

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Approved by the Regents

July 21, 2006

Subject: University of Michigan Hospitals and Health Centers
KMS Building Leasehold Improvements

Action

Requested: Approval to Proceed with Project

Background:

The University of Michigan Health System Hospitals and Health Centers (UMHHC) leases significant space at the KMS Building at 3621 South State Street, Ann Arbor, Michigan, primarily for financial and business functions. Recently, additional space became available and was offered to the UMHHC at no cost for a four-year period, with UMHHC assuming the cost for building out the vacant space. Contingent with this additional lease space, the landlord offered to extend the existing lease rate at the KMS Building until 2011.

This project will renovate approximately 13,000 gross square feet of space at the KMS Building to consolidate several UMHHC offices and administrative functions. The Utilization Management Office will be relocated from the Med Inn Building. The Insurance and Verification Call Center will be relocated from the North Campus Administrative Complex Building and the Taubman Health Center thereby consolidating staff in one location. In addition, the M-Learning function will relocate from Green Road to the KMS Building to eliminate overcrowding conditions at the Green Road facility. The scope of this project includes the architectural, mechanical and electrical work necessary to accomplish these improvements. There will be no impact on parking from this project.

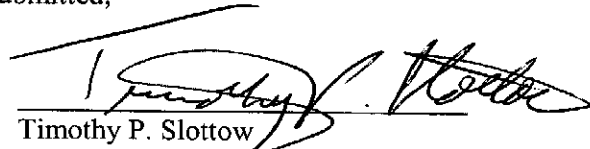
The estimated cost of this project is \$1,700,000. Funding will be provided from Hospital and Health Centers' resources. The construction cash flow may be provided, all or in part, by increasing the commercial paper issuance under the commercial paper program, secured by a pledge of General Revenues, and authorized by the Regents. Construction will be managed by the lessor and is scheduled to be completed in Spring 2007.

We recommend that the Regents approve the KMS Building Leasehold Improvements project as described.

Respectfully submitted,



Robert P. Kelch
Executive Vice President
for Medical Affairs



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2006