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**Committee Meetings:** 8/13/2008

*Colleen McHugh, Chairman*  
*James D. Dannenbaum*  
*James R. Huffines*  
*Robert B. Rowling*

**Board Meeting:** 8/14/2008  
Austin, Texas

	<b>Committee Meeting</b>
<b>A. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE</b>	<b>9:00 a.m.</b>
The Health Affairs Committee will discuss overall trends in health science research in the United States and Texas. Discussions will include:	<i>Chairman McHugh</i>
Overview of directions for health science research	<b>9:05 a.m.</b> <i>Dr. Shine</i>
Overview of National Institutes of Health/National Science Foundation/Department of Defense and formula funding for research and the various research support funds provided by the legislature	<b>9:15 a.m.</b> <i>President Wildenthal</i>
Emerging Technology Fund and various state commercialization efforts	<b>9:30 a.m.</b> <i>President Calhoun</i>
Update of status of Proposition 15 and its implications for University of Texas campuses	<b>9:45 a.m.</b> <i>President Mendelsohn</i>
Review of the three Clinical and Translational Science Awards programs and opportunities to capitalize on these across the U. T. System and the state	<b>10:00 a.m.</b> <i>President Cigarroa</i>
The National Laboratory at Galveston and the challenges of collaborations in research involving multiple campuses and systems related to bioterrorism research	<b>10:15 a.m.</b> <i>President Callender</i>
Experience in developing and/or supporting interdisciplinary research and dealing with research conflicts of interest	<b>10:30 a.m.</b> <i>President Kaiser</i>
Recapitulation and general discussion	<b>10:45 a.m.</b> <i>Dr. Shine</i>
<b>B. ADJOURN SPECIAL MEETING</b>	<b>11:00 a.m.</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>C. RECONVENE MEETING OF HEALTH AFFAIRS COMMITTEE</b>	<i>1:30 p.m. Chairman McHugh</i>		
1. <b>U. T. Medical Branch – Galveston: Authorization to sell or exchange Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, to The Sealy &amp; Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation; authorization to acquire in exchange from The Sealy &amp; Smith Foundation or Magnolia Holding Company 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas, for future programmed use for campus expansion; and authorization to ground lease from The Sealy &amp; Smith Foundation or Magnolia Holding Company Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, for use as the site for the proposed replacement Jennie Sealy Hospital</b>	<i>1:30 p.m. <b>Action</b> President Callender Ms. Mayne</i>	<b>Action</b>	<b>199</b>
2. <b>U. T. Health Science Center – San Antonio: Authorization to ground lease approximately 6.944 acres of vacant land located in Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas, to the Department of Veterans Affairs or its assignee, for fair market rental as determined by an independent appraisal, for the construction by the tenant and operation by the Department of Veterans Affairs of a comprehensive ambulatory clinic for the care of veterans and other uses that are mission aligned with U. T. Health Science Center – San Antonio</b>	<i>1:35 p.m. <b>Action</b> President Cigarroa Ms. Mayne</i>	<b>Action</b>	<b>206</b>
3. <b>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 0.354 of an acre of land and the improvements located at 7701 Almeda Road, Houston, Harris County, Texas, from Mr. John M. Powell, Jr., for a purchase price not to exceed fair market value as established by independent appraisals, for future use for campus administrative and support functions</b>	<i>1:40 p.m. <b>Action</b> President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>210</b>
4. <b>U. T. M. D. Anderson Cancer Center: Authorization to ground lease approximately 56,408 square feet of unimproved land located at 7505 Almeda Road, Houston, Harris County, Texas, to the American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation, for the construction and operation by the tenant of a medium-term housing facility for cancer patients; and finding of public purpose</b>	<i>1:45 p.m. <b>Action</b> President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>213</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
5. <b>U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2009 and distribute a portion of Plan premium returns</b>	1:50 p.m. <b>Action</b> <i>Mr. Burgdorf</i>	<b>Action</b>	<b>217</b>
6. <b>U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Rule 40601, Sections 1.12(a), 1.13(a), and 1.15(a) regarding changing the name of the School of Allied Health Sciences to the School of Health Professions at U. T. Southwestern Medical Center – Dallas, U. T. Medical Branch – Galveston, U. T. Health Science Center – San Antonio, and Section 1.16(d) regarding changing the name of the School of Health Sciences to the School of Health Professions at U. T. M. D. Anderson Cancer Center</b>	1:55 p.m. <b>Action</b> <i>Dr. Shine</i>	<b>Action</b>	<b>222</b>
7. <b>U. T. System: Report on the health workforce in Texas</b>	2:05 p.m. <b>Report</b> <i>Dr. Shine</i> <i>Dr. Ben Raimer,</i> <i>U. T. Medical Branch – Galveston</i>	Not on Agenda	<b>224</b>
8. <b>U. T. System: Quarterly report on health matters, including initiatives in health science educational experiences, by Executive Vice Chancellor Shine</b>	2:15 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>224</b>
D. <b>ADJOURN</b>	2:30 p.m.		

1. **U. T. Medical Branch – Galveston: Authorization to sell or exchange Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, to The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation; authorization to acquire in exchange from The Sealy & Smith Foundation or Magnolia Holding Company 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas, for future programmed use for campus expansion; and authorization to ground lease from The Sealy & Smith Foundation or Magnolia Holding Company Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, for use as the site for the proposed replacement Jennie Sealy Hospital**

#### RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Callender that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Medical Branch – Galveston, to

- a. sell or exchange Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, to The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation (individually and together, the Foundation), with the exchange values to be determined by independent appraisals;
- b. acquire in exchange from the Foundation 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas, for future programmed use for campus expansion, with the exchange values to be determined by independent appraisals;
- c. ground lease from the Foundation Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street,

7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, for use as the site for the proposed Jennie Sealy Hospital Replacement project; and

- 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, to authorize all due diligence expenses, closing costs, and other costs and expenses deemed necessary or advisable, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

### BACKGROUND INFORMATION

The series of transactions contemplated by this agenda item are all steps toward the replacement of the Jennie Sealy Hospital in Galveston, Texas. The current hospital building was constructed between 1966 and 1968 by The Sealy & Smith Foundation on land conveyed to the Foundation by the U. T. System Board of Regents pursuant to specific statutory authorization dating from 1957 and now codified in Section 74.002 of the *Texas Education Code*.

The current hospital building has become functionally obsolete and is currently being used by U. T. Medical Branch – Galveston for general office purposes. The institution and the Foundation have been in discussion for more than two years regarding the replacement of the facility with a new hospital facility equipped with current technology.

On May 14, 2008, the U. T. System Board of Regents authorized the conditional acceptance of a gift of \$125 million, paid out over a 10-year period, from the Foundation for design, development, and construction of a new Jennie Sealy Hospital in Galveston, Texas. It is anticipated that the institution will contribute approximately an equivalent sum toward the construction, finish-out, and equipping of the new facility. U. T. Medical Branch – Galveston anticipates bringing the construction project to the Board of Regents in the Summer or Fall 2009.

To enable planning and fund raising to proceed, the following related real estate transactions are proposed:

1. Because the footprint of the new hospital will be larger than that occupied by the current hospital building, it is necessary to expand the land available for the hospital site. Therefore, it is proposed that Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, Galveston, Galveston County, Texas, be sold or exchanged to the Foundation to enable the Foundation to complete the land assemblage for the site of the new hospital building.

2. Additionally, it is proposed that the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, held by the Board of Regents be conveyed to the Foundation. The lots were conveyed to the Foundation pursuant to Section 74.002 of the *Texas Education Code*, which mandated that for the original hospital building, the Board convey the lots to the Foundation but retain a reversionary interest. Because that statute was directed to a specific transaction, which has occurred and been completed, it is not applicable to the planned new hospital and it has been determined that a conveyance of the reversionary interest will result in an overall less complex lease transaction.
3. In exchange for the conveyance of the lots and the reversionary interest to the Foundation, the Foundation will convey to the Board for the benefit of the institution the land and improvements at 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas. These properties are contiguous with land currently owned by the Board for the institution, and the properties will be used by the institution for future programmed use for campus expansion. Depending on the values determined by independent appraisals with respect to the lots and reversionary interests to be conveyed to the Foundation and the properties to be conveyed to the Board of Regents, the Foundation may make a cash payment to the institution so that equivalent value is exchanged.
4. The Foundation will ground lease to the institution Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, to serve as the site of the new Jennie Sealy Hospital. The ground lease will be for a nominal rental equal to \$1 per year, with an initial 70-year term, followed by a 50-year renewal term at the institution's option, for the same nominal rental rate. The use permitted by the ground lease will be for a hospital and ancillary uses related to a hospital, including inpatient and outpatient surgery, clinical trials, and instruction.

U. T. Medical Branch – Galveston will be responsible for demolishing the existing improvements and constructing the new hospital facility. The terms and conditions of the proposed transactions are specified in the transaction summary on the following page.

## Transaction Summary

### **Conveyance to The Sealy & Smith Foundation or Magnolia Holding Company**

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Sale or exchange
Total Area:	Approximately 77,054 square feet
Improvements:	Various storage and warehouse buildings (to be demolished)
Location:	Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas (see map on Page 205)
Purchaser:	The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation
Exchange or Purchase Price:	Fair market value as established by an independent appraisal
Appraised Value:	\$1,040,000 for Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, and portion of 7th Street (Integra Realty Resources – Houston, March 26, 2008); Appraisal of reversionary interest is pending and is anticipated to be received on or about July 31, 2008

### **Conveyance to Board of Regents**

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Exchange
Total Area:	Pending completion of survey
Improvements:	Triplex and quadplex multifamily housing on the 13th Street parcels; all other parcels are vacant
Location:	109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas (see map on Page 205)

Seller: The Sealy & Smith Foundation, or its subsidiary, Magnolia Holding Company

Exchange or Purchase Price: Fair market value as established by an independent appraisal

Appraised Value: Appraisal by Bay Area Real Property Appraisers & Consultants,, Inc. is pending and is anticipated to be received on or about July 31, 2008

**Ground Lease from The Sealy & Smith Foundation or Magnolia Holding Company to the Board of Regents**

Institution: U. T. Medical Branch – Galveston

Type of Transaction: Ground Lease

Total Area: Pending completion of survey

Improvements: The old Jennie Sealy Hospital and the old Shriners Burn Hospital will be demolished by the tenant prior to construction of the new Jennie Sealy Hospital that will consist of approximately 428,000 gross square feet, of which approximately 26% may be shell space for future expansion; The Sealy & Smith Foundation will contribute \$125 million to the cost of construction of the new hospital, to be paid at the rate of \$12.5 million per year after final approval of the construction project by the Board of Regents and the Texas Higher Education Coordinating Board; in recognition of the Foundation's contribution to the construction cost, the lease will require that the hospital be named the "Jennie Sealy Hospital" and that the naming of the primary building entry and lobby shall require the landlord's consent

Location: Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas (see map on Page 205)

Landlord: The Sealy & Smith Foundation, or its subsidiary, Magnolia Holding Company

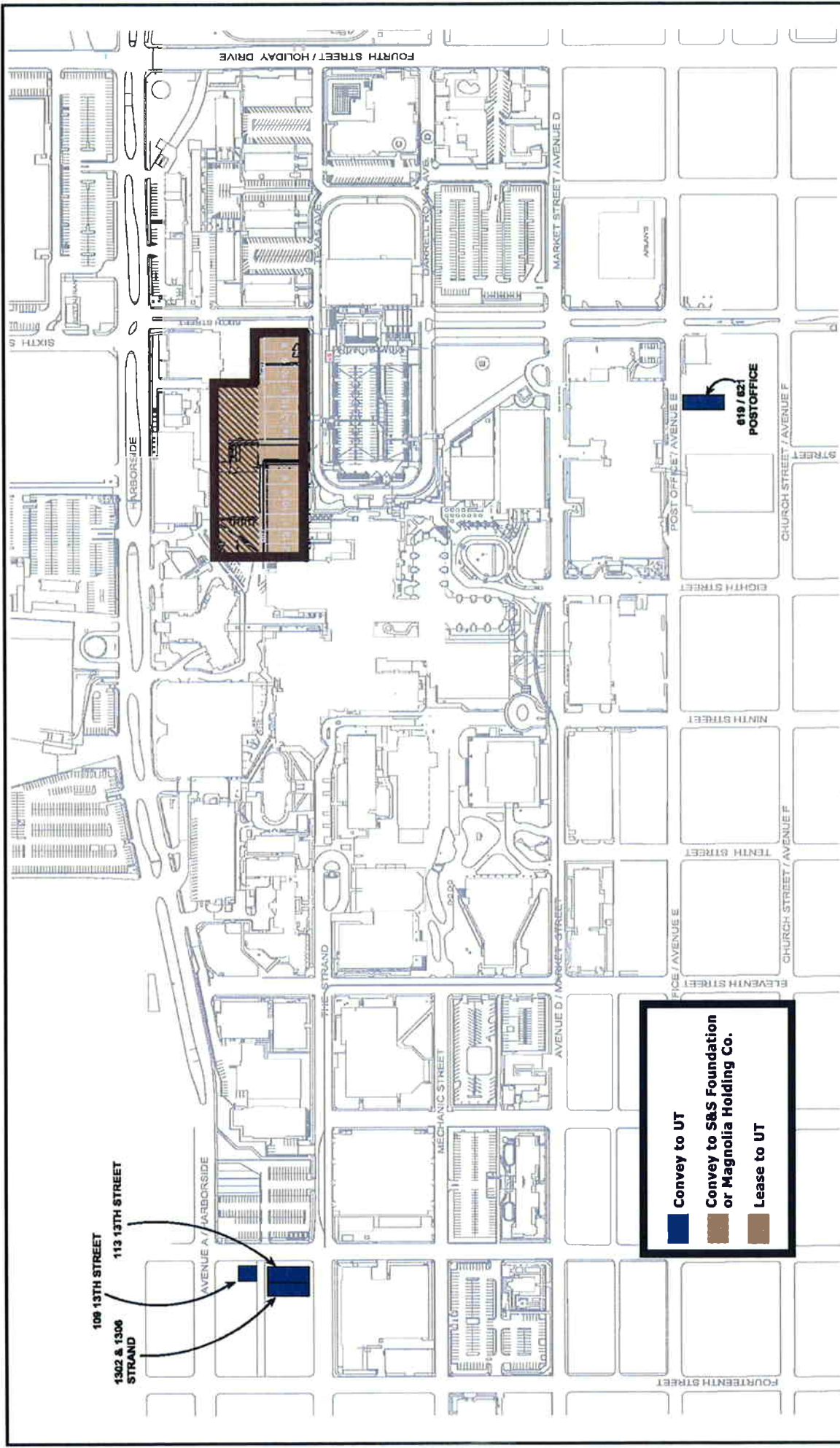


Lease Term: An initial term of 70 years and a renewal term of 50 years at the tenant's option; the tenant has a right of first refusal to purchase the leased premises, should the landlord elect to sell the leased premises during the term of the lease

Rent: \$70.00 total for the initial 70-year lease term; \$50.00 total for the 50-year renewal lease term

Operating Expenses: The tenant is responsible for operating expenses, insurance, and taxes, if any, on the improvements to be constructed; the landlord is responsible for the taxes, if any, on the existing improvements and on the land

Intended Use: Hospital use and ancillary uses related to hospital use, including inpatient and outpatient surgery, clinical trials, and instruction; the following uses are not permitted under the lease unless they are reasonably necessary for the hospital use or the patient care mission of U. T. Medical Branch – Galveston: general classrooms, general administrative offices, general research labs or research offices, public meeting space or auditoria, or public food service



Convey to UT  
 Convey to S&S Foundation or Magnolia Holding Co.  
 Lease to UT

109 13TH STREET  
 113 13TH STREET  
 1302 & 1306 STRAND

619 / 621 POSTOFFICE

Prepared by K2 Collaborative  
 January 18, 2020



The University of Texas Medical Branch at Galveston



2. **U. T. Health Science Center – San Antonio: Authorization to ground lease approximately 6.944 acres of vacant land located in Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas, to the Department of Veterans Affairs or its assignee, for fair market rental as determined by an independent appraisal, for the construction by the tenant and operation by the Department of Veterans Affairs of a comprehensive ambulatory clinic for the care of veterans and other uses that are mission aligned with U. T. Health Science Center – San Antonio**

### RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Cigarroa that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Health Science Center – San Antonio, to

- a. ground lease approximately 6.944 acres of vacant land located in Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas, to the Department of Veterans Affairs or its assignee, for fair market rental as determined by an independent appraisal, for the construction by the tenant and operation by the Department of Veterans Affairs of a comprehensive ambulatory clinic for the care of veterans and other uses that are mission aligned with U. T. Health Science Center – San Antonio; and
- b. authorize the Executive Director of Real Estate to execute the lease and 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 Department of Veterans Affairs (VA) and U. T. Health Science Center – San Antonio have been in discussions regarding the possible ground lease of approximately 6.944 acres in Harlingen, Texas, adjacent to the Regional Academic Health Center (RAHC) for the construction by the tenant of a comprehensive ambulatory clinic for the care of veterans. The clinic would provide enhanced patient care for veterans in the Lower Rio Grande Valley and South Texas and would augment opportunities for health professional education, graduate medical education, and clinical research and, thereby, the growth potential for the RAHC.

The proposed lease site is part of a larger parcel consisting of approximately 26.2 acres in two adjacent tracts that were gifted to the Board of Regents by the Valley Baptist Medical Center for the purposes of undergraduate and graduate medical education programs, health research, health education of the public, and other health professional education programs in the Lower Rio Grande Valley. Because of use restrictions in the gift deed, the institution is also seeking the consent of Valley Baptist Medical Center to the proposed ground lease.

The VA currently leases clinical space from U. T. Health Science Center – San Antonio in one of the buildings on the RAHC campus. The proposed new comprehensive ambulatory clinic would be in a separate, free-standing building and is consistent with the VA's August 2007 "Study of South Texas Veterans' Inpatient and Specialty Outpatient Health Care Needs."

The VA proposes to obtain an option to ground lease the 6.944 acres. It would then solicit offers from private developers, with the goal of assigning the ground lease option to the selected developer for the construction by the developer of an outpatient clinic on the land. Under VA procurement rules, U. T. Health Science Center – San Antonio cannot play a role in selecting the developer. The Health Science Center, however, is to have a role in working with the VA and the VA's architectural and engineering firm in developing the scope of work for the solicitation of offers.

The proposed clinic is anticipated to contain approximately 170,000 gross square feet and 120,000 net usable square feet; a parking garage with approximately 600 parking spaces is also anticipated. The VA would lease the completed facilities from the developer for a term not to exceed 20 years, which is the maximum term of a space lease by the VA.

The term of the ground lease will be for an initial period of 20 years, plus the initial design, permitting, and construction period and plus one or more renewal options of 10 years each; the total number of renewal options is still being negotiated. If the VA space lease ends before the expiration of the ground lease, then the Health Science Center and Valley Baptist Medical Center would have the first and second options, respectively, to lease the facilities. If neither U. T. Health Science Center – San Antonio nor Valley Baptist Medical Center elects to lease the facilities, the facilities may be leased by the ground tenant to a third party for a use consistent with the mission of the Health Science Center and subject to the ground landlord's approval. At the expiration or termination of the lease, the improvements will become the property of the ground tract.

Key terms and conditions of the proposed ground lease are stated in the transaction summary on the following page.

### Transaction Summary

Institution:	U. T. Health Science Center – San Antonio
Type of Transaction:	Ground lease
Tenant:	Department of Veterans Affairs, or its assignee
Total Area:	Approximately 6.944 acres of vacant land located at Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas (see map on the following page)
Improvements:	The tenant will construct an approximately 170,000 gross square feet (120,000 net square feet) multistory building for use as a comprehensive ambulatory clinic for the care of veterans and a parking garage for approximately 600 cars; on expiration or termination of the ground lease, the improvements will become the property of the landlord
Rent:	Fair market rental will be determined by an independent appraisal of the ground lease tract
Appraised Value:	Appraisal by Robinson, Duffy & Barnard, L. L. P. is pending and is anticipated to be completed on or about August 4, 2008
Lease Term:	20 years, plus initial design, permitting, and construction period, and one or more 10-year renewal options (under negotiation)
Uses:	Outpatient medical clinic and other uses that are mission aligned with U. T. Health Science Center – San Antonio
Operating Expenses:	All operating expenses, taxes, and insurance will be the responsibility of the tenant



3. **U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 0.354 of an acre of land and the improvements located at 7701 Almeda Road, Houston, Harris County, Texas, from Mr. John M. Powell, Jr., for a purchase price not to exceed fair market value as established by independent appraisals, for future use for campus administrative and support functions**

### RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business 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 the land and improvements located at 7701 Almeda Road, Houston, Harris County, Texas, from Mr. John M. Powell, Jr., 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 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

Acquisition of the subject property is part of the land assemblage being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important, but noncritical functions that will allow greater use of core facilities in the heart of the Texas Medical Center for patient treatment and research.

The subject property is presently improved with a house that will be demolished after closing. The site is adjacent to tracts of land approved for U. T. M. D. Anderson Cancer Center's acquisition by the Board on November 9, 2007.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and the south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities

currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

The acquisition will be funded with Local Hospital Margins. The terms and conditions of the proposed purchase are specified in the transaction summary below:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 0.354 acre
Improvements:	Single family house (to be demolished after closing)
Location:	7701 Almeda Road, Houston, Harris County, Texas (see map on the following page)
Seller:	Mr. John M. Powell, Jr.
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	\$690,000 (Edward B. Schulz & Co., September 16, 2007) \$695,000 (Lewis Realty Advisors, June 18, 2008)
Source of Funds:	Local Hospital Margins
Intended Use:	Administrative and support functions





4. **U. T. M. D. Anderson Cancer Center: Authorization to ground lease approximately 56,408 square feet of unimproved land located at 7505 Almeda Road, Houston, Harris County, Texas, to the American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation, for the construction and operation by the tenant of a medium-term housing facility for cancer patients; and finding of public purpose**

### RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business 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. ground lease approximately 56,408 square feet of unimproved land located at 7505 Almeda Road, Houston, Harris County, Texas, to the American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation (the Cancer Society), for the construction and operation by the tenant of a medium-term housing facility for cancer patients;
- b. determine that the lease of the land to the Cancer Society for the stated reason serves a public purpose appropriate to the function of U. T. M. D. Anderson Cancer Center, and that the consideration to the U. T. System and the Cancer Center for the lease of the land is adequate; and
- c. authorize the Executive Director of Real Estate to execute the lease and all documents, instruments, or 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.

### BACKGROUND INFORMATION

The University of Texas M. D. Anderson Cancer Center has noted that many individuals take part in the Cancer Center's diagnostic programs but do not remain for therapeutic programs. The institution has identified, as a primary reason for this difference, the fact that patients from outside of the immediate Houston area have limited affordable options for medium-term housing. The medium-term housing options fall into three categories: apartments, which average about \$1,200 per month (\$40 per day) for a one-bedroom unit, utilities included, and few of which are available for short-term rental; hotels and motels, which range from \$45-\$210 per day, with most options at about \$85 per day; and specialized housing such as the Cancer Center's Rotary House, which costs about \$100 per day, the Ronald McDonald House, offering housing to pediatric

patients and their families, and the Hospitality Apartments, which offer up to 60 days of free housing to long-term treatment patients of the Texas Medical Center. Further, only the specialized housing facilities offer psychological and social support services to address the specific needs of patients and their families.

The Cancer Society has a facility program called Hope Lodge that provides free housing to cancer patients. The Hope Lodge facilities include psychological and social support services for patients and their families as well as an on-site library with information on cancer and cancer treatment and other amenities. The aim of this program is to ease the financial and emotional burdens of patients undergoing treatment. Hope Lodge facilities are funded by the Cancer Society's fundraising efforts and are generally developed only on donated land.

To facilitate the construction and development of a Hope Lodge in the Texas Medical Center, U. T. M. D. Anderson Cancer Center proposes to ground lease to the Cancer Society a tract of land, consisting of approximately 56,408 square feet and located at 7505 Almeda Road, Houston, Harris County, Texas. The land is about 1.5 miles from the main campus of U. T. M. D. Anderson Cancer Center and was acquired in June 2007 for \$47 per square foot (\$2.65 million). The permitted use under the lease will be limited solely to the construction and operation of a Hope Lodge facility. The facility, which will provide free housing, will have the capacity to serve 50 cancer patients.

The lease will be for an initial term of 20 years, plus three 10-year options exercisable at the Cancer Society's option. The ground rental will be a nominal \$1.00 per year, in recognition of the mission-related purpose of Hope Lodge.

The ground lease will provide that if the Hope Lodge or a similar facility is not constructed within a given period or permanently ceases operation, or if the leased property is used for any other purpose, the lease will terminate. The lease will require that the Hope Lodge operate specifically as free lodging for cancer patients. Additionally, the lease will require that the Cancer Society provide on-site psychological and social support services for patients and their families.

The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981), that, for the use of university property without cash rental payments 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 activity to ensure that the public purpose is achieved.

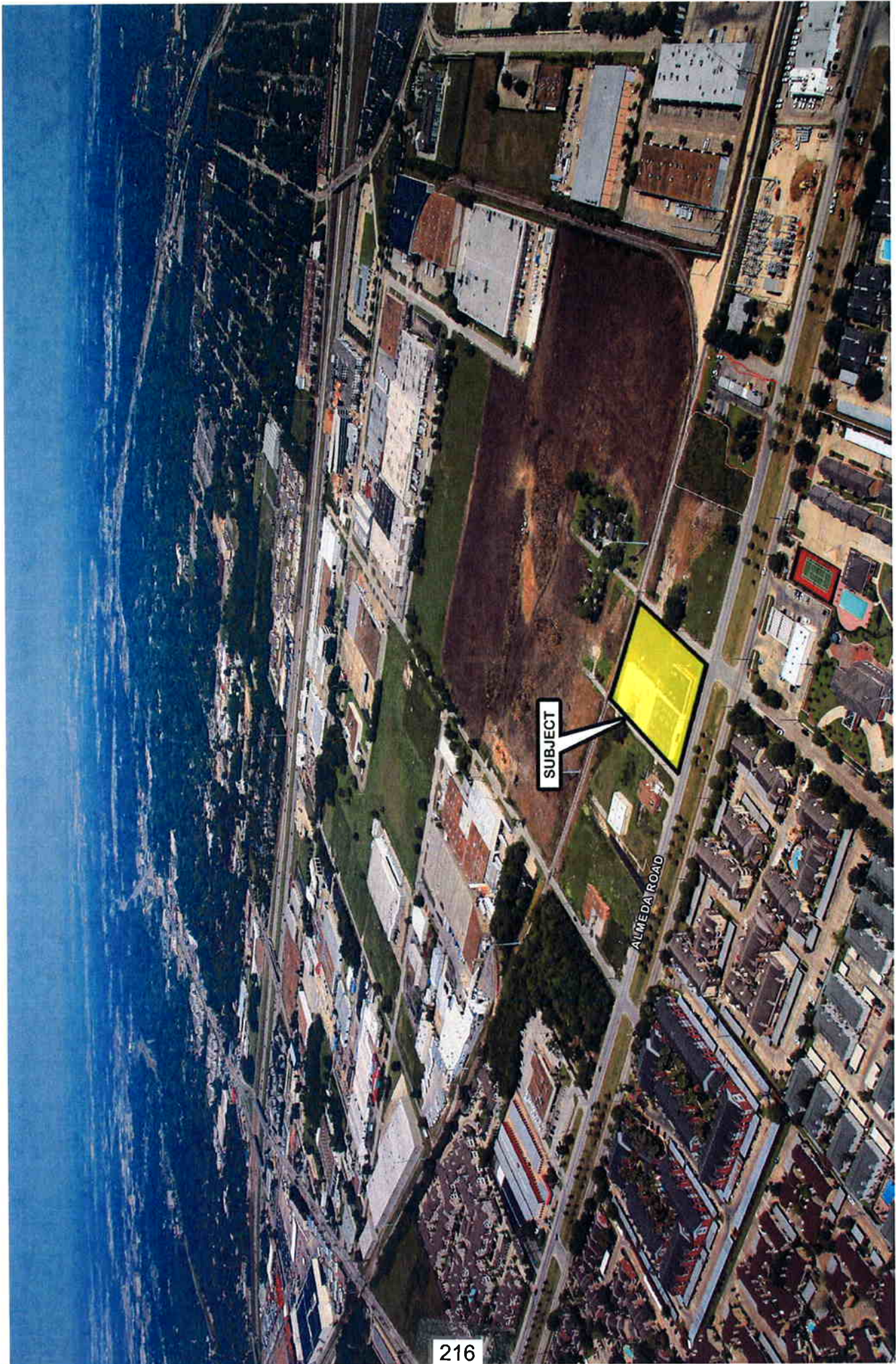
The Cancer Center has concluded that a Hope Lodge facility would enable U. T. M. D. Anderson Cancer Center to offer its services to more patients, especially low-to-moderate income patients, and assist the institution in pursuing the fulfillment of its mission "to eliminate cancer in Texas, the nation, and the world through outstanding programs that integrate patient care." The ground lease to the Cancer Society would

serve the public purpose of offering free housing to cancer patients undergoing treatment, many of which patients will be treated by U. T. M. D. Anderson Cancer Center, although occupancy will not be restricted to U. T. M. D. Anderson Cancer Center patients. Nevertheless, the institution has concluded that its patients will be well represented in the facility, based on data showing that approximately 80% of those occupying housing at similar facilities in the Texas Medical Center, such as the existing Hospitality Apartments (which do not exclusively serve cancer patients), are patients of the Cancer Center.

A transaction summary and map follow:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Ground lease
Total Area:	56,408 square feet
Location:	7505 Almeda Road, Houston, Harris County, Texas (see map on the following page)
Tenant:	American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation
Rental Rate:	\$1.00 per year
Term:	Twenty years, plus three 10-year options, exercisable at the Cancer Society's option
Permitted Use:	Construction and operation of a Hope Lodge or similar facility offering free housing for cancer patients undergoing treatment in the Texas Medical Center



5. **U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2009 and distribute a portion of Plan premium returns**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, after consultation with the actuary for The University of Texas System Professional Medical Liability Benefit Plan (Plan), that

- a. Plan Participant premium rates for faculty and residents for Fiscal Year 2009 for the Plan be reduced by 5% from the rates for Fiscal Year 2008;
- b. all other Plan Participant premium rates, including institutional, international, and medical student rates, for Fiscal Year 2009 remain unchanged from the rates for Fiscal Year 2008; and
- c. \$15.625 million be distributed from Plan returns as follows: \$15 million to the participating U. T. System institutions based on a formula combining the loss ratio and premium contributions for each participating institution and \$625,000 to supplement ongoing patient safety efforts.

The proposed premium rates for faculty and residents for Fiscal Year 2009 are set forth in Exhibit 1 (Pages 219 – 220). The proposed distribution of \$15.625 million to participating institutions is set forth in Exhibit 2 (Page 221).

BACKGROUND INFORMATION

On March 26, 2008, the Board of Regents endorsed a three-year plan recommended by the Plan Administrator to reduce the reserves held in the Plan to base reserve requirements according to generally accepted industry standards. The recommended premium reduction and distribution is in keeping with the three-year plan.

A new distribution methodology is incorporated in the recommended institutional returns. Previous distributions have been based solely on the institution's pro rata share of premiums paid into the Plan in the preceding year. This year a plan is recommended to encourage loss reduction by giving consideration to an institution's loss ratio, or claims history, on an equal basis as the pro rata share paid in premiums by the institution. Both factors are considered from a three-year perspective rather than only a one-year perspective to remove volatility inherent in utilizing loss data. After application of

this methodology, an adjustment was made to ensure that institutions with loss ratios more favorable than the U. T. System average receive no less than they would have under the previous methodology.

In addition to the \$15 million to be distributed to all participating institutions, \$625,000 is recommended to be distributed for System-wide patient safety initiatives. The Board of Regents previously adopted a \$3 million three-year System-wide patient safety budget on March 26, 2008. This \$625,000 will fund a conference and fellowship program associated with the Clinical Safety and Effectiveness Course.

Exhibit 1

**The University of Texas System Professional Medical Liability Benefit Plan**  
Summary of Recommended Annual Rates\* by Risk Class by Institution

**Physician Risk Class 1**

<u>Institution</u>	<b>Recommended Rates for 9/1/2008</b>	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$576	\$552
UTSWMC	576	552
UTMB	960	888
UTHSCH	924	864
UTHSCSA	696	648
UTHSCT	828	780
UTAustin	696	648
UTA	696	648
UTSA	696	648

**Physician Risk Class 2**

<u>Institution</u>	<b>Recommended Rates for 9/1/2008</b>	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$912	\$852
UTSWMC	912	852
UTMB	1,488	1,404
UTHSCH	1,452	1,356
UTHSCSA	1,080	1,020
UTHSCT	1,296	1,212
UTAustin	1,080	1,020
UTA	1,080	1,020
UTSA	1,080	1,020

**Physician Risk Class 3**

<u>Institution</u>	<b>Recommended Rates for 9/1/2008</b>	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$1,464	\$1,368
UTSWMC	1,452	1,356
UTMB	2,388	2,232
UTHSCH	2,316	2,172
UTHSCSA	1,728	1,620
UTHSCT	2,076	1,944
UTAustin	1,728	1,620
UTA	1,728	1,620
UTSA	1,728	1,620

**Physician Risk Class 4**

<u>Institution</u>	<b>Recommended Rates for 9/1/2008</b>	
	<u>Faculty</u>	<u>Resident</u>
UTMDACC	\$2,712	\$2,544
UTSWMC	2,700	2,532
UTMB	4,440	4,152
UTHSCH	4,308	4,020
UTHSCSA	3,216	3,012
UTHSCT	3,852	3,600
UTAustin	3,216	3,012
UTA	3,216	3,012
UTSA	3,216	3,012



Exhibit 1 (cont'd)

**The University of Texas System Professional Medical Liability Benefit Plan**  
Summary of Recommended Annual Rates by Risk Class by Institution

**Physician Risk Class 5**

Institution	Recommended Rates for 9/1/2008	
	Faculty	Resident
UTMDACC	\$3,996	\$3,744
UTSWMC	3,984	3,720
UTMB	6,528	6,120
UTHSCH	6,336	5,928
UTHSCSA	4,740	4,452
UTHSCT	5,664	5,304
UTAustin	4,740	4,452
UTA	4,740	4,452
UTSA	4,740	4,452

**General Dentist Risk Class A**

Institution	Recommended Rates for 9/1/2008	
	Faculty	Resident
UTMDACC	\$204	\$192
UTSWMC	204	192
UTMB	336	312
UTHSCH	324	312
UTHSCSA	240	228
UTHSCT	288	276
UTAustin	240	228
UTA	240	228
UTSA	240	228

**Oral Surgery Risk Class B**

Institution	Recommended Rates for 9/1/2008	
	Faculty	Resident
UTMDACC	\$912	\$852
UTSWMC	912	852
UTMB	1,488	1,404
UTHSCH	1,452	1,356
UTHSCSA	1,080	1,020
UTHSCT	1,296	1,212
UTAustin	1,080	1,020
UTA	1,080	1,020
UTSA	1,080	1,020

\*For ease in administration, all premium rates have been rounded.

Exhibit 2  
**The University of Texas System Professional Medical Liability Benefit Plan**  
Proposed Distribution of Plan Returns

<u>Institution</u>	<u>2005-2007 Premium Paid</u>	<u>2005-2007 Claims</u>	<u>Loss Ratio</u>	<u>Distribution (50% Loss Ratio/50% Premium)</u>
UTMDACC	\$ 7,244,211	\$ 1,931,702	27%	\$ 2,580,567
UTSWMC	11,855,822	6,278,441	53%	2,969,145
UTMB	16,190,807	7,331,600	45%	4,229,864
UTHSCH	7,678,411	6,334,966	83%	1,534,767
Medical Foundation	5,255,328	4,335,835	83%	1,050,438
UTHSCSA	10,853,688	6,408,560	59%	2,491,397
UTHSCT	685,923	874,028	127%	119,049
UTAustin	108,163	231,618	214%	16,656
UTA	12,711	-	0%	4,529
UTSA	10,069	-	0%	3,588
Subtotal	<u>\$59,895,133</u>	<u>\$33,726,750</u>	56% (avg.)	<u>\$15,000,000</u>
Patient Safety Initiatives				<u>\$ 625,000</u>
<b>TOTAL PROPOSED DISTRIBUTION</b>				<u><b>\$15,625,000</b></u>

6. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Sections 1.12(a), 1.13(a), and 1.15(a) regarding changing the name of the School of Allied Health Sciences to the School of Health Professions at U. T. Southwestern Medical Center – Dallas, U. T. Medical Branch – Galveston, U. T. Health Science Center – San Antonio, and Section 1.16(d) regarding changing the name of the School of Health Sciences to the School of Health Professions at U. T. M. D. Anderson Cancer Center**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Vice Chancellor and General Counsel, President Wildenthal, President Callender, President Cigarroa, and President Mendelsohn that the Regents' *Rules and Regulations*, Rule 40601, Sections 1.12(a), 1.13(a), 1.15(a), and 1.16(d) concerning institutions comprising The University of Texas System, be amended as set forth below in congressional style:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

...

1.12 The University of Texas Southwestern Medical Center at Dallas  
(U. T. Southwestern Medical Center – Dallas)

(a) The University of Texas Southwestern ~~Allied Health Sciences~~  
School of Health Professions at Dallas (U. T. Southwestern  
~~A.H.S.S. School of Health Professions~~ – Dallas)

...

1.13 The University of Texas Medical Branch at Galveston  
(U. T. Medical Branch – Galveston)

(a) The University of Texas Medical Branch at Galveston School of  
~~Allied Health Sciences~~ Health Professions at Galveston (U. T.  
School of Health Professions ~~Allied Health Sciences School~~ –  
Galveston)

...

1.15 The University of Texas Health Science Center at San Antonio  
(U. T. Health Science Center – San Antonio)

(a) The University of Texas Health Science Center at San Antonio  
~~School of Allied Health Sciences at San Antonio~~ Health  
Professions (U. T. ~~Allied Health Sciences~~ Health Science  
Center – San Antonio School of Health Professions—~~San~~  
~~Antonio~~)

...

1.16 The University of Texas M. D. Anderson Cancer Center  
(U. T. M. D. Anderson Cancer Center)

...

(d) The University of Texas M. D. Anderson Cancer Center School  
of Health ~~Sciences~~ Professions (U. T. M. D. Anderson School of  
Health ~~Sciences~~ Professions)

.....

### BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Rule 40601, is to change the name of the School of Allied Health to the School of Health Professions at U. T. Southwestern Medical Center – Dallas, U. T. Medical Branch – Galveston, and U. T. Health Science Center – San Antonio, and to change the name of the School of Health Sciences to the School of Health Professions at U. T. M. D. Anderson Cancer Center.

The first schools of allied health sciences evolved from hospital-based training programs and associated vocational and technical training programs, and have transitioned over the years from the concept of technical health occupations to entail academic preparation, external accreditation, national board examinations, and advanced independent practice. The proposed name identifies the advances in healthcare education at these schools and reflects current national trends in the health professions.

7. **U. T. System: Report on the health workforce in Texas**

REPORT

Dr. Ben G. Raimer, Senior Vice President for Health Policy and Legislative Affairs at U. T. Medical Branch – Galveston and Chair of the Texas Statewide Health Coordinating Council, will report on the status of the health workforce in Texas, including Texas' current and long-range needs for healthcare professionals.

**Supplemental Materials: Report on Pages 109 – 114 of Volume 2.**

8. **U. T. System: Quarterly report on health matters, including initiatives in health science educational experiences, by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including initiatives in health science educational experiences. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.