

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: Fairlane Training and Development Center
1700 Hubbard Drive, Dearborn, Michigan

Action

Requested: Authorization to Purchase Real Estate and
Approval to Proceed with Renovation Project

Background:

An opportunity to acquire property strategically located near the University of Michigan-Dearborn campus is available through the purchase of 1700 Hubbard Drive, Dearborn, Michigan. The property includes an approximately 290,000 square foot building, the Fairlane Training and Development Center (FTDC), currently owned by the Ford Motor Land Development Corporation (FMLDC). The building is situated on approximately 31.7 acres of land. The FTDC shares a wall with the Fairlane Club, a private athletic club that will remain in FMLDC ownership.

This purchase will enable the University of Michigan-Dearborn to move its Schools of Education and Management, and potentially other academic programs and activities into the FTDC. Existing classroom configurations will accommodate day and evening classes.

The FMLDC will lease back from the University approximately 26% of the FTDC. This lease will run for 8 years, with one 5-year renewal option. When Ford moves out of this leased space, it will be used by UM-Dearborn for growth in programs and enrollment increases in the schools of education and management, expansion of graduate programs, and possibly growth in UM-Dearborn's professional training operation.

A purchase price of \$31,700,000 has been established for the FTDC, including some furnishings and 31.7 acres of land, with a tentative closing in early 2003, subject to Regental approval of this Action Request. A phased occupancy is planned to occur between the closing date and August 31, 2003. An appraisal of the FTDC, issued June 2002, valued the building and approximately 20 acres of land, including 1,000 parking spaces, at \$41,250,000. The 1000 parking spaces will accommodate current needs and future growth.

In addition, a \$1,100,000 renovation to the portion of the FTDC not subject to the Ford lease is proposed. The scope of this project includes the architectural, mechanical and electrical work necessary to accomplish improvements to upgrade fire safety for this classroom building and to accommodate small changes for the UM- Dearborn programs.

APPROVED BY THE REGENTS ON

DEC 12 2002

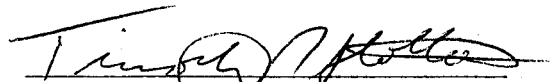
The purchase and renovation of the FTDC is included in the FY2002 Supplemental Appropriations Bill (PA 530 of 2002). Through the State Building Authority, the State will fund seventy-five percent of the cost of the \$32,800,000 project for acquisition and renovation. The University of Michigan-Dearborn will fund the balance of the project costs (twenty-five percent). Two condominium units will be created within the FTDC. The first (Unit 1) will be comprised of the space that Ford will lease from the University. That condominium unit, valued at \$10 million, will be donated to the University by FMLDC as a gift. The second (Unit 2) will consist of that portion occupied by UM-Dearborn. We are seeking approval for the State Building Authority financing in a separate Action Request being submitted to the Regents today. 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. The debt issued may be taxable due to the FMLDC lease within the FTDC.

We recommend the University purchase the property at 1700 Hubbard Drive, Dearborn, Michigan at the negotiated price of \$31,700,000 and accept the gift of the condominium Unit 1. The purchase and gift are subject to the University completing necessary and appropriate due diligence, including satisfying itself of the environmental condition of the site and title work on the property. *We further recommend* that the Regents approve the FTDC renovation project as described for \$1,100,000, and authorize issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Respectfully submitted,



Daniel Little
Chancellor
University of Michigan-Dearborn



Timothy P. Slottow
Interim Chief Financial Officer

December 2002

Attachment

