

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents

January 20, 2006

ACTION REQUEST

Subject: South State Commons II, LLC
Data Center Leasehold Improvements

Action

Requested: Approval of Lease Agreement and Approval to Proceed with Project

Background:

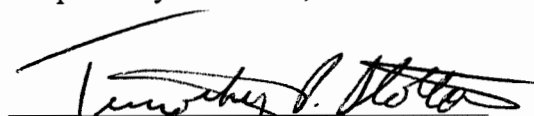
To support campus-wide academic and research computing needs, the University seeks to enter into a lease agreement with South State Commons II, LLC for 10,000 gross feet of space located at 1000 Oakbrook Drive, Ann Arbor, Michigan, to house a high-performance data center and associated support space (preparation area, shared operations, and shared support spaces). The initial term of the lease is 15 years with options for continuance. In a separate agreement, the landlord is leasing adjacent space to the Michigan Information Technology Center Foundation, Internet2, and Merit Network, Inc. The University is developing a separate operating agreement that will govern the sharing of space.

The project will provide the University the ability to expand its data center and machine room capacity and to consolidate current operations as necessary in this offsite location. The space is currently shelled, but was designed and built with the intention of being brought on line as a Tier III data center facility, including robust power and cooling systems, intended to meet fairly high availability requirements. The project consists of the leasehold improvements needed to construct the high-performance data center. There will be no impact on parking from this project.

The estimated cost of the project is \$15,000,000. Funding will be provided from investment proceeds. 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 Fall 2006.

We recommend that the Regents approve the South State Commons II, LLC Data Center Leasehold Improvements project as described.

Respectfully submitted,



Timothy P. Slottoy
Executive Vice President and
Chief Financial Officer

January 2006