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**Committee Meeting: 2/7/2007**

**Board Meeting: 2/8/2007**  
Austin, Texas

Rita C. Clements, *Chairman*  
H. Scott Caven, Jr.  
Judith L. Craven, *M.D.*  
Cyndi Taylor Krier  
Robert B. Rowling

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	11:30 a.m. <i>Chairman Clements</i>		
1. <b>U. T. Southwestern Medical Center - Dallas: Request to approve revised Mission Statement</b>	11:30 a.m. <b>Action</b> <i>President Wildenthal</i>	<b>Action</b>	<b>96</b>
2. <b>U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus; authorization to lease back the property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years; finding of public purpose; and resolution regarding parity debt</b>	11:40 a.m. <b>Action</b> <i>President Wildenthal</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>98</b>
3. <b>U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000 for future expansion of U. T. Southwestern University Hospitals; and resolution regarding parity debt</b>	11:45 a.m. <b>Action</b> <i>President Wildenthal</i> <i>Ms. Mayne</i>	<b>Action</b>	<b>103</b>

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4. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. &amp; G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions</b>	11:50 a.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>107</b>
5. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions</b>	11:55 a.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>111</b>
6. <b>U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine</b>	12:00 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>115</b>
7. <b>U. T. Southwestern Medical Center - Dallas: Presentation on approaches to research facilities</b>	12:10 p.m. <b>Report</b> <i>President Wildenthal Dr. Shine</i>	Not on Agenda	<b>115</b>
<b>Adjourn</b>	12:30 p.m.		

1. **U. T. Southwestern Medical Center - Dallas: Request to approve revised Mission Statement**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that proposed changes to the U. T. Southwestern Medical Center - Dallas Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

**Revised Mission Statement**

The mission of U. T. Southwestern Medical Center is to improve the health care in our community, Texas, our nation, and the world through innovation and education. We will educate the next generation of leaders in patient care, biomedical science, and disease prevention; conduct high-impact, internationally recognized biomedical research; and deliver patient care that brings U. T. Southwestern's scientific advances to the bedside - focusing on quality, safety, and service.

**Current Mission Statement**

The University of Texas Southwestern Medical Center at Dallas is a component institution of The University of Texas System and is committed to pursuing high standards of achievement in instruction, research, and clinical activities. Since its inception in 1943, U. T. Southwestern has evolved as one of the leading biomedical institutions in the country and its programs are designed and implemented with the intent to sustain this progress in the future.

As an academic health science center, the central mission of the institution is to educate health professionals whose lifelong career objectives will be to provide the best possible care, apply the most appropriate treatment modalities, and continue to seek information fundamental to the treatment and prevention of disease. Within an environment of interdisciplinary activity and academic freedom at Southwestern, students receive training from faculty scholars who have in-depth expertise in the many specialties of health care and the biomedical sciences. Faculty members also engage in research and patient care so that they can generate new knowledge in the fight against disease and maintain their clinical skills while serving the people of Texas to the best of their ability. Research findings are made available directly to students and indirectly to the general public as practicing professionals adopt new treatment modalities. The focus of the faculty, students, and administration at The University of Texas Southwestern Medical Center at Dallas will remain on providing exemplary educational programs, creating new knowledge, delivering quality medical care, maintaining the highest ethical standards, advancing the scientific basis of medical practice, and demonstrating concern and compassion for all people. Every aspect of the university's operation will be conducted in as cost-effective a manner as possible.

The institution consists of the Southwestern Medical School, the Southwestern Graduate School of Biomedical Sciences, and the Southwestern Allied Health Sciences School and offers degrees and programs with subject matter limited to health-related fields.

The central purpose of The University of Texas Southwestern Medical School at Dallas is to produce physicians who will be inspired to maintain lifelong medical scholarship and who will apply the knowledge gained in a responsible and humanistic manner to the care of patients. The Southwestern Medical School has assumed responsibility for the continuum of medical education. The institution offers instructional programs not only in undergraduate medical education leading to the M.D. degree, but also graduate training in the form of residency positions and fellowships as well as continuing education for practicing physicians and medical scientists. An important focus of the educational effort is training primary care physicians and preparing doctors who will practice in underserved areas of Texas. Another instructional role of Southwestern Medical School faculty members is that of fully preparing those medical students who seek a career in academic medicine and research, including the opportunity to earn both the M.D. and Ph.D. degrees simultaneously.

The Southwestern Graduate School of Biomedical Sciences provides well qualified individuals seeking an M.A., M.S., or Ph.D. degree with the opportunity and the encouragement to investigate rigorously and be creative in solving significant problems in the biological, physical, and behavioral sciences. In addition to acquiring information in their area of research expertise, graduate students at the Southwestern Medical Center are encouraged to develop and test new ideas in the classroom and to communicate their ideas to others within the research-oriented medical community. Although enrolled in a specific program, the students are not restricted to courses in their major field of study. Exposure to a wide variety of academic disciplines is necessary to prepare each individual for the rapidly changing emphasis in the biomedical sciences. Therefore, graduate students at U. T. Southwestern gain a wide perspective of contemporary biomedical science through interdisciplinary courses, seminars and informal discussions involving scholastic interaction with students and faculty from other educational programs within the University.

The educational programs of the Southwestern Allied Health Sciences School have been established to educate individuals at the baccalaureate and master's degree levels for those professions which support the health care delivery team concept. The School offers baccalaureate degree programs in several fields, post-baccalaureate courses of study, certificate programs, and master's degree programs in allied health science fields of study. As an integral part of Southwestern Medical Center, the School works cooperatively in education, research, and service contexts. It prepares allied health professionals of the highest quality and competency to help meet health care needs of the people of Texas. Through research and scholarly pursuits related to health care, it advances scientific knowledge and practices of the allied health profession. It offers consultation, technical assistance, and professional services to meet education and health care needs of the community. In addition, it contributes to the continued growth and development of allied health professions, including reduction of barriers to career

advancement through pathways to graduate or post-graduate education. The School views its community obligations as being important and therefore works actively to publicize career opportunities and respond in an appropriate manner to the requirements of health care institutions, agencies, and service providers in the area.

### BACKGROUND INFORMATION

Changes to the Mission Statement were last adopted on April 23, 1999.

2. **U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus; authorization to lease back the property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years; finding of public purpose; and resolution regarding parity debt**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Wildenthal that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, to

- a. purchase approximately 1.549 acres improved with a building located at 5641 Medical Center Drive, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$3.2 million, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as the site for the main entrance to the U. T. Southwestern University Hospital - St. Paul campus;
- b. lease back the subject property to Ronald McDonald House of Dallas, Inc., for a term not to exceed three years for an annual rent equal to five percent of the purchase price, with all operating expenses to be paid by Ronald McDonald House;
- c. determine that the lease serves a public purpose appropriate to the function of U. T. Southwestern Medical Center - Dallas, and that the consideration to the U. T. System and U. T. Southwestern Medical Center - Dallas for the lease is adequate;

- d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$3.2 million; and
  - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

### BACKGROUND INFORMATION

Ronald McDonald House of Dallas, Inc., operates the Ronald McDonald House on the subject property, which is immediately across Medical Center Drive from the U. T. Southwestern University Hospital - St. Paul campus. The subject property is strategically located at the site identified in the institution's Campus Master Plan as the proposed main entrance to the University Hospital - St. Paul campus. Acquisition of the subject property is essential to the ultimate development of this main entrance. The subject property is within the acquisition area authorized by House Bill 287 passed by the 60th Legislature in 1967. The property is also within the acquisition area identified by the institution in the Campus Master Plan approved by the Board of Regents on August 10, 2000.

Concurrently with the acquisition of the subject property, U. T. Southwestern Medical Center - Dallas will lease back the building and land to Ronald McDonald House of Dallas, Inc., during the term of its construction of a new Ronald McDonald House. The proposed annual rental rate is five percent of the purchase price, or \$160,000 per year, plus payment of operating expenses during the term of the lease. The permitted use under the lease will be solely the operation of the Ronald McDonald House of Dallas.

Market rental would likely be in the range of six or seven percent of the purchase price. Hence, the proposed rental is somewhat below market. The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981) that, for the use of university facilities at a below market rental to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university, (2) adequate consideration must be received by the university, and (3) the university must maintain controls over the user's activities to ensure that the public purpose is achieved.

Ronald McDonald House of Dallas is a temporary residence that serves and sustains families of seriously ill or injured children. The organization provides temporary lodging and other supportive services such as private rooms, three meals daily, laundry facilities, transportation, and family activities for the parents and siblings of seriously ill children receiving treatment at a Dallas hospital. Additionally, the services are often provided at much reduced prices. These services provide invaluable support to patients and families being treated at University Hospital - St. Paul campus, Children's Medical Center, and Parkland Hospital. In 2005, there were 723 family visits to the Ronald McDonald House of Dallas; in 2006, there were approximately 750 visits. Thus, it is U. T. Southwestern's position that the activities of the Ronald McDonald House on the subject property directly support the mission of the institution's clinics and hospitals. U. T. Southwestern Medical Center - Dallas fully expects this support to continue when the new Ronald McDonald House is completed.

To fund the purchase, U. T. Southwestern Medical Center - Dallas will use U. T. System Revenue Financing System (RFS) debt. The \$3.2 million in RFS debt will be repaid from local income. Debt service on the \$3.2 million RFS debt is estimated at approximately \$268,000 annually. The institution's debt service coverage ratio is expected to be at least 1.7 times, and to average 2.3 times during the period from FY 2007 through FY 2011. The terms and conditions of the proposed purchase and leaseback are specified in the transaction summary below:

#### Transaction Summary

##### **Acquisition of Ronald McDonald Site**

Institution: U. T. Southwestern Medical Center - Dallas

Type of Transaction: Purchase

Total Area: Approximately 1.549 acres

Improvements: Building containing approximately 25,962 square feet

Location: 5641 Medical Center Drive, Dallas, Dallas County, Texas; see map

Seller/Tenant: Ronald McDonald of Dallas, Inc., a Texas nonprofit corporation

Purchase Price: \$3.2 million

Appraised Value: \$3.2 million (Mark Donoho Company, August 22, 2006)

Source of Funds: Revenue Financing System debt to be repaid from local income

Intended Use: Future main entrance to U. T. Southwestern University Hospital – St. Paul campus

#### **Lease of Ronald McDonald Site**

Institution: U. T. Southwestern Medical Center – Dallas

Type of Transaction: Lease

Total Area: Approximately 1.549 acres

Improvements: Building containing approximately 25,962 square feet

Location: 5641 Medical Center Drive, Dallas, Dallas County, Texas; see attached map

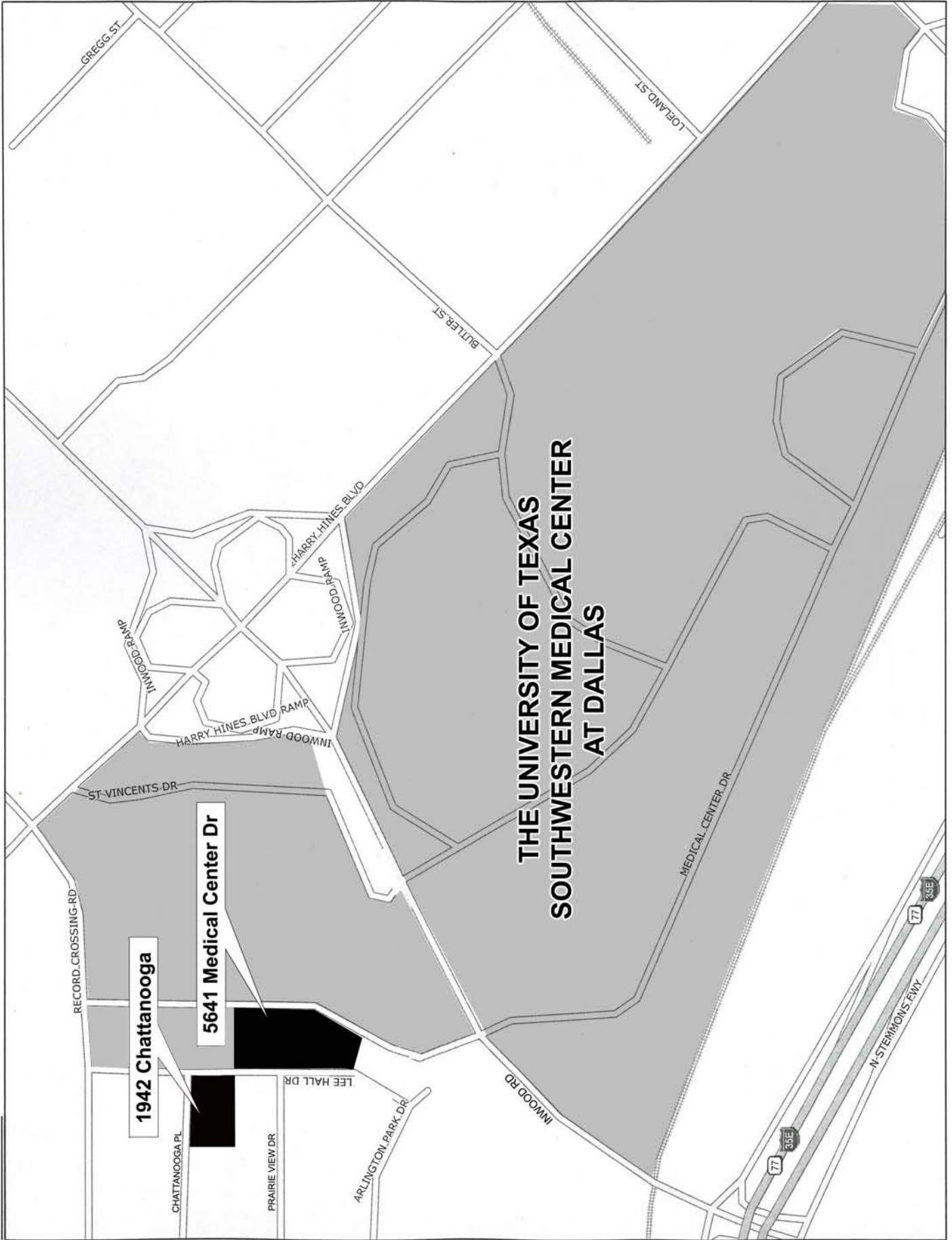
Tenant: Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation

Consideration: Five percent of the purchase price, or \$160,000 annually, plus payment of all operating expenses; permitted use will be restricted to use as the Ronald McDonald House of Dallas

Lease Term: Not to exceed three years

Intended Use: Operation of the Ronald McDonald House of Dallas until Ronald McDonald House of Dallas, Inc., has constructed its new facility





**THE UNIVERSITY OF TEXAS  
SOUTHWESTERN MEDICAL CENTER  
AT DALLAS**

**1942 Chattanooga**

**5641 Medical Center Dr**

3. **U. T. Southwestern Medical Center - Dallas: Authorization to purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000 for future expansion of U. T. Southwestern University Hospitals; and resolution regarding parity debt**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, The Executive Vice Chancellor for Health Affairs, and President Wildenthal that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, to

- a. purchase approximately 0.651 of an acre improved with a building located at 1942 Chattanooga Place, Dallas, Dallas County, Texas, from Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation, for a purchase price of \$810,000, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future expansion of U. T. Southwestern University Hospitals;
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the

Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$810,000; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

### BACKGROUND INFORMATION

Ronald McDonald House of Dallas, Inc., owns the subject property at 1942 Chattanooga Place, Dallas, Dallas County, Texas. The subject property is within the acquisition area authorized by House Bill 287 passed by the 60th Legislature in 1967. The property is also within the acquisition area identified by the institution in the Campus Master Plan approved by the Board of Regents on August 10, 2000.

Acquisition of the subject property is part of the land assemblage for the long-term expansion of U. T. Southwestern University Hospitals. The property is located directly across the street from the current Ronald McDonald House of Dallas. That property, including the 1.549 acres on which the Ronald McDonald House is located, is also proposed for acquisition in a separate Agenda Item (see Item 2 on Page 98). In the short term, the 0.651 acre property will be used as office space for institutional purposes.

To fund the purchase, U. T. Southwestern Medical Center - Dallas will use U. T. System Revenue Financing System (RFS) debt. The \$810,000 in RFS debt will be repaid from local income. Debt service on the \$810,000 RFS debt is estimated at approximately \$68,000 annually. The institution's debt service coverage ratio is expected to be at least 1.7 times, and to average 2.3 times during the period from FY 2007 through FY 2011. The terms and conditions of the proposed purchase are specified in the transaction summary below:

#### Transaction Summary

Institution:	U. T. Southwestern Medical Center - Dallas
Type of Transaction:	Purchase
Total Area:	0.651 of an acre
Improvements:	One-story building containing approximately 9,086 square feet
Location:	1942 Chattanooga Place, Dallas, Dallas County, Texas; see attached map

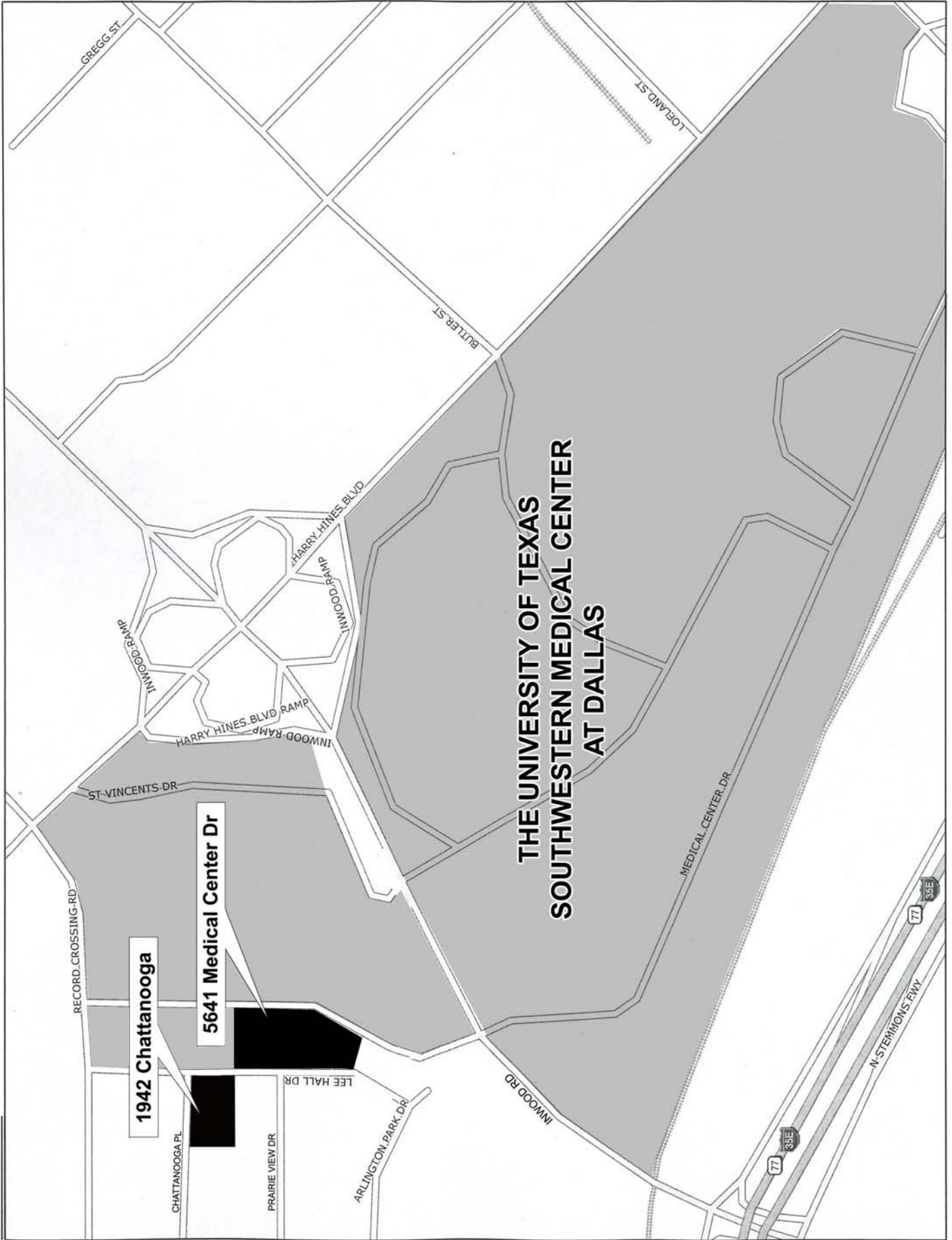
Seller: Ronald McDonald House of Dallas, Inc., a Texas nonprofit corporation

Purchase Price: \$810,000

Appraised Value: \$810,000 (Mark Donoho Company, August 21, 2006)

Source of Funds: Revenue Financing System debt to be repaid from local income

Intended Use: Short-term use will be office space for institutional purposes; long-term use will be expansion of U. T. Southwestern University Hospitals



4. **U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase approximately 28.8008 acres of unimproved real property located at the southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas, and undivided interests in Lots 3 and 4, Block 38, Institute Place Subdivision, Lot 7, Block 11, Institute Place Subdivision, and Lot 2, Block 23, Institute Place Subdivision, Houston, Harris County, Texas, from Institute Place Partners, Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as a location for buildings for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

#### BACKGROUND INFORMATION

Large tracts of undeveloped land in reasonable proximity to the U. T. M. D. Anderson Cancer Center's existing facilities in the Texas Medical Center, Harris County, Texas, are scarce. The 28.8008 acres available in the Institute Place Subdivision, which is referred to as the "Pawnee site," is such a site.

U. T. M. D. Anderson Cancer Center has concluded that its main and south campuses should be reserved for use for research and critical patient care functions. Accordingly, the institution proposes to relocate many administrative and support activities currently in the main and south campuses to allow expansion of the research and patient care functions. The subject property, together with the 2.2497-acre site in Blocks 24 and 25 proposed in Item 5 on Page 111, are intended to serve as relocation sites.

Although neither property is within the most recent Campus Master Plan, both represent strategic acquisitions for the institution. The availability of the properties for acquisition comes at a time when land prices within the core Texas Medical Center (TMC) have risen significantly as users and developers realize how little developable land remains within the TMC. Concurrently, transportation issues between the main and the south campuses have arisen as physicians begin to utilize the research facilities on the south campus. The institution's focus on those issues has led it to identify the strategic importance of keeping research, patient treatment, and key administrative activities in a more compact area. Moreover, the current pace of planned development in the south campus area will likely result in the research park being built out sooner than previously anticipated.

To free up key space within the TMC and to avoid tying up south campus land with lower priority uses, the institution proposes to move many campus support and operations activities out of the central "core" area (the area from the main TMC campus to the south campus) to a location where land values are significantly lower. This move will enable the Cancer Center to maximize its strategic use of more valuable land in the "core" area and to simplify the transportation problems and thus better utilize limited physician and researcher time.

Although the institution will soon have some developable land in the mid-campus area between Braeswood Boulevard and Old Spanish Trail, the number of building sites will be too limited to achieve the institution's relocation plan. Moreover, the relocation of important, but noncritical functions requires land within reasonable proximity to the main and south campuses. The Pawnee site meets this requirement.

The Pawnee site will have direct access to the south campus via Hepburn Street to Cambridge Street. Completion of the Bertner Road extension will provide quick access to the main campus via this same route to the East-West Road across the south campus to the Bertner Road extension.

To fund the purchase, U. T. M. D. Anderson Cancer Center will use institutional fund balances. The terms and conditions of the proposed ground lease are specified in the transaction summary on the next page.

### Transaction Summary

Institution: U. T. M. D. Anderson Cancer Center

Type of Transaction: Purchase

Total Area: Approximately 28.8008 acres

Improvements: None

Location: Southeast corner of Corder Street and the I. & G.N.R.R. Co. railway line, Houston, Harris County, Texas; see attached map

Seller: Institute Place Partners, Ltd., a Texas limited partnership

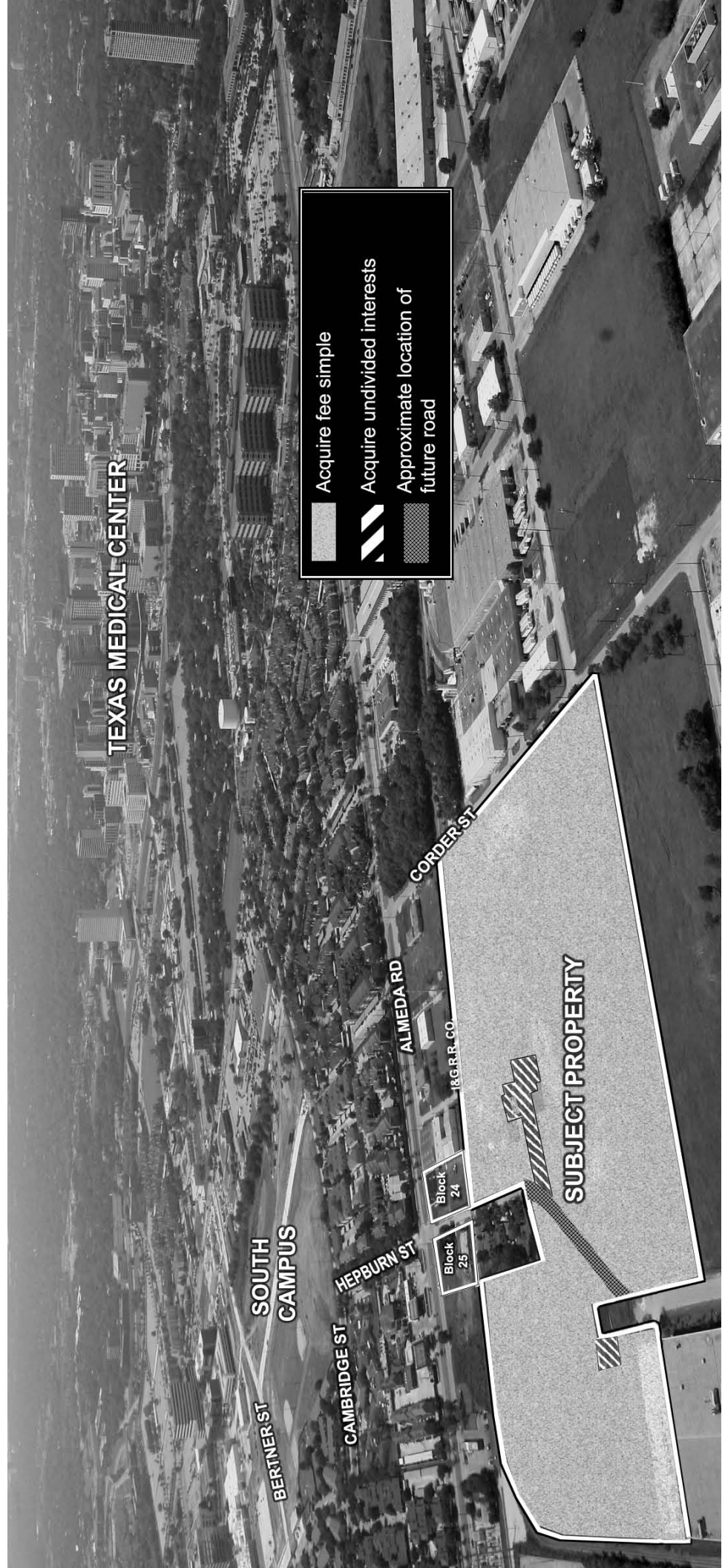
Purchase Price: Not to exceed the fair market value as established by independent appraisals

Appraised Values: \$32,410,000 (\$27.59 per square foot) (Stanfield & Associates, August 14, 2006, as updated October 31, 2006)  
\$35,280,000 (\$28.21 per square foot) (Edward B. Schultz & Associates, December 4, 2006)

Source of Funds: Institutional fund balances

Intended Use: Location for buildings for campus administrative and support functions





TEXAS MEDICAL CENTER

SOUTH CAMPUS

BERTNER ST

CAMBRIDGE ST

HEPBURN ST

ALMEDA RD

CORDER ST

Block 24

Block 25

18G R.R. CO.

SUBJECT PROPERTY

- Acquire fee simple
- Acquire undivided interests
- Approximate location of future road

5. **U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals for future use as a location for buildings for campus administrative and support functions**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase approximately 2.2497 acres described as Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas, and improvements located thereon, from Hepburn Estates, L.P., a Texas limited partnership, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use as a location for buildings for campus administrative and support functions; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

### BACKGROUND INFORMATION

The subject property, Blocks 24 and 25 of Institute Place Subdivision, fronts on Alameda Road and is across the railway tracks from a 28.8008-acre site for which the institution is contemporaneously requesting U. T. System Board of Regents' approval via a separate Agenda Item (see Item 4 on Page 107). The two blocks constituting the subject property lie on opposite sides of Hepburn Street. Hepburn Street will ultimately connect to Pawnee Street, which will run through the 28.8008-acre site.

U. T. M. D. Anderson Cancer Center has concluded that its main and south campuses in the Texas Medical Center (TMC) should be reserved for use for research and critical patient care functions. Accordingly, the institution proposes to relocate many administrative and support activities currently in the main and south campuses to allow expansion of the research and patient care functions. The subject property, together with the adjacent 28.8008-acre site, are intended to serve as relocation sites.

Although neither property is within the most recent Campus Master Plan, both represent strategic acquisitions for the institution. The availability of the properties for acquisition comes at a time when land prices within the core TMC have risen significantly as users and developers realize how little developable land remains within the TMC.

Concurrently, transportation issues between the main and the south campuses have arisen as physicians begin to utilize the research facilities on the south campus. The institution's focus on those issues has led it to identify the strategic importance of keeping research, patient treatment, and key administrative activities in a more compact area. Moreover, the current pace of planned development in the south campus area will likely result in the research park being built out sooner than previously anticipated.

To free up key space within the TMC and to avoid tying up south campus land with lower priority uses, the institution proposes to move many campus support and operations activities out of the central "core" area (the area from the main TMC campus to the south campus) to a location where land values are significantly lower. This move will enable the Cancer Center to maximize its strategic use of more valuable land in the "core" area and to simplify the transportation problems and thus better utilize limited physician and researcher time.

Although the Cancer Center will soon have some developable land in the mid-campus area between Braeswood Boulevard and Old Spanish Trail, the number of building sites will be too limited to achieve the institution's relocation plan. Moreover, the relocation of important, but noncritical functions requires land within reasonable proximity to the main and south campuses. The subject property has direct access to the south campus via Hepburn Street to Cambridge Street, and the completion of the Bertner Road extension will provide quick access to the main campus.

Institutional fund balances will be used to fund the purchase, the terms and conditions of which are reflected in the transaction summary below:

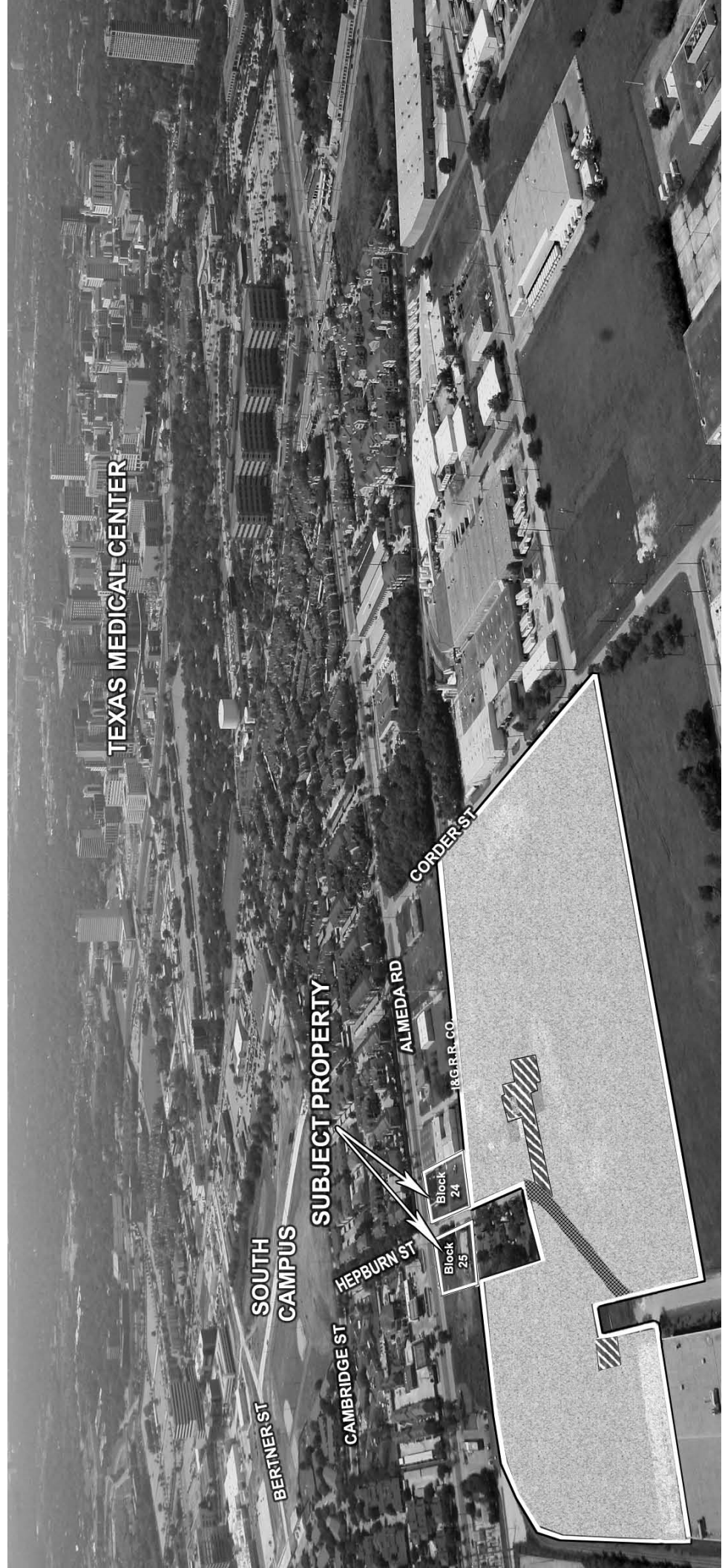
#### Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 2.2497 acres
Improvements:	Block 24 has three metal buildings; Block 25 is vacant
Location:	Blocks 24 and 25, Institute Place Subdivision, Houston, Harris County, Texas; see attached map
Seller:	Hepburn Estates, L.P., a Texas limited partnership
Purchase Price:	Not to exceed fair market value as established by independent appraisals

Appraised Values: \$4,836,000 (\$47.12 per square foot) (Stanfield & Associates, September 5, 2006)  
\$4,105,000 (\$40.00 per square foot) (Edward B. Schultz & Associates, December 4, 2006)

Source of Funds: Institutional fund balances

Intended Use: Location for buildings for campus administrative and support functions



TEXAS MEDICAL CENTER

BERTNER ST

SOUTH CAMPUS

SUBJECT PROPERTY

CAMBRIDGE ST

HEPBURN ST

ALMEDA RD

Block 24

Block 25

CORDER ST

186 R.R. CO.

6. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.

7. **U. T. Southwestern Medical Center - Dallas: Presentation on approaches to research facilities**

REPORT

President Wildenthal and Executive Vice Chancellor Shine will report on research facilities and the factors and considerations used in determining research space needs and requirements. Background materials are set forth on Pages 33 - 46 of the Supplemental Materials (Volume 2) of the Agenda Book.