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REGULAR MEETING OF THE
STATE BOARD OF HIGHER EDUCATION (#763)
PORTLAND STATE UNIVERSITY
MARCH 2, 2006

MINUTES

1. CALL TO ORDER/ROLL CALL/WELCOME

President Lorenzen called the meeting to order at 3:08 p.m.

Board members present: Directors Henry Lorenzen, Gerry Blakney, Bridget Burns, Adriana Mendoza, Tim Nesbitt, Geri Richmond, Gretchen Schuette, Howard Sohn, and Tony Van Vliet. Directors Don Blair and John Von Schlegell were absent due to business conflicts.

Staff members present included: George Pernsteiner, Ryan Hagemann, Jay Kenton, Bob Simonton, and Susan Weeks.

Others present included: Presidents Dan Bernstine, Martha Ann Dow, Khosrow Fatemi, Dave Frohnmayer, John Minahan, Ed Ray, and Elisabeth Zinser. Provost Lesley Hallick was also present (arrived at 3:25 p.m.).

2. APPROVAL OF MINUTES

• Regular Board Meeting, November 4, 2005
• Board Retreat, December 1-2, 2005

Director Dyess moved, seconded by Director Richmond, to approve the minutes of the Regular Board Meeting of November 4, 2005, and the Board Retreat of December 1-2, 2005. Those voting in favor: Directors Lorenzen, Blakney, Burns, Mendoza, Nesbitt, Richmond, Schuette, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

3. REPORTS

a. Chancellor’s Report

Chancellor Pernsteiner pointed out that Vice Chancellor Kenton would be providing the budget schedule for preparation of the 2007-09 budget. The Working Groups will be asked to look at a variety of proposals, some of which have already been considered by the Board and others that have come from the universities or from staff or other organizations. In addition, there will be input from and coordination with the Governor’s office concerning some multi-agency proposals. This may result in some of the items from the Working Groups ending up in another budget.
b. Presidents’ Reports

President Bernstein reported that the previous evening PSU held its annual Simon Benson fundraiser dinner. Over 800 people were in attendance where Ken and Marta Thrasher and Gary and Barbara Ames were honored for their philanthropy. Her Majesty, Queen Noor of Jordan, was the guest of honor and speaker for the event. The graduate School of Education’s Future Leaders Programs, in collaboration with Lewis and Clark, has been designated as an exemplary program by continuing education national professional organizations.

Dr. Jane Lubchenco, Gladys Valley Professor of Marine Biology at OSU, has been awarded the Public Understanding of Science and Technology award from the American Association for the Advancement of Sciences, President Ray shared. Additionally, Dr. Warren M. Washington, an alumnus of OSU, chair of the US Subcommittee on Global Change, a member of the National Academy of Engineering, the American Association for the Advancement of Sciences, and the National Science Board, will be the commencement speaker at OSU. Graduate student Megan Bark, as part of her master’s thesis, recently visited New York to study various voluntary organizations. While there, she was hired to initiate programs working in an area of Brooklyn that has the highest crack cocaine use problem in the nation. She recently was awarded, as a graduate student, a $3.4 million grant to double the size of the summer program that she started two summers ago for students at risk in the New York City area. By the end of the school year, OSU will have signed 13 agreements in its degree partnership program or dual enrollment program. Mas Subramanian, a senior research fellow at Dupont’s Central Research and Development facility, has been hired to the Milton Harris chaired professorship in Material Sciences at OSU. Additionally, he is the first ONAMI signature research fellow. Attracting someone of this caliber would not have been possible without the collaborative ONAMI partnership.

OIT has received notice that its Hybrid Control Systems Junior Project team has been accepted into the top 200 in a worldwide competition for the Windows Imbedded Challenge, a Microsoft project. Their project, was the design of an optimum recyclable hybrid car. OIT won the Cascade Conference Division II NAIA basketball championship and is headed to the finals in Branson. The campaign for a Center for Health is going very well and over $7 million has been raised in a very short period of time.

Students from EOU’s Free Enterprise Program won in regional competition and one student is headed for the national competition. The women’s basketball team won the conference championship.

The Oregon Supreme Court will visit the UO, as it does annually, and will argue three cases before the court there. Physics professor, Jim Brau, has been appointed to the US government High Energy Physics Advisory Panel. Mr. Lorry Lokay, a philanthropist has given the UO a $10 million gift to the College of Education, together with a $2.5 million challenge gift which, if matched, will allow completion of the private fundraising that, in turn, matches the bonding
authority that the Board was able to receive from the Legislature. The UO is seventh overall on the Peace Corps list of volunteers -- this puts it first in the nation for universities of its size. Another draft of the UO Diversity Plan has been completed and is ready for comment. This has been a work in progress by a wide range of people on the campus. The Office of Technology Transfer reported six new start-up companies in the last two years, including a company called Mitoscience. It has not only held its own, it has competed against 58 other emerging ventures to win first prize in the Angel Investing Competition of Oregon and received the winner take all $150,000 prize. Last year, UO inventions earned $3.4 million for the institution, a 77 percent increase from just two years ago. There has been a 50 percent increase in federally sponsored research over the last three years and the UO is currently at over $50 million for the first half of this fiscal year in sponsored research, a record for them. “Our research pays for all of our faculty and then some. Beyond that, it creates 3000 jobs throughout Oregon and federal research on a sponsored basis exceeds the state appropriation to the UO,” President Frohnmayer observed. Three giants in UO’s history have recently passed away: Jewell Hult, for whom the Hult Center is named, was a 90-year-old graduate of the UO; Bob Lewis, a member of the Lewis family that funded the UO neurosciences effort, passed away; and Tom Wildish passed away at the age of 90 years. President Frohnmayer introduced the new Vice President and Provost, Dr. Linda Brady.

President Zinser introduced Jonathan Eldridge, the new Vice President for Student Affairs at SOU who comes from Lewis and Clark College. SOU received the gold award for the highest category of success in the United Way campaign and Dr. Earl Potter was celebrated, as an individual, as United Way Volunteer of the Year. Lawson Inada, an emeritus professor from SOU, has been named Oregon poet laureate by Governor Kulongoski. Mr. Inada’s son, Miles Inada, is an active professor at SOU. Three of the Business School students were supported by Lithia Motors to attend a national meeting on global business. The next stage of planning for the Medford facility has begun with selection of the architect for the project. SOU is also headed to the women’s basketball tournament in Branson and is ranked number two.

This is the sesquicentennial year for WOU and the celebration began with a dinner on January 16th. At that event, it was announced that over $500,000 of new scholarship donations have been raised out of a target, for this one-year, of $1.5 million. Ten of Western’s students formed a team with ten students from Willamette University and they traveled to New Orleans to help with house reclamation and debris cleaning following the hurricane. The chorus from WOU is going to Carnegie Hall in New York City where they have been invited to perform.

“Our students, in kind of the best way possible,” Provost Hallick emphasized, “have, on their own, organized a global health initiative and for four years in a row, have organized the Northwest Regional Global and International Health Forum. A meeting was held a few weeks ago, attended by 850 people and included the humanities, economic impact. It was funded by $60,000 the students raised themselves.” The promise OHSU made to the students after this incredible effort was that a global health program would be developed -- and now Provost Hallick must make good on her commitment. Additionally, OHSU is in the final phase of formulating the OGI integration into its institution.
c. **Provosts’ Council**

The Provosts’ Council recommended, on the consent agenda, approval of three graduate degrees. A great deal of time continues to be spent on working through the issues related to academic response to SB 342. Karen Sprague, working with the Chancellor, has brought together faculty from OUS and the community colleges to extensively look at the outcomes of general education and how an appropriate response can be created to the request of the legislature. “By fall, each of our faculties will have a chance to look carefully at the deliberations and we expect a fairly positive response in time for the legislative session,” Dr. Woodall reported. At the February meeting of the Provosts’ Council, a decision was made to approve the withdrawal of several degrees. “So the Board will not only recommend the approval of new degrees, but when a degree outlives its usefulness and the institution comes back and says they don’t need the degree any longer, we basically go through a process of approval of the removal of those degrees from the System.”

d. **Interinstitutional Faculty Senate (IFS) President**

Dr. Scott Burns, IFS president, indicated that the first meeting of the New Year was in February in Eugene. IFS intends to continue participating in the various groups of the Board. Presentations have begun with faculty senates regarding SB 342, spreading the word about the importance of the bill and the faculty role in implementation. Some IFS members felt there was a diminished role of teaching on some of the campuses, that research had overtaken the key role, and that the value of a liberal arts education remains very important.

e. **Oregon Student Association (OSA) Chair**

Ms. Erin Devaney, chair of the Oregon Student Association, indicated that over the last month, students and staff from OSA have participated in long range planning, attended and contributed to the working groups, and met with OUS staff in an effort to have open lines of communication. “Working together, where appropriate, will benefit not only current and future students, but the state as a whole,” she observed. OSA is encouraged that the Board is not proposing elimination of the legislative cap on the other funds limited category or tuition revenue. OSA is firmly opposed to the concept of a high-tuition/high-aid model and is concerned about the impact on regional institutions that may be forced to increase tuition and lose students from rural areas. OSA remains committed to working with OUS and the Board to resolve the many issues being discussed.

4. **Consent Items**

   a. **Authorization to Award Honorary Degrees, OSU, PSU, and WOU**
DOCKET ITEM:

Summary:
The State Board of Higher Education policy permits institutions, with the concurrence of their faculty, to award honorary degrees. Each institution proposing the award of honorary degrees has received the Chancellor’s approval of criteria and procedures for selection that ensure the award honors distinguished achievement and outstanding contributions to the institution, state, or society.

Oregon State University
Oregon State University submitted the names of two candidates to be considered for conferral of the honorary doctorate at OSU's June 2006 Commencement: Dr. Emery Castle and Dr. Warren M. Washington.

Dr. Emery Castle, whose career has spanned more than half a century, is one of the true pioneers in the study and advocacy for natural resource-based economics and rural economics. His ability to develop and apply economic theories in such vastly different ways opened up new avenues of study that helped farmers, resource managers, and decision-makers to consider such things as the value of water quality and technological innovation.

Dr. Castle first joined the OSU faculty in 1954 as an assistant professor of agricultural economics. He spent the next 39 years as a teacher, researcher, administrator, and public policy analyst. Though he retired in 1993, he remains active today.

His career began in the 1950s, when he co-wrote a textbook on farm management that introduced a generation of students to the fundamental economic principles of management of an agricultural business. As he worked closely with farmers, he observed their struggles with obtaining quality water and dealing with complex water policy issues and he began to lead traditional agricultural economists through a transition to the emerging area of environmental and natural resource economics.

Dr. Castle's students during this time went on to become leading resource economists, and OSU developed an international reputation for its teaching and research in this area, as well as its contributions to public policy. As the scope of natural resource economics grew, in both size and complexity, so, too, did public scrutiny. Yet Dr. Castle's approach to study was always open and multi-disciplinary, bringing the opinions of biologists, political scientists, engineers, and the lay public to the table. No voice was unheard.

His time spent with agricultural practitioners helped Dr. Castle become aware of the special needs of rural areas, and he became one of the leading national voices calling for a better understanding of the changing dynamics of rural economies. In the same way he helped transform agricultural economics to natural resources economics, Castle played a vital role in
introducing rural economists to new complexities facing rural communities, including political divides, local autonomy, and the impacts of space and distance.

In 1976, Dr. Castle was named a senior fellow and vice president of Resources for the Future, an independent non-profit research organization founded in association with the Rockefeller Foundation to investigate the social science and political aspects of natural resources. He was named president of the organization in 1979 and remained at the helm until 1986, leading it through profound changes.

His list of awards and accomplishments is long and distinguished. Dr. Castle chaired the W.K. Kellogg Foundation's national rural studies committee for 10 years. During much of that time, he also served as vice chairman of the state of Oregon's Commission on Environmental Quality. He was elected a fellow of both the American Association for the Advancement of Science and the American Academy of Arts and Science and has received major awards from OSU, professional organizations, and his alma mater, Kansas State University.

Dr. Warren M. Washington is one of the nation's leading atmospheric science and climate researchers and scientific leaders. He also serves, by presidential appointment, on the National Science Board, for which he was first nominated by President Clinton and for a second term in 2000 by President Bush.

After receiving a bachelor's degree in physics and a master's degree in meteorology from OSU, Dr. Washington earned a Ph.D. from Pennsylvania State University and then joined the National Center for Atmospheric Research in 1963. He has spent his entire career working for that organization and, in the process, has developed an international reputation for his studies of the Earth's climate.

Just last year, he and a colleague published an article in the prestigious journal Science that analyzed climate data from around the world over the past 40 years and also outlined the connection between human activities—including the burning of fossil fuels—and global warming.

One of Oregon State University's most distinguished African American alumni, Dr. Washington received the university's E.B. Lemon Distinguished Alumni Award in 1996 and earned a similar award from Penn State. He also has been honored for scientific achievement by the American Meteorological Society, the National Academy of Sciences, the Societe Meteorologique de France, and several universities.

In 1978, he was appointed to the President's National Advisory Board on Oceans and Atmosphere, the beginning of a series of critical national appointments that elevated Dr. Washington into one of the nation's most influential voices on global climate. He later was appointed to the National Research Council, the Secretary of Energy's advisory board, and the National Oceanic and Atmospheric Administration (NOAA) science advisory board.

Dr. Washington also chairs the U.S. Subcommittee on Global Change.
During his long and distinguished career, he has published more than 100 professional papers and co-authored a book, "An Introduction to Three-Dimensional Climate Modeling." He is a member of the National Academy of Engineering, the American Philosophical Society, and is a fellow and past president of the American Meteorological Society.

Dr. Washington is also a fellow and past board member of the American Association for the Advancement of Science.

The awarding of this degree would be contingent on the ability of the recipient to attend our Commencement ceremony in person.

Portland State University
Portland State University requested authorization to award honorary doctorates at Portland State’s 2006 Commencement Ceremony. The University is proud to recognize the impressive achievements and signal contributions of Dr. Norman Leyden, Mr. Frank Rosenbaum, and Congressman Peter DeFazio. President Bernstine is pleased to announce that Congressman DeFazio has graciously accepted an invitation to deliver PSU’s commencement address.

PSU formally requested approval to award an honorary doctorate of humane letters to Norman Leyden, an outstanding member of the local, national, and international music communities. His long and illustrious career includes work with the Glen Miller Orchestra, Tony Bennett, Rosemary Clooney, Frank Sinatra, and Sarah Vaughn. Dr. Leyden has conducted more than 40 leading American symphonies, including the Boston Pops, Minnesota Orchestra, Pittsburgh Symphony, Saint Louis Symphony, San Diego Symphony, San Francisco Symphony, Syracuse Symphony, National Symphony, and the Utah Symphony. His European guest engagements have included performances in Norway, Holland, and Austria. A graduate of Yale University in 1938, Dr. Leyden later earned masters and doctoral degrees from Columbia University, where he also taught for several years.

In 1970, Dr. Leyden joined the Oregon Symphony as Associate Conductor and continues to work with the orchestra since his retirement two years ago. Mayor Tom Potter strongly supports Dr. Leyden’s nomination. In his letter of support, Mayor Potter wrote, “As Mayor of the City of Portland, it is my privilege to extend my support of Norman Leyden to receive an honorary doctorate degree from Portland State University. Norman Leyden has and continues to be an influential member of the City’s cultural community... His contributions to Portland’s residents and visitors have greatly enriched the cultural atmosphere of the City.”

Regarded today as one of the foremost authorities on Big Band music of the swing era, Dr. Leyden frequently presents authentically styled programs and advises orchestras here and abroad on the Big Band sound. In 1993, he received the Governor’s Arts Award, which recognizes leadership and excellence in the arts. The 2005-2006 season marks Norman Leyden’s second as the Oregon Symphony’s Laureate Associate Conductor.
PSU wishes to recognize Fred Rosenbaum’s distinguished career of service to our local community and the broader state with an honorary doctorate. His community leadership with over 30 affiliations, including the chairing of the Human Relations Commission, serving as OMSI president, and chairing the Housing Authority of Portland is remarkable in itself. However, add his military service holding the rank of Private through Brigadier General, while maintaining a thriving business, and you have a remarkable role model for us all.

Mr. Rosenbaum is presently vice president of the American Jewish Committee. Among other distinguished affiliations, he was a member of the Air National Guard and served as Brigadier General, Assistant Adjutant General of the State of Oregon. Mr. Rosenbaum chaired the Housing Authority of Portland for 15 years, working on behalf of low-income families and disabled elderly. His leadership in advocating for low-income housing has created thousands of rental units in Portland for the elderly and others. Mr. Rosenbaum currently serves on the board of directors for the Institute of Metropolitan Studies.

Fred Rosenbaum has been honored by the city and state in numerous ways. In 1976, Portland named its new housing facility for low-income elderly residents Rosenbaum Plaza, in his honor. Also, Camp Rosenbaum, a camp for under-privileged urban children, was dedicated by Governor Vic Atiyeh in 1985 and continues to serve urban youth today. His professional recognitions include lifetime membership in the Million Dollar Round Table, Oregon Life Underwriter of the Year, and the Standard Insurance Hall of Fame. He has been recognized with the State of Oregon Governor’s Award for work accomplished in the field of race relations. Secretary of Defense William S. Cohen awarded him the Secretary of Defense Medal for Outstanding Public Service in 1998.

The University is deeply honored to recognize the work of its Commencement Speaker, the Honorable Peter DeFazio. First elected to the U.S. Congress in 1986, he represents the people of Oregon’s Fourth Congressional District and is the dean of the Oregon House delegation. Congressman DeFazio serves on the House Resources Committee; the Select Committee on Homeland Security and two of its subcommittees, Infrastructure and Border Security and Emergency Preparedness and Response; the Transportation and Infrastructure Committee; the Railroads Subcommittee; the Coast Guard and Maritime Transportation Subcommittee; and the Aviation Subcommittee, where Congressman DeFazio is a vocal advocate for consumers, aviation safety, and security. Congressman DeFazio has always made access to higher education a priority and has been outspoken in his commitment to expanding economic, social, and educational opportunities. This past year, Congressman DeFazio led the Oregon delegation’s work on the reauthorization of the federal transportation act where funding was provided for a new bridge across the Columbia, improvements in highways and roads, expanded public transit systems, and a major research center in Oregon. Congressman DeFazio’s record of public service is extensive.

Western Oregon University
In accordance with Western Oregon University’s policy and procedures for awarding honorary doctorates, WOU requested approval for awarding an honorary doctorate degree to Dr. Richard
W. Woodcock at the June 17, 2006, commencement ceremony. We would like to recognize Dr. Woodcock for his many accomplishments, his contributions to the field of cognitive ability testing, and his contributions to Western Oregon University.

**Dr. Woodcock** was a member of the faculty of Western Oregon University from 1957-1961 as an Assistant Professor of Psychology and Director of the Reading Clinic. Over the course of his career, he has written or co-authored numerous tests used for personal psychological assessment, including the widely used Woodcock-Johnson battery of tests, now in its third edition. These tests have been translated into Spanish, in an effort led by his former wife Dr. Ana Muñoz-Sandoval. New foreign language editions are currently under development as well.

During the time he was at WOU, his campus mentor was Dr. David Brody. In his honor and memory, Dick and Ana established the David S. Brody Endowed Scholarship Fund with the WOU Foundation. This fund, now in excess of one million dollars, provides scholarship assistance to students who are members of underrepresented ethnic minority groups, especially Hispanic, among the student body of Western Oregon University. Additional preference is given to applicants who are first generation college-bound, who are bilingual, who demonstrate financial need, and who demonstrate a strong academic record.

The scientific-empirical test development principles modeled by Dr. Woodcock are now the standard in test development. In 1993, Dr. Woodcock received the Senior Scientist Award from the American Psychological Association, Division of School Psychology, in recognition of his career contributions to the field of school psychology. Widely known for innovation and technical excellence, Dr. Woodcock's work includes features such as co-normed batteries; theory-based test construction; expansive coverage of content; application of a test across the life span; age and grade norms; parallel forms of languages other than English; and cross-language equating.

Because of Dr. Richard Woodcock's contributions to his professional field and to Western Oregon University, we recommend that he be awarded an honorary doctorate from WOU at this year's commencement ceremonies.

**Staff Recommendation to the Board:**
Staff recommended the Board authorize Oregon State University to award honorary doctorates to Dr. Emery Castle and Dr. Warren M. Washington; Portland State University to award honorary doctorates to Dr. Norman Leyden, Mr. Fred Rosenbaum, and Congressman Peter DeFazio; and Western Oregon University to award an honorary doctorate to Dr. Richard Woodcock at their June 2006 Commencement ceremonies.
b. OSU, Change of Use of COP Proceeds

**DOCKET ITEM:**

Oregon State University is seeking Board approval for a proposed change in the use of previously authorized Certificate of Participation (COP) proceeds. In March 2005, OSU received Board approval to use $1,393,700 in COP proceeds to fund a campus technology project to upgrade administrative systems, including the purchase of hardware and major upgrades in Oracle, SCT Banner, and Blackboard software. OSU is now seeking Board approval to use these proceeds as follows: $600,000 for an Oracle upgrade and the remaining $793,700 to fund the implementation of a document management project. In addition, OSU is requesting $100,000 of COP authority from the 2005-2007 COPs approved by the 2005-2007 Legislative Assembly to complete the funding of the document management project.

*Staff Recommendation to the Board:*

Staff recommended that the Board approve OSU’s request for the change in use of COP proceeds.

c. PSU, Ph.D. in Biology

**DOCKET ITEM:**

The proposed Ph.D. in Biology will prepare needed research biologists for the growing industry clusters that rely on biological research. This program builds on PSU’s focus in the sciences and it is supported by faculty who have expanded research substantially in recent years.

The Ph.D. in Biology is a 56 credit hour program, including 15 credits of core required graduate courses, 14 credits of graduate electives, chosen collaboratively by the student and advisor, and 27 credits of dissertation research. The curriculum emphasizes research preparation, both in terms of specific skills associated with inquiry and with an understanding of the research culture, including the publication and dissemination process and the grant preparation and acquisition process. Although this will be a general degree in biology, the current emphasis and strengths of the faculty will provide a special emphasis on understanding the genetic processes underlying similarity and difference in biological functions. The Biology Department has three core research areas in Ecology/Evolution, Cell/Systems Physiology, and Molecular/Microbiology.

The program is designed to produce research biologists with the skills to engage in advanced research in the core areas of the program strength. The external review team offered a very strong review, noting that “two of the major new commercial technologies are in the biological sciences: biotechnology and nanotechnology. Students who obtain their Ph.D. in biology find ample employment opportunities in this area in major urban settings. To more fully participate in the new technology industries, Portland and its environs will need to train biology students
at all levels including the Ph.D. level. It is noteworthy that the biotech industry provides employment for higher wage employees with little adverse impact on the environment."

The program will target baccalaureate and master’s degree students with a strong preparation in sciences and mathematics, particularly those with previous academic or commercial research experience. Based on experience the Biology Department has had with the Environmental Sciences and Resources (ESR) Ph.D. degree, PSU expects half of the students to be out-of-state. The proposed degree will not substantially overlap with the existing ESR multi-disciplinary program and both degree programs will be supported by the Biology Department, as they target students with different needs and aspirations.

In five years time, PSU expects to have about 30 students enrolled at most times, with approximately 6 graduates per year from this program.

All appropriate University committees and the OUS Provosts’ Council have positively reviewed the proposed program. The external review team report provided additional positive support.

 Recommendation to the Board:
The OUS Provosts’ Council recommended that the Board authorize PSU to establish an instructional program leading to a Ph.D. in Biology, effective Fall 2006.

d.  UO, Master of Laws in Environmental and Natural Resources Law

DOCKET ITEM:

The UO School of Law proposes to offer a Master of Laws (LL.M.) in Environmental and Natural Resources Law. This degree will provide advanced training in environmental and natural resources law to lawyers from the United States and other countries who have a Juris Doctor (J.D.) degree or a law degree from another country.

The main objective of the proposed masters program is to provide excellent academic training in environmental and natural resources law to Oregon, U.S., and foreign lawyers who were unable to obtain such education during their initial legal training and to increase the pool of lawyers who have an advanced mastery of these fields in order to provide businesses, government, and nonprofit organizations with the legal advice that they need.

The LL.M. program will provide a pool of highly educated lawyers with world-class expertise in environmental and natural resources law, including skills relating to both domestic and international legal matters. Oregon businesses and law firms, including those that are often in the forefront of the “sustainable business” movement, will benefit from graduates who choose to work in Oregon after obtaining their degree. They will benefit even from those graduates who do not remain in Oregon, as the contacts with Oregon-trained specialists will prove invaluable. During their education, the program will introduce LL.M. students to potential employment opportunities in Portland and elsewhere in Oregon.
The proposed LL.M. program will attract a new cohort of students to the Law School. It will not be available to individuals enrolled in the Law School’s J.D. program, although post-J.D. alumni may apply for the LL.M. The Law School expects that the LL.M. program will attract new students who would not otherwise come to the institution, including American lawyers who want additional specialized training and foreign lawyers with J.D. or equivalent degrees who want to enhance their national legal education with a U.S. LL.M. diploma. These legal practitioners will provide substantial enrichment to the Law School’s J.D. candidates, who will benefit from interacting with individuals having experience and expertise in a wide variety of specialties. Enrollment is expected to be capped at 20 students and has a proposed requirement of 2 semesters in residence and 24 semester-credits, which is the normal standard for such programs.

An external review panel made a site visit and the recommendations they presented were implemented as appropriate.

All appropriate university committees and the OUS Provosts’ Council have positively reviewed the proposed program.

**Recommendation to the Board:**
The OUS Provosts’ Council recommended that the Board authorize the UO to establish an instructional program leading to a Master in Laws (LL.M.) in Environmental and Natural Resource Law, effective Fall 2006.

e. WOU, Master of Music in Contemporary Music

**DOCKET ITEM:**

The Master of Music (M.M.) in Contemporary Music is a flexible degree that allows students to study contemporary practice in one or more areas of concentration. In addition to a 12-credit common core, students will take 12 credits of academic electives in music and 30 credits of applied music. The master’s program is unique in its approach to contemporary musical practice and its flexibility with respect to concentration area. One specific distinction is the requirement of a compact disc as an exit project. This places the art of recording on the same artistic plane as the art of live performance and recognizes the centrality of the recording arts in contemporary music practice.

The goal is to provide a rich curriculum that explores the broad scope of world music in the 21st century. The program would add another dimension to the learning environment as classes are staged with professor, graduate, and undergraduate students interacting together. Within a culture of excellence and innovation, the master’s degree would meet a growing demand for musicians with advanced academic training in contemporary music. The outcome of this program will be graduates who contribute to the cultural landscape of Oregon and the wider community of musicians.
The Oregon economy includes a number of significant sectors—such as tourism, film and television production, entertainment, and education—in which music plays a vital role. This program will provide musicians with the skills to meet these needs through the broadly-versed perspective necessary in the global marketplace.

Musicians with advanced academic training in contemporary music will be in increasing demand as universities move inexorably toward a more inclusive, globally-aware curriculum. Conversations with undergraduate students and colleagues in Oregon and beyond have confirmed the importance and attractiveness of this program.

The target population includes students throughout the state and the region who complete undergraduate degrees in music each year, as well as talented working professional musicians with undergraduate degrees who want to develop their skills so they can increase their employability as artists and/or educators. There are only a handful of programs nationwide that embrace contemporary musical languages and even fewer that offer master’s degrees where those languages are rigorously taught. The proposed M.M. in Contemporary Music would serve both of these populations well.

An external review panel made a site visit and the recommendations they presented were implemented as appropriate.

All appropriate university committees and the OUS Provosts’ Council have positively reviewed the proposed program.

Recommendation to the Board:
The OUS Provosts’ Council recommended that the Board authorize WOU to establish an instructional program leading to a Master of Music (M.M.) in Contemporary Music, effective Fall 2006.

f. Tuition and Fee Recommendations, Amendment to OAR 580-040-0035, 2006 Summer Session Fee Book

DOCKET ITEM:

Background:
The tuition and fees, housing rates, and policies submitted here for consideration relate to the 2006 summer session. There are separate tuition and fee structures for the regular academic year and continuing education programs. This fee book addresses mandatory enrollment fees including tuition, building, resource, incidental, and health fees. The housing section reflects contract policies and rates for dormitory housing.
Institutions have the authority to assess tuition on the current per-credit-hour basis or to align to the structure of the preceding academic year. Tuition for summer session has generally been assessed on a per-credit-hour basis, without tuition plateaus for full-time students.

Oregon State University is requesting that fourth year Veterinary Medicine students be assessed their annual tuition over four terms rather than the three terms during the academic year to accommodate their block schedule, which includes summer classes. If students do not register and pay tuition during the summer, then they are not eligible for financial aid for summer living expenses and other instruction-related costs. Previously, OSU has contracted with Washington State University to provide instruction to fourth year Veterinary Medicine students.

Attached is a proposed fee schedule for summer 2006, which divides the annual tuition rate by four. It is based on the 2005-06 annual tuition rate plus an increase of 5 percent for 2006-07. Fourth year students will pay the same annual amount of tuition as other Veterinary Medicine students but will also be assessed summer session fees of $315.75, which they have not paid in the past.

Summary of Changes and Recommendations:
To implement this change, OSU is requesting an amendment to the 2006 Summer Fee Book and will submit a comparable change to the 2006-07 Academic Year Fee Book that the Board will consider in June 2006.

OREGON STATE UNIVERSITY - VETERINARY MEDICINE
2006 Summer Session Tuition and Fees

<table>
<thead>
<tr>
<th>Credit Hours</th>
<th>Graduate Tuition</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residents</td>
<td>Non-Residents</td>
<td></td>
</tr>
<tr>
<td>Full-Time</td>
<td>3.566</td>
<td>7,102</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34.00</td>
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<td></td>
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<td>125.00</td>
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<tr>
<td></td>
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<td>96.75</td>
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<td></td>
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<td>315.75</td>
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<td></td>
<td></td>
<td>3,881.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,417.75</td>
</tr>
</tbody>
</table>

Footnote:
Fourth Year students taking a series of study, externship, and vocation blocks from mid-July through early June will be assessed four term fees during that period of time. Fee payment dates will correspond to normal Summer, Fall, Winter, and Spring term schedule.

Qualified tuition and fees do not include student health insurance fees for Tax Relief Act reporting.

Staff Recommendation to the Committee:
The staff recommended that the Board approve the proposed tuition and fee changes for Oregon State University’s Veterinary Medicine program for 2006 summer session. Specifically, staff recommends that the Board amend OAR 580-040-0035 as follows:

Summer Session Fee Book OAR 580-040-0035
The document entitled "Summer Session Fee Book 2006," dated January 06, 2006, is hereby amended by reference as a permanent rule. All prior adoptions of summer session fee documents are hereby repealed except as to rights and obligations previously acquired or incurred thereunder.

Through the OAR amendment, the Board adopts the document entitled Summer Session Fee Book 2006. The Chancellor will be permitted to authorize minor clerical adjustments to the final document, if necessary.

BOARD DISCUSSION AND ACTION:

A motion was made by Director Schuette and seconded by Director Van Vliet to approve the consent items as presented. Those voting in favor: Directors Blakney, Burns, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

5. **ACTION ITEMS**

a. **OSU, Energy Plant**

DOCKET ITEM:

*Summary:*
Oregon State University seeks Board approval to authorize the Chancellor to seek an increase in expenditure limitation, at the Legislative Emergency Board, for the OSU Energy Plant Project. The $55 million project was approved during the 2005-2007 Legislative session; however, only $4 of expenditure limitation was authorized as a “place holder,” pending completion of the funding package. In order to meet the construction schedule, Legislative Emergency Board approval is required for a phased project.

*Staff Report to the Board:*

*Background*
The Oregon State University (OSU) campus energy infrastructure, including the steam and electrical systems, was installed over the last 50 to 100 years. The primary elements of these energy systems have reached the end of their useful, reliable life. The existing systems are antiquated, inefficient, and, in many cases, failing.

*Electrical System:* The underground electrical distribution system has experienced over sixty unpredicted failures in the last five years. The failures have disrupted campus operations and resulted in the loss of significant long-term research. A survey of this system has determined that most of the electrical distribution system has served well beyond its expected life and must be replaced. If it is not replaced, the system can be expected to continue to fail at unpredicted times and locations, thereby posing a serious risk to campus teaching and research activities.
The on-campus electrical system was constructed, operated, and maintained by OSU from its inception until 1990, when it was sold to PacifiCorp. The sale of the campus electrical distribution system to PacifiCorp in 1990 included a provision allowing OSU to repurchase the system for $1.00 plus the cost of any subsequent improvements. In order to improve the reliability of the on-campus electric distribution system, OSU is currently engaged in discussions with PacifiCorp and the Oregon PUC to repurchase the system.

**Steam Systems:** Two of the five boilers in the central steam plant are not operable. The remaining three boilers cannot meet the peak winter steam demand. The loss of one of the three boilers during the winter could result in heating curtailments that would adversely affect campus operations and threaten temperature sensitive research. The building containing the boiler plant does not meet current seismic or building code requirements and has been determined by a seismic consultant to be at risk of possible collapse during a mild seismic event. The plant piping system and distribution infrastructure within the plant and on campus have aged to the point where major repairs and replacements are necessary.

**Reliability Requirements:** OSU must have reliable and efficient energy supply systems to carry out its role as one of the primary teaching and research universities in Oregon. The University cannot successfully operate with an electrical system that fails unpredictably or a steam supply system that is inadequate to heat the campus during winter months or to allow for future campus expansion. Replacing and upgrading the existing energy infrastructure at OSU is a mandatory requirement.

In short, it is critical that the systems be replaced to ensure the operating integrity of OSU. The new Energy Center will replace these antiquated, inefficient systems with the high-efficiency systems needed to meet the energy and environmental challenges of the future.

**Project Development:** The Energy Center is currently being designed by Carter-Burgess to the highest level of energy efficiency and sustainability and will deliver the following benefits:

- Ensure the lowest future operating cost in an escalating energy market
- Provide on-campus power generation to protect against utility system disruptions
- Conserve 80 to 100 percent of the electricity OSU consumes from the local electrical grid
- Reduce by at least 30 percent the fossil fuel needed to produce OSU’s electricity
- Reduce global air emissions, including a 50 to 70 percent reduction in greenhouse gases
- Reduce water consumption by 70 percent compared to conventional power generation
- Provide facilities for sustainable/renewable energy research and demonstration
- Provide facilities for teaching energy and environmental professionals
Statement of Need:

The Energy Center and supporting facilities will include the following major elements:
- Combined Heat and Power (CHP) Facility
- Electrical Power Grid Repair and Replacement
- Energy Center Building and Site Improvements
- Steam Distribution System Improvements

In addition, the Energy Center building will include teaching and research facilities that will be integrated into the OSU Colleges of Engineering, Forestry, Environmental Studies, and Agriculture. The teaching and research facilities will provide a vehicle for developing sustainable energy and environmental technology for the future. The Energy Center facility will also include a new campus telephone switch room and supporting systems.

In order to proceed with construction of the facility, Legislative spending authorization will need to be restored to the $55 million level as outlined in Table 1. The funding model for the new Energy Center was developed to take advantage of alternative funding sources made available by the sustainable design features of the plant. By adopting the combined heat and power plant process (CHP), OSU will be able to attract $49 million of funds that would otherwise not be available if the existing plant was replaced with a steam-only generation plant.

Table 1
The CHP process makes available the following sources of funds:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Energy Tax Credits</td>
<td>$4</td>
</tr>
<tr>
<td>The Energy Trust of Oregon</td>
<td>$3.5</td>
</tr>
<tr>
<td>The Climate Trust</td>
<td>$2.5</td>
</tr>
<tr>
<td>Donation</td>
<td>$2</td>
</tr>
<tr>
<td>Article XI-G-Bonds</td>
<td>$12</td>
</tr>
<tr>
<td>Article XI-F(1) Bonds</td>
<td>$25</td>
</tr>
<tr>
<td>CHP Funding Total</td>
<td>$49 million</td>
</tr>
</tbody>
</table>

Funds available for all scenarios:
- Def. maintenance reserve: $6

Total Project Funding: $55 million

The Energy Plant Project has received approval by the Oregon Department of Energy to solicit $4 million of pass-thru Business Energy Tax Credits. The project has also made the short list for consideration by the Climate Trust, with a decision anticipated on March 6, 2006. Although OSU anticipates receiving some level of support from the Energy Trust, an award amount and
approval date is not known at this time. A more detailed formal application will be made in March.

Schedule
Due to the timing of the matching funds, the Energy Plant Project will be completed in two phases, as shown in Table 2. The phases include the following scopes of work:

Phase 1: Construction of a new building with two boilers; to be operational by December 2007. The new boilers need to be installed as soon as possible to mitigate the risk of a catastrophic failure of the existing steam plant, which could force the closure of the OSU campus for several months. Also included is the construction of an underground Utilidor, which will house the piping to tie-in the new plant to the existing campus infrastructure. Staff considered several financing methods and have determined that Article XI-F (1) bonds are the most economical means for financing the project. The OSU utility budget will assume the debt service, net of the energy savings realized from the installation of more efficient boilers, until Phase 2 is completed.

Phase 2: Installation of the cogeneration system and upgrade of the electrical distribution system. Phase 2 is contingent upon receiving the matching funds, in order to sell the Article XI-G bonds. If adequate funds are not committed, this phase will be postponed or eliminated. If so, the utility savings generated by the CHP process will not materialize and the OSU operating budget will continue to assume the additional Article XI-F(1) bond debt service.
### Table 2

**OSU Energy Plant Project**  
Estimated Cost per Phase (\$ in millions)

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
<th>Construction Cost</th>
<th>Annual Debt Service</th>
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</thead>
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<tr>
<td>Phase 1</td>
<td><strong>New Steam Plant</strong></td>
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<tr>
<td></td>
<td>Funding:</td>
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<td></td>
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<td></td>
<td>Business Energy Tax Credits</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Article XI-G Bonds</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deferred Maintenance Reserve</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Article XI-F Bonds</td>
<td>25</td>
<td>1.7</td>
</tr>
<tr>
<td>Phase 2</td>
<td><strong>CHP &amp; Electrical Distribution System</strong></td>
<td>$22</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>Funding:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Business Energy Tax Credits</td>
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<td></td>
<td>The Energy Trust of Oregon</td>
<td>3.5</td>
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<td>The Climate Trust</td>
<td>2.5</td>
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<tr>
<td></td>
<td>Donation:</td>
<td>2</td>
<td></td>
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<tr>
<td></td>
<td>Article XI-G-Bonds</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Project</td>
<td>$55</td>
<td></td>
</tr>
</tbody>
</table>

### Staff Recommendation to the Board:

Staff recommended that the Board endorse the phased approach to the Energy Plant Project and approve Oregon State University’s request to seek an increase in expenditure limitation at the April 2006 Legislative Emergency Board.

### BOARD DISCUSSION AND ACTION:

In introducing the docket item, Vice Chancellor Kenton reminded the Board that the OSU steam plant is between 50-100 years old and two of the five boilers are currently inoperable. The project that was proposed in the 2005-2007 Legislature included a number of components, depending on how the components were counted. One was to build a new building to house a new steam plant which would be in a different location and necessitate extending utility tunnels to that location; another was to build a new steam plant, actually replacing the boilers with new higher technology boilers; or an option associated with the previous one was to create a co-generation facility that would have natural gas being burned that both heats boilers and generates electricity simultaneously; and be designed in a manner to create research opportunities for faculty and students with a possible on-site classroom; upgrade the electrical grid; and find a new location to move the telecom switch which is currently in the basement and is prone to flooding. All of the components of the project are valued at $55 million, the cost that was presented to the legislature.
OUS was invited to go to the Emergency Board in April for final approval, once the total funding package had been resolved. Approval at this time is important to enable having the new steam plant in place by December 2007. Mr. Simonton highlighted the following changes that had been made to the docket item:

1) The pro forma is the same except it shows that, if the Attorney General’s office rules unfavorably on the proposal, there is still a viable project that can go forward. More debt will be added, for which the campus will be responsible. That essentially lowers the operating savings for both scenarios.

2) Slide 7, Table 2 shows how the Phase 1 project and Phase 2 funding come together, showing that the trust will not come into play until later in process; therefore, it was moved to Phase 2. Essentially, there is a $39 million energy plant project and a $16 million Phase 2 Project that involves replacing the electrical distribution system and adding a new telecom switch.

3) The CHP will provide power reliability that the campus currently does not have. OSU has experienced over 60 power outages in the past five years. Additionally, work is ongoing with researchers at OSU to incorporate biofuels research into the plant. The CHP has monitoring equipment so they can bring their discoveries to the plant and study how they perform in real-life situations.

Two funding scenarios are under consideration, but under both, some of the line items remain tentative. This has resulted from a relay in response from the Climate and Energy Trusts. There appears to be real positive support; it is just a matter that a decision has not yet been forthcoming.

It was moved by Director Schuette, seconded by Director Dyess to approve the staff recommendation that the Board endorse the phased approach to the Energy Plant Project and approve Oregon State University’s request to seek an increase in expenditure limitation at the 2006 Legislative Emergency Board. The following voted in favor: Directors Blakney, Burns, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

b. UO, Proposed Lease of White Stag Building

**DOCKET ITEM:**

**Description of Proposed Transaction:**
The University of Oregon is seeking Board approval of a lease agreement with Venerable Development, LLC, for the “White Stag Building” should Venerable acquire the three-quarters of a block in Portland, Oregon, bounded by Naito Parkway, SW First Avenue, Burnside Bridge, and Couch Street, known as the “White Stag Building,” the “Wexler Building” (Bickel Block), and the “Montchalin Building,” together known as the “White Stag Block.” The acquisition of this property by Venerable and the availability of the lease opportunity for the UO is dependent on a series of
events, including actions by the Portland Family of Funds and the Portland Development Commission, over the next few weeks that culminate in the need for a firm commitment by March 15th if the UO is to maintain its option to occupy space in this building.

Approval of this transaction is intended to keep open the UO’s options for Portland-based facilities. Currently, the University is actively pursuing two opportunities including the White Stag complex and the acquisition of a soon-to-be-surplus federal building at 511 NW Broadway in Portland. The University is evaluating both opportunities to determine which is most cost effective and best meets the University’s long-term programmatic needs in the Portland area. A resolution authorizing the University to propose to acquire that building was passed by the Executive Committee of the Board on February 8, 2006. The proposal for the federal building was submitted and the UO subsequently received and responded to several questions from the Department of Education regarding the application for that property. It is not known at this time whether the application for that property will be approved.

**Background:**
The University of Oregon has long provided educational opportunities in Portland, the primary one being a Masters in Architecture, which has been offered in Portland for more than 20 years. The Law School has regularly offered continuing legal education (CLE) and there is substantial interest in expanding UO’s Portland CLE offerings; UO Continuing Education has taught courses; the Labor Education and Resource Center has conducted programs; and the School of Journalism and Communications has received over $9 million in endowment funding to support a journalism program in Portland and is in the planning phases for the program with the intention of accepting its first students in the fall of 2007. In addition, the UO, Portland State University, and Oregon State University long have collaborated to operate the Oregon Executive MBA program (OEMBA), recently relocated from Beaverton to downtown Portland. Earlier this fiscal year, the Board approved the move of this program from the CAPITAL Center to the 200 Market Street Building.

The University also has a number of administrative offices that it wishes to continue to locate in Portland, including offices for UO Athletics and the UO Development Office. The UO Career center has had an office to assist alumni in locating jobs in Portland; and most recently, the UO acquired AHA International, a study abroad provider that organizes international study opportunities for more than 30 universities, including OUS institutions. The UO also leases space for a large research project, Project Alliance, operated through its College of Education. In addition, UO is proposing to use some of the space in the White Stag facility to house computer servers that will be part of its disaster recovery solution.

Approximately ten years ago, the University acquired the “Willamette Block” building located at 2nd and Yamhill. This 40,000 square foot building provided adequate space for the University’s programs until two years ago. At that time, the UO participated in a proposal to acquire space, primarily for architecture and the OEMBA programs, in the Customs House Building at Broadway and Everett. This effort fell through when the federal government did not accept the developer’s proposal.
By that time, the University’s programs had outgrown the Willamette Block facility and the University began working to find a site that would meet the current and future program needs of the UO in Portland. The University considered a large number of possibilities in the general downtown area, for lease, for purchase, and as major renovation projects. Given the UO’s financial situation and the fact that the programs in Portland have to be able to pay for the space they occupy, the search was concentrated on “special opportunities” where space could be obtained at very favorable rates.

A program planning process estimated space requirements in a three to five year period at about 60,000 square feet. Since the University was not in a position to purchase such space, its representatives continued to seek appropriate space to lease. That effort led to consideration of the two sites mentioned, the White Stag complex and the federal building at 511 NW Broadway in Portland. Both buildings are still in play but at this point the University has a preference for the White Stag complex, though there are some variables yet to be resolved. It is therefore important for the University to preserve both options.

The special circumstance that makes the White Stag complex affordable is the Portland Development Commission’s willingness to devote significant incentive funding to the project—tax credits, low interest loans, and grants—totaling about $10 million. This led to a potential fully serviced lease rate in the range of $21 per square foot in a fully renovated historic building directly on the MAX line and with nearby public parking. Although the building is in an area that is currently in need of redevelopment, PDC presented to the University a plan for the redevelopment of the area and its belief that, with the UO in this key location, the plan had a very high probability of success. At its meeting on January 25th, the Portland Development Commission placed a requirement on the developer to have a fully signed lease by the end of March 2006. This is necessary to assure the PDC that the tax credit instruments will be utilized before they expire. The developer also needs the signed lease to assure both the seller of the property and the lender of the funds for the redevelopment that the project will proceed as planned. Both these dates occur prior to the next meeting of the Board but before the University learns if it will be offered the federal building at 511 NW Broadway.

The actual occupancy of this property would not occur until late in 2007 or early in 2008, leaving time to dispose of the Willamette Block building and apply the proceeds to the lease with Venerable. The premises consist of 60,706 square feet above grade and 15,317 square feet below grade.

Terms of the proposed lease are an 18 year lease at $14.50 per square foot with 3.5 percent annual escalations for above grade space and $6 to $9 per square foot or below grade space. Triple net operating expenses are estimated to be $6 per square foot for the first operating year. At the tenth year of the lease, the rate is reset at fair market value with 3.5 percent annual escalations.

The lease includes an option to purchase. The proposed exercise date is early in the seventh year of the lease to coincide with the owner’s termination of the current financing and exiting of the tax credits.
credit partner. The sales price would be at fair market value as determined by an experienced MAI appraiser who would be hired by both parties. Each party will have the right to dispute the first appraisal and there will be an arbitration clause.

The University and the Oregon Department of Justice have reviewed earlier versions of the lease and option. We believe the parties should be able to reach agreement if the Board authorizes the University to proceed and if the University wishes to enter into the lease.

**Staff Recommendation to the Board:**
All leases of real property for terms exceeding five years require OUS Board approval. Staff recommended that the Board approve this lease with the understanding that UO will either withdraw its application for the 511 NW Broadway Building once this lease is executed by all parties or not execute this lease if it decides to pursue the 511 NW Broadway Building.
### UNIVERSITY OF OREGON

**PROPOSED MASTER LEASE OF WHITE STAG BUILDING**

( in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
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<td>590</td>
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<td>680</td>
<td>850</td>
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<tr>
<td>2 Other University Resources</td>
<td>262</td>
<td>299</td>
<td>388</td>
<td>158</td>
<td>290</td>
</tr>
<tr>
<td>3 Gifts and Grants</td>
<td>150</td>
<td>100</td>
<td>-</td>
<td>250</td>
<td>-</td>
</tr>
<tr>
<td>4 Proceeds from sale</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,342</td>
<td>$1,389</td>
<td>$1,438</td>
<td>$1,488</td>
<td>$1,540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Lease Payment</td>
<td>$997</td>
<td>$1,032</td>
<td>$1,068</td>
<td>$1,105</td>
<td>$1,144</td>
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<tr>
<td>6 Operations</td>
<td>345</td>
<td>357</td>
<td>370</td>
<td>383</td>
<td>396</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,342</td>
<td>$1,389</td>
<td>$1,438</td>
<td>$1,488</td>
<td>$1,540</td>
</tr>
</tbody>
</table>

**Notes:**
1) Includes program revenue from existing programs plus targeted growth in new and expanded programs
2) University currently supports Portland based programs with $330,000 per year in addition to program revenues
3) Estimated payouts from endowed gift for Portland based programs
4) Assumes sale of Willamette Block Building nets $2 million.
5) Based on proposed lease terms with 3.5% annual inflation adjustment.
6) Includes 3.5% annual inflation adjustment.
BOARD DISCUSSION AND ACTION:

President Lorenzen called for a motion to go into executive session, “based on a request from legal counsel to discuss real property transactions, potential legal liability, and issues pursuant to Oregon law. The session will focus on today’s agenda item relating to the proposed authorization to enter into a lease of the White Stag building and the authorization of our executive committee with regard to the 511 Broadway Street property. The following persons were asked to remain for this discussion: President Dave Frohnmayer, Vice President Frances Dyke, Provost John Moseley, Melinda Grier, Ryan Hagemann, Ben Rawlins, Wendy Robinson, Neil Bryant, Vice Chancellor Jay Kenton, and Chancellor George Pernsteiner. Under Oregon law, representatives of the media may be present during Executive Sessions. Any media representatives attending are specifically directed not to report on any of the deliberations during the Executive Session except to state the general subject of the session as previously announced. Board members and other persons authorized to attend shall move to the Smith Memorial Student Union, Room 326 for the Executive Session. At the end of the Executive Session, we will return to open session and address the remaining items on our agenda. “

Director Richmond moved, seconded by Director Sohn, to adjourn to Executive Session. Those voting in favor: Directors Blakney, Burns, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

Adjourned to Executive Session at 4:05 p.m.

Regular Board meeting reconvened at 4:45 p.m.

Vice Chancellor Kenton reminded the Board that any lease over five years duration requires Board approval. The lease of the building at 511 Broadway Street, Portland, approved by the Executive Committee on February 8, 2006, and the White Stag Building, Portland, are mutually exclusive options. Both projects have unresolved issues. The UO is still waiting official notice of federal award of the 511 Broadway Street Building and, following that, due diligence will need to be performed. With the White Stag Building, the UO is awaiting final approval of the Portland Development Commission and the Portland Family of Funds regarding the award or use of tax credits and funding for the project. They, in turn, are waiting for final arrangements for external funding to liquefy the tax credits. The UO prefers to keep both options open for another few weeks, but has expressed preference for the White Stag facility.

Vice President Dyke explained that there were a few unresolved issues with regard to the actual negotiation of the lease. The UO will not sign a lease with uncapped costs or until final disposition is obtained regarding the tax credits. She highlighted that this is an 18-year lease, at an estimated $6-9 per square foot, with an option to purchase.

President Lorenzen asked for some background clarification on the 511 Broadway Street Building. Dr. Kenton highlighted that there were some issues with regard to the building and whether the application that has been tendered and the due diligence period that has been
suggested in that application create an irrevocable or binding commitment on the System. “We are suggesting that we try to perfect that application to make it clearer that we would wish to have up to 90 days to do thorough due diligence inspections on the property and to make a better determination as to whether that property should be pursued.”

The staff recommendation was presented by Chancellor Pernsteiner: “All leases of real property for terms exceeding five years require approval of the OUS Board. Staff recommends that the Board authorize the UO to continue negotiations on the lease of the White Stag building and authorize the Chancellor to enter into a lease substantially in accordance with the terms set out in the docket item. Staff further recommends that the Chancellor be authorized to submit an amended application for the 511 Broadway Street Building and to negotiate to his satisfaction the terms of that application with the federal government and in accordance with a previously approved motion on the 511 Broadway Street Building.”

Director Nesbitt asked for additional language stipulating that the UO would, in the end, lease only one building.

Director Dyess moved approval of the staff recommendation with the additional language suggested by Director Nesbitt. The motion was seconded by Director Sohn. Those voting in favor of the motion: Directors Blakney, Burns, Lorenzen, Mendoza, Nesbitt, Richmond, Schuette, Sohn, and Van Vliet. Those voting no or abstaining: none. Motion carried.

c. OUS, Report Regarding the Possible Sale of the CAPITAL Center and Authorization to Continue Negotiations

DOCKET ITEM:

As has been noted in past meetings, OUS staff have been in the process of attempting to sell the CAPITAL Center facility, located at 185th Avenue and NW Walker Road in Beaverton/Hillsboro, Oregon. Due to increasing vacancies at this location, OUS has had to provide subsidies to the CAPITAL Center operation in excess of $400,000 annually, thus prompting the pursuit of the sale of this facility.

This facility is jointly owned by OUS and PCC (Portland Community College) with an ownership interest of 62 percent and 38 percent respectively. PCC has also indicated that this property is not in their long-term plans and thus has been cooperating fully with OUS in pursuing the sale of this property. OUS staff have been working with tenants in the facility to identify alternative locations should the property be sold. OIT and PCC (and possibly PSU) are working with Tri-Met to investigate the possibility of constructing an education center at a station on the nearby westside light rail lines.

Currently, two offers have been received for the purchase of this property. Both offers are at the same value, but each has different purchase terms and conditions. OUS staff, working with PCC staff, will soon decide which of these offers to pursue more fully. The next step in this
process will be entering into a purchase and sale agreement with the prospective purchaser, which will be subject to OUS Board approval after all contingencies have been fully satisfied.

Both prospective purchasers have requested 120 days to perform due diligence including investigations and inspections of title reports, environmental conditions, physical condition of the property, zoning requirements, and review of all leases to be assumed. Closing will occur shortly after this due diligence period; however, OUS will have the right to lease up to 40,000 square feet for an additional 12 month period after the sale in order to permit tenants sufficient time to relocate.

Sale proceeds will be used to pay all costs of the sale, defease outstanding bonds, and to purchase an alternative location for the consolidation of OUS operations in the Portland area.

**Staff recommendation to the Board:**
Staff recommended that the Board accept the update report and authorize the Vice Chancellor for Finance and Administration to continue negotiations regarding the sale of the CAPITAL Center. If negotiations produce a satisfactory proposal, staff will bring that proposal to the Board for final approval.

**BOARD DISCUSSION AND ACTION:**

The OUS is seeking a buyer for the CAPITAL Center, a joint tenancy in common facility that is owned 62 percent by the OUS and 38 percent by Portland Community College (PCC). PCC has indicated that the facility is not in their long range plans and that they are willing to cooperate in identifying potential buyers. At the present time, two bids have been received for the purchase.

The offers are very similar in terms of price, with slightly different terms, conditions, and leaseback provisions. The current plan is to have the Board receive the item again in April or May, at the latest, to obtain approval prior to entering into a purchase and sale agreement with a prospective purchaser. Vice Chancellor Kenton has been working with OIT, PSU, and the other tenants of CAPITAL Center regarding relocation options. The sale will also require that the OUS Industry Affairs Division move and consolidate with the other OUS Portland operations at an alternative location.

It was agreed that it was not necessary to have Board approval to continue negotiations. The Board gave nodding approval to continue negotiations.

No vote was taken at this meeting.
6. **COMMITTEE REPORTS**

a. **Standing Committee**

There were no reports.

b. **Working Groups**

Director Dyess reported that the OHSU Board continues its work on the search for the next president of the institution.

At its next meeting, the Access and Affordability Work Group will receive a proposal from a consultant on how to structure the Shared Responsibility Model, according to Chair Nesbitt. The meeting is scheduled for early April.

c. **Other Board Committees**

There were no Committee reports.

7. **PUBLIC INPUT**

NOTE: complete testimony of those who provided public input is on file in the Board’s Office.

Peter Callero, Professor of Sociology at Western Oregon University represented the WOU Federation of Teachers, AFT Oregon Local 2278 in expressing “serious concerns with the proposed legislative concepts that speak to PEBB health benefits and PERS retirement benefits.” He indicated the union opposed any attempt to alter the health plan design as a strategy for reducing costs. Further, he noted that some of the facts being put forth regarding PERS were misleading. “Finally, we are severely disappointed with the OUS Board and the process you have followed preparing your proposed legislative concepts. Dropping a PowerPoint presentation at the last meeting without notice, followed by this one meeting to allow for public comment on changes of this magnitude, is shocking and outlandish... We are 30 days away from a faculty strike on our campus where the primary issue is salary. We should be working together to engage the legislature on faculty compensation issues,” he concluded.

Mark Perlman, philosophy professor at Western and president of the faculty union, reported that the faculty had voted 98 to 19 to authorize the union to call a strike if negotiations on the new contract do not progress soon. “We don’t want to strike. We want a contract. We want a fair contract.” Professor Perlman continued, “There is a problem in bargaining that has arisen that is, ‘who are we bargaining with?’ OUS says that WOU has all the money they’re getting and that’s that and use it however you can bargain it. But, we aren’t bargaining with Western. We’re bargaining with the state of Oregon and with the Board. There has been passing the buck back and forth between the campus and the System,” he objected. “We want not just
awareness; we don’t want just to have people ask for the money from the legislature and say, ‘well, they didn’t give it to us and that’s that’. We need to fix the problem.”

Mr. Adams, a graduate student, and resident of the Westmoreland housing facility at the UO indicated that the proposal by the UO to sell the property has caused him, his wife, and fellow students hardships. “The tenants’ council had hoped by now that the Board would have been able to turn down this request for sale as detrimental to the University and its mission so we (students) could get back to devoting our time to our studies and our families. The University’s recent request for proposals seems to indicate that maximizing profit is the primary goal and maintaining affordable student space at Westmoreland is to be considered only if it doesn’t interfere with that,” he stated. “We ask you to please help the UO remain a good community citizen and wise financial body in voting as soon as possible to rule out the sale of Westmoreland as a viable option.”

Dr. George Bradley expressed concern about a new approach to curriculum and accreditation. “I’m suggesting we get away from the idea of accrediting single courses for transfer and for entry into college and focus on blocks of courses.” He advocated for developing clusters that “mainly consist of a group of players who work closely with the University to prepare the students for the work world.” He focused his attention on apprenticeship programs. “What I’m suggesting is that we have some kind of test or evaluation process for approving apprenticeships as new sources of FTE and students as motivation in the sciences.”

Mr. Rich Peppers spoke to the Board as a representative of SEIU Local 503 that represents classified employees on the OUS campuses. “I want to give you a heads up that there are some concerns among the classified employees who are not the focus of these legislative proposals on the PEBB issue. There is some concern about the impact if there were a pullout of the faculty and unclassified group. There is some concern about the impact on the remaining OUS groups and also the remaining PEBB group and what would happen with rates for them.” The other issue for SEIU members is the new tier of the pension system.

Mr. Karl Sorg, a retiree involved in the Eugene Citizens for Affordable Housing, spoke against the sale of the Westmoreland property. A resolution has been passed by the Citizens for Affordable Housing that “deals with the question of the moral and economic and educational grounds for the affordable housing that now exists in the name of Westmoreland housing. We feel we are entitled, under OAR 580-050-0001, to have an opportunity for the public in Eugene, rather than in Portland, to express their concerns about what this will mean for the community as well as for the UO,” he said. “The state land use law requires that there be public participation and we ask that we be given time to do that with enough advance notice so that we can marshal our assets and be there to speak to you.”

Mr. John Cougill stated that his purpose was “to ask you to recognize me as dean of the College of Education.”
Mr. Linden, representing the Association of Oregon Faculties, expressed support for “the most important piece of the legislative package, the recognition that we have to do something to assure that, in the future, funding for step increases for faculty are secured. There is no reason why faculty should be, year after year, getting less of an adjustment than other state employees and we have to find a way to share in the distribution of salary dollars on an equitable basis.” Mr. Linden indicated that AOF could not support a change to a fourth tier for PERS. “We are very content with the system the way it is and would not be able to support any changes to that system,” he concluded.

8. **BOARD COMMENTS**

   No Board comments were offered.

9. **DELEGATION OF AUTHORITY TO BOARD’S EXECUTIVE COMMITTEE**

   “Pursuant to Article II, Section 5 of the Bylaws of the Board of Higher Education, the Board delegates to the Executive Committee authority to take final action as here designated or deemed by the committee to be necessary, subsequent to the adjournment of this meeting and prior to the Board’s next meeting. The Executive Committee shall act for the Board in minor matters and in any matter where a timely response is required prior to the next Board meeting.”

   A motion was made and seconded to approve the delegation of authority to the Executive Committee.

10. **ADJOURNMENT**

    With no further business submitted, the meeting adjourned at 5:30 p.m.