

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

APPROVED BY THE REGENTS ON

Subject: University of Michigan Hospitals and Health Centers:
Industrial Technology Institute Building

JUN 18 1999

Action Requested: Authorization to Purchase

Background and Summary:

We recommend the Regents authorize the purchase of the Industrial Technology Institute facility at a price of \$12.5 million, with an additional \$1.0 million allocated for the purchase of personal property. The purchase would be subject to the negotiation of a satisfactory purchase agreement, acceptable environmental reports and completion of our due diligence. Purchase of this building will address administrative space requirements for the Health System.

Background:

In November 1981 the Industrial Technology Institute (ITI) was incorporated as a Michigan non-profit corporation organized to receive and administer funds for research and development on technical, social and economic issues derived from industrial automation. In 1985 the Regents approved a lease between the University and ITI covering 15 acres of vacant land located at the northeast corner of Huron Parkway and Hubbard Drive (see attached map). The terms of the fifty-year lease state:

- ITI could build a facility on the property and retain legal title to the building for the life of the lease; and
- upon termination of the lease on March 1, 2035, the building and related improvements become the property of the University at no cost to the University.

In 1987 ITI completed construction of a one- and two-story, contemporary concrete and glass structure on the site. The building totals approximately 125,000 square feet and is 70% office and 30% research/laboratory. The building is 100% occupied with approximately 30% of the facility leased to non-ITI tenants. The remainder is used by ITI.

The \$12.5 million purchase price for the building is supported by an appraisal. Internal estimates put the value of the personal property including the furniture to be in excess of \$1.0 million.

Future Uses:

The ITI facility will be used to benefit the Health System, given its location on the North Campus and its compatibility for multiple administrative support functions. Relocation of occupants from 300 N. Ingalls Building (NIB) and Taubman Health Center to ITI will create space for pending internal moves and surge space required to respond to additional specific health delivery activity demands in a timely manner.

The anticipated closing on the sale is May 1, 1999. The first transfer of health care administrators would take place over the next 18-24 months and would include the relocation of many of the administrative functions currently located in NIB. This would free space in the NIB facility to meet a variety of clinical research and health services research needs, in addition to support functions currently in the hospital

Medical Professional Building which can operate effectively outside of the patient care facilities of the main hospital complex.

The second component of the ITI transition would be the relocation of the Medical Records function from Taubman, Auxiliary Services and Arbor Lakes. Consolidation of the medical records functions to one primary location will create operational efficiencies for the Medical Information Services department. The space freed up in Taubman will be used primarily for expansion of the existing catheterization and electro-physiology lab recovery areas for patients on the B1 level of University Hospital.

ITI will remain in a portion of the facility for up to twelve months after closing as it identifies and relocates to alternative space. Rent for this space will be negotiated prior to closing and will be a reduction to the purchase price. As the non-ITI tenant leases terminate over the next 21 months, the Health System will fill the vacated spaces. Beginning in 2002, the facility will be entirely occupied by the University. Existing parking at NIB is sufficient for expected staffing. At ITI, if there is increased utilization of space that results in a greater occupancy, then additional parking spaces will need to be constructed. We anticipate that the UMHS shuttle will also service this facility.

Hospital reserves will be used to fund the purchase.

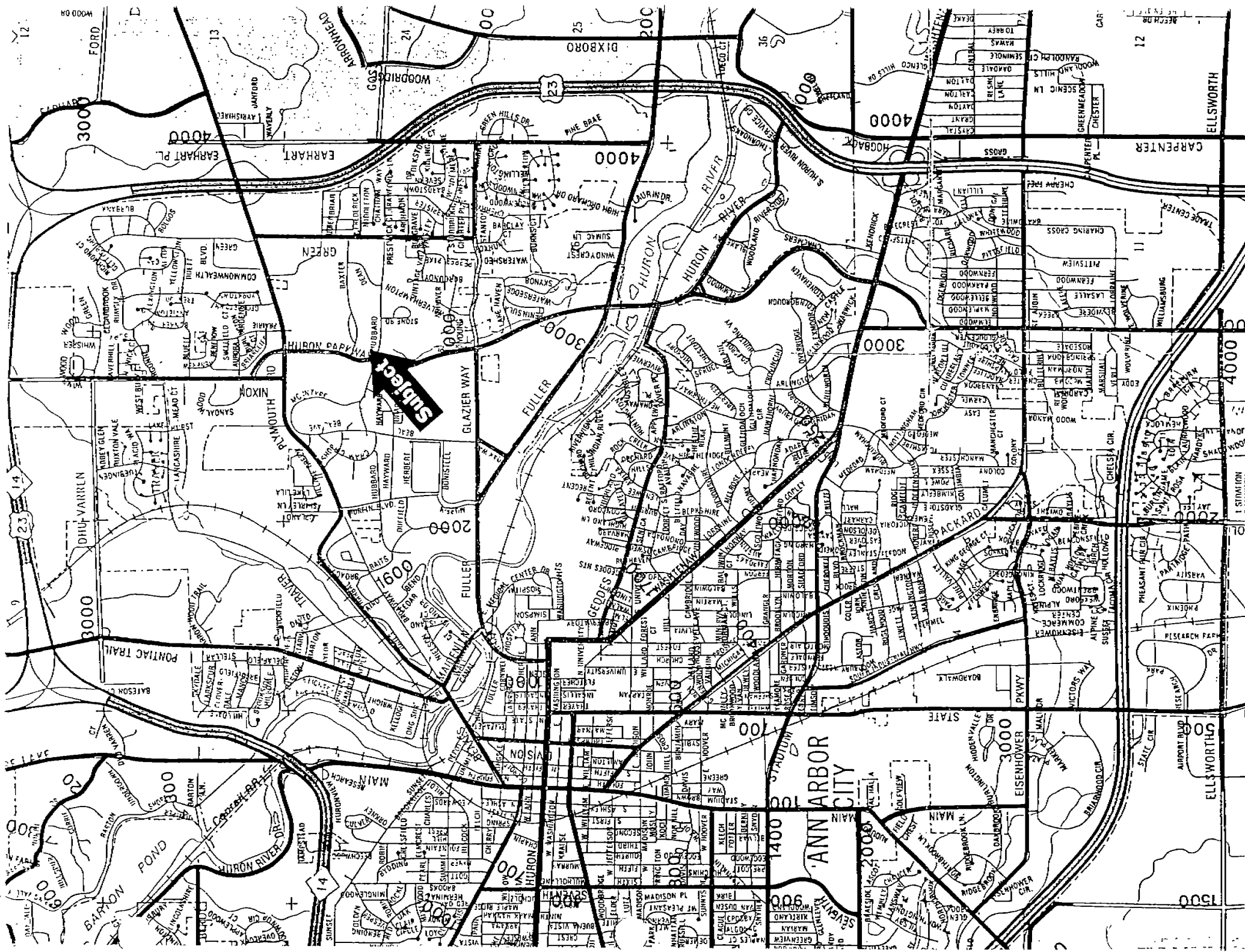
We recommend the purchase of the Industrial Technology Institute building and personal property at a total price of \$13.5 million, subject to the negotiation of a satisfactory purchase agreement, acceptable environmental reports and completion of our due diligence.

Respectfully submitted,



Robert Kasdin
Executive Vice President

March 1999
attachment



Subject

ANN ARBOR CITY

CARPENTER

TRADE CENTER

WILLIAMSBURG

4000 B

101

RESEARCH PARK

PHOENIX

STATE

STATE

STATE

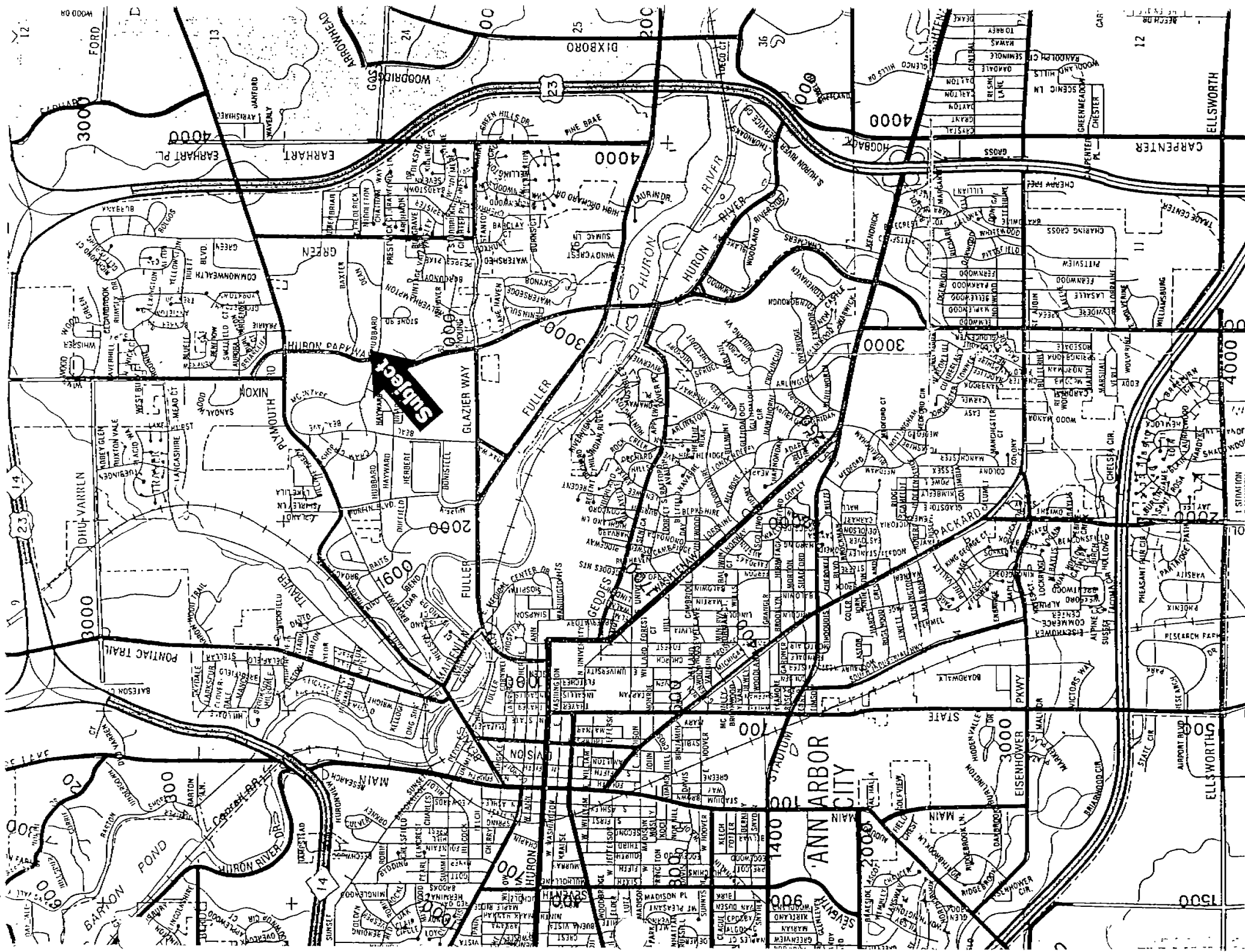
STATE

STATE

STATE

STATE

STATE



Subject

ANN ARBOR CITY

CARPENTER

TRADE CENTER

WILLIAMSBURG

4000 B

101

RESEARCH PARK

PHOENIX

STATE

STATE

STATE

STATE

STATE

STATE

STATE

STATE