction in room occupancy was significant. Vice Chancellor Dreyfuss noted that the second hotel would have to be a very large project to impact the first hotel.

Trustee Martinez asked if the ground lease included provisions for internship programs for students. Vice Chancellor Dreyfuss responded that the ground lease does not include provisions for educational opportunities for students but thanked Trustee Martinez for introducing the idea. Vice Chancellor Dreyfuss noted that he will pursue this opportunity with Vice Chancellor Triponey.

Chairman Gelfenbien asked if the net present value of the 3% interest or \$240,000 in the Limited Partnership was calculated over 50 years. Vice

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Chancellor Dreyfuss responded that this figure was calculated over 25 years. Chairman Gelfenbien asked if the 3% of the Limited Partnership was the value. Vice Chancellor Dreyfuss responded that it was the equity stake in the project. In response to Chairman Gelfenbien's question, Vice Chancellor Dreyfuss responded that if Campus Associates Limited Partnership were to sell, the University would receive 3% of the sale.

Chairman Gelfenbien asked if Campus Associates Limited Partnership will pay for the utilities. Vice Chancellor Dreyfuss confirmed that they will pay for utilities at the market rate.

Chairman Gelfenbien asked if the University has determined a value for the establishment of replacement reserves. Vice Chancellor Dreyfuss responded that a value has not been specified. The industry standard for furniture, fixtures, and equipment is 5 years. He noted that a value has not yet been specified for building maintenance, because it is partially dependent upon the design, which has not been approved by the University. Chairman Gelfenbien suggested that the administration specify an amount so that the University can respond to inquiries.

Chairman Gelfenbien asked what the penalty would be if the hotel/conference center was not complete by December 2001. Vice Chancellor Dreyfuss responded that the penalty is being negotiated.

In response to Chairman Gelfenbien's concerns, Vice Chancellor Dreyfuss confirmed that MeriStar Hotels and Resorts, Inc. was investigated by the University and deemed a viable manager for this project.

Chairman Gelfenbien noted that the base rent amounts seemed low but was confident that proper procedures were adhered to in obtaining the highest bid. Vice Chancellor Dreyfuss commented that the value of the proposed economic package, which is a combination of lease payments and equity stake, was the best proposal submitted to the University. Chairman Gelfenbien asked if the University received an offer of more cash and less equity. Vice Chancellor Dreyfuss responded that no such offer was made. He noted that the proposed cash offers were very similar, but only Campus Associates Limited Partnership offered an equity agreement. He also noted that the administration negotiated a higher equity rate than what was proposed.

James Bentivegna asked if there had been discussions regarding the room rates. Vice Chancellor Dreyfuss responded that several discussions have taken place and the rates will be competitive for the area and will be based on the market price for a three-star hotel. Two years ago Horvath Landauer conducted a feasibility study that estimated a rate of approximately \$85.00 per room. Vice Chancellor Dreyfuss projected that at the time of completion the rate will be approximately \$90.00 per room.

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Trustee Donich asked if the University identified a cable provider and if the University foresaw any problems. Vice Chancellor Dreyfuss deferred a response until the current cable issue was resolved.

Trustee Gatling asked when the ground lease would be finalized. Vice Chancellor Dreyfuss responded that he expected a signed ground lease within 2-3 weeks of the Board's approval.

Trustee Benedict asked what the process would be for student use of the conference space and if room discounts would be available. Vice Chancellor Dreyfuss responded that the University has made no agreement for discounted rates. Vice Chancellor Triponey commented that students would have the primary use of the Student Union, South Campus, and the remainder of available space on campus. The hotel/conference center will primarily be utilized by outside functions.

- (b) On a motion by Ms. Bailey, seconded by Mr. Saslow, **THE BOARD VOTED** to authorize the Vice President for Financial Planning and Management or the Vice Chancellor for Business and Administration to enter into a Joint Use Agreement with Campus Associates Limited Partnership for operation of the conference component of the hotel/conference center. (Attachment 2)

Trustee Leonardi asked Vice Chancellor Dreyfuss to explain the financial implications of the Joint Use Agreement. Vice Chancellor Dreyfuss responded that the University's catering business is projected to make in excess of \$400,000 per year with the utilization of the Rome Commons Ballroom. The Joint Use Agreement has provisions for reserving space for annually sponsored core events, e.g., Week of Welcome, Homecoming Weekend, etc. Trustee Leonardi asked if the Joint Use Agreement contained provisions that defined appropriate use of space. Vice Chancellor Dreyfuss responded that both the ground lease and the Joint Use Agreement specify that appropriate use is that which is legal and conforms to the University's rules of conduct.

Trustee Gatling asked if the University would be charged if reserved conference space was not utilized in the hotel/conference center. Vice Chancellor Dreyfuss responded that if reservations were not cancelled prior to the deadline date, then the University would be charged for the reserved space.

B. President's Report

1. President Austin reported that the University is currently negotiating the financial aspects of the on campus student apartments through the Connecticut Health and Education Finance Authority (CHEFA). The University received assurances from Marc Ryan, Secretary in the Office of Policy and Management (OPM), who is also a CHEFA board member, that if the current proposal is not viable an alternative source of financing could be implemented for this project. President

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Austin was confident that an agreement was imminent and noted that a complete report would be made in Executive Session at the February 2 Board meeting. Because of the financing difficulties, the administration recommended plans for alternative student housing for Fall 2000. This schedule will allow adequate time to make 1000 beds available by Fall 2001 instead of the original plan for 500 beds by Fall 2000.

President Austin noted that the Finding of No Significant Impact (FONSI) for the on campus apartments was approved at the December 21 Board meeting and that OPM assured the administration that an approval would be granted by February 15.

2. President Austin gave a brief report on the football stadium. He noted that negotiations are still underway for a stadium at Rentschler Field, the former Pratt & Whitney airfield in East Hartford. Construction of a stadium, which must hold a minimum of 30,000 permanent seats, is the final barrier required for Division IA status. President Austin will provide a more detailed report at the February 2 Board meeting.
3. President Austin updated the Board on the negotiations with Charter Communications. He reported that he was scheduled to meet with the general counsel of Charter Communications and Senator Peters in the near future and anticipated a resolution shortly.

Trustee Napolitano asked President Austin what the impact would be if the University does not have 500 beds available for students next fall. President Austin called upon Vice Chancellor Triponey to comment. She responded that the housing situation would be no worse than this past fall. She noted that approximately 300 students will be inconvenienced for one semester. Vice Chancellor Triponey noted that her staff has not finalized projections nor determined which students will be affected. She noted that the students would not be faced with a mid-year move similar to this year's move at the Northwest Quadrangle. She also noted that there will be approximately 400-600 vacancies this spring from the tripling last fall.

Chairman Gelfenbien asked if the University had plans to close other dormitories. Vice Chancellor Triponey responded that the University will adopt a new policy of completing renovations around the students' schedule. More emphasis will be placed on work during the summer and off-peak times during the year. President Austin confirmed that this is a departure of past practice. Chairman Gelfenbien offered support in the University's negotiations with CHIEFA.

Trustee Gatling raised concerns about the delay in construction of the on campus apartments and asked if the developers were still committed to the project. Vice Chancellor Triponey responded that she has had several discussions with the developer, Capstone Development Corporation. She noted that they are committed to this project, because they anticipate future projects throughout New

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England. Vice Chancellor Triponey noted that the administration will work to finalize a memorandum of understanding and will proceed quickly, once the financing is established, to bring to the Board for approval the ground lease/construction agreement.

Trustee Napolitano asked if the administration could provide the local subscribers to Jorgensen Auditorium an outlet to discuss the reorganization issues. President Austin noted that Interim Chancellor Maryanski was not present at the meeting to address this issue. The President assured the Board that the administration will address any remaining questions by the subscribers. President Austin was confident that Interim Chancellor Maryanski's memorandum adequately addressed the reorganization and assured that there would be no programming changes, especially with the classical music programs. He further noted that Jorgensen will continue to respond to programming requests of its diverse audience.

Trustee Leonardi asked President Austin to address the financing plan of the football practice facilities that the University will have to build on campus at the February 2 Board meeting.

Trustee Benedict asked Vice Chancellor Triponey to provide the current enrollment figures and the number of students that would have to be tripled next fall at the next Board meeting. Vice Chancellor Triponey responded that she will report the current and projected occupancy figures for next fall and Vice Provost Steele will present the current enrollment figures. Vice Chancellor Triponey noted that freshmen enrollment for Fall 2000 will be capped to avoid greater inconvenience.

Trustee Saslow congratulated the research team of animal scientists in the College of Agriculture and Natural Resources for their recent success in producing the first cloned calf from an adult farm animal in the United States.

Chairman Gelfembien reminded the Board that the next 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) in Storrs, Connecticut. He also noted that the ceremony honoring former Board Chairman Lewis B. Rome is scheduled for Wednesday, February 2 at 3:30 p.m. in the Rome Commons Ballroom.

There being no further business, the Board meeting adjourned at 9:40 a.m.

Respectfully submitted,



Louise M. Bailey
Secretary