

BOARD OF TRUSTEES OF THE UNIVERSITY OF OREGON

RESOLUTION

AUTHORIZATION TO ENTER INTO CERTAIN LEASE AND MOU TRANSACTIONS (1600 MILLRACE)

Whereas the University of Oregon currently leases space at 1600 Millrace Drive in Eugene, Oregon, a building recently acquired by the University of Oregon Foundation (the "Foundation");

Whereas, the University and the Foundation have proposed a new master lease and associated MOU for the building that would freeze lease payments at their FY14 level (net of ground lease revenue) (the "1600 Millrace Lease");

Whereas, the University would pay rent to the Foundation for only so long as it takes to pay off the existing mortgage and recoup invested Foundation funds, at which time the Foundation would transfer ownership of the building to the University;

Whereas, ORS 352.107(1)(j) grants the University of Oregon the authority to enter into lease agreements for real property;

Whereas, University of Oregon policies authorize the President to execute leases of real property in excess of five million dollars only upon receiving prior approval of the Board of Trustees; and

Whereas, pursuant to the Board's Policy on Committees, the Finance and Facilities Committee of the Board of Trustees voted to refer this action as a seconded motion to the Board of Trustees for adoption;

Now, therefore, the Board of Trustees of the University of Oregon hereby authorizes the President and the Chief Financial Officer to enter into the 1600 Millrace Lease and associated MOU, and further authorizes the officers of the University to take all actions necessary and proper to execute such lease agreements.

VOTE: Voice Vote Recorded – Ayes carried (no dissention)

DATE: September 11, 2014

Recorded by the University Secretary: 

Exhibit A
Summary of the Proposed Millrace Lease and Proposed Associated MOU

The University of Oregon owns 67 acres of land north of Franklin Boulevard in Eugene, which is designated as the Riverfront Research Park. Since May 20, 1992, the University has ground leased the 4.01 acres of land located at 1600 Millrace Drive (“1600 Millrace), within the Riverfront Research Park, to GreenHornet Space Agency, LLC, a Utah-based private company (“GreenHornet”).

In February 2012, the University entered into a whole building master lease with GreenHornet for a 60,200 square foot building located on the 1600 Millrace property. The building is used primarily for research activities, housing both University and outside research entities. The triple net lease with GreenHornet ran for 12 years, expiring in January 2024.

This lease included an annual escalation of rent based on the Consumer Price Index, which has averaged two percent over the past three years. Base rent in FY2014 was \$840,783, not including the operations and building triple net expenses.

This past year, at the request of the University, the University of Oregon Foundation (the “Foundation”) purchased the building from GreenHornet. To finance the transaction, the Foundation assumed an existing mortgage on the building and invested some Foundation funds. As part of the transaction, the Foundation assumed the existing master lease with the University. At this point in time, the University is obligated to pay the Foundation rent under the original GreenHornet master lease terms.

The University and the Foundation are working together on a proposed new master lease, and proposed new MOU associated with the building that would provide the University with both short- and long-term benefits. The proposed lease would freeze the University’s lease payments at the FY14 level (minus ground lease revenues which the Foundation will recoup as an operating expense through the new lease; this total will be around \$762,000). These payments would continue until the Foundation pays off the existing mortgage and recoups its investment of Foundation funds. At that point, the Foundation would transfer ownership of the building to the University and the University would own the property without any ongoing financial obligation.