

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Michigan Medicine
777 East Eisenhower Parkway, Ann Arbor, Michigan

Action Requested: Approval of Lease and Approval to Proceed with Leasehold Improvements Project

Background:

In accordance with the University of Michigan Real Estate Policy, we are required to seek approval to execute leases when the lease term exceeds ten years or the lease exceeds 50,000 square feet. Michigan Medicine wishes to enter into a lease for 112,768 square feet of space for a term of fifteen years and three months within the building at 777 East Eisenhower Parkway, Ann Arbor, Michigan. Three-quarters of the space will be used to consolidate the Michigan Medicine's Health Information Technology and Services (HITS) group and Michigan Medicine's Development Office that are currently in leased space. Relocating HITS and the Development Office is estimated to save approximately \$2 million over the term of the new lease as compared with the current leases and including leasehold improvements. The remaining 28,192 square feet will be used for relocation of staff from the medical campus. A leasehold improvement project will be necessary within the new premises to accommodate each group's needs.

The estimated cost of the leasehold improvements is \$6,766,000, with \$3,524,000 funded through the lease as a tenant improvement allowance and the remainder funded from Health System resources. The construction cash flow may be provided, all or in part, by bond proceeds or increasing the commercial paper issuance under the commercial paper program, secured by a pledge of General Revenues, and authorized by the Board of Regents. Construction will be managed by the lessor and is scheduled to be completed in the summer of 2020.

We recommend that the Board of Regents approve the lease and the leasehold improvements project as described.

Respectfully submitted,



Marschall S. Runge
Executive Vice President for Medical Affairs and
Dean, Medical School



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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