

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Subject: W.K. Kellogg Institute and Dental Building  
Expansion and Renovation

Action Requested: Approval of Revised Budget

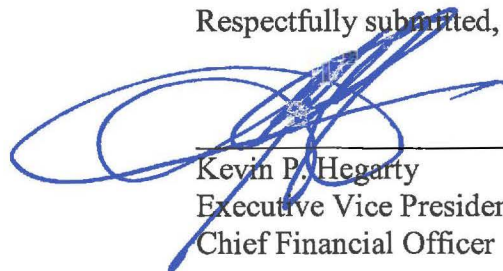
Background:

In September 2016, the Board of Regents approved the W.K. Kellogg Institute and Dental Building Expansion and Renovation project and the appointment of SmithGroupJJR as the architect for its design. The W.K. Kellogg Institute and Dental Building were built in 1940 and 1969 respectively. With additions, together they total approximately 379,000 gross square feet of space housing research laboratories, classrooms, clinics, and offices for the School of Dentistry. The building requires a major renovation to support the school's academic, research, and clinical programs into the future. The proposed project includes renovation of approximately 172,000 gross square feet and addition of 37,000 gross square feet. The project was originally submitted to the State of Michigan in 2013 and it was authorized three years later in the fall of 2016. Our estimated construction start date has changed due to the time that passed between our submission and the project's authorization, and our professional cost estimator has estimated the additional construction cost escalation to be approximately 19 percent, or \$16,500,000. We plan to seek approval from the State of Michigan to increase the budget to \$140,000,000. The additional funding will be provided by School of Dentistry resources and investment proceeds and will allow the project to proceed as described previously.

We are seeking approval to revise the project budget from \$122,000,000 to \$140,000,000. This project is part of the Fiscal Year 2017 Capital Outlay Request to the State of Michigan and subsequently received authorization for design in the Fiscal Year 2017 Capital Outlay budget. Once construction is authorized by the State legislature, the State will fund approximately \$30,000,000 of the project and the university will fund the balance with Office of the Provost resources, School of Dentistry resources, and investment proceeds. 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.

We recommend that the Board of Regents approve increasing the budget of the W.K. Kellogg Institute and Dental Building Expansion and Renovation project as described above.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

April 2017