Subject: Observatory Lodge Renovation

Action Requested: Authorization to Issue the Project for Bids and Award Construction Contracts

Background:

At the June 2005 meeting, the Regents approved the schematic design for the Observatory Lodge Renovation project. A complete renovation of the 30,000 gross square foot building is planned that will be sensitive to the building's historic character and include restoration of many of the buildings character-defining features. The project will address deferred maintenance items as well as existing code and accessibility requirements. The scope of this project includes the architectural, mechanical, and electrical work necessary to accomplish these improvements. The renovated building will provide approximately 18,000 net square feet of space for the Division of Kinesiology.

The estimated cost of the project is $11,500,000. This project is part of the Fiscal Year 2005 Supplemental Capital Outlay from the State of Michigan. Once the funds are appropriated by the State legislature, the State will fund approximately two-thirds of the project, and the University will fund the balance with Division of Kinesiology resources and 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 is scheduled to be completed in Fall 2007.

We recommend that the Regents authorize issuing the Observatory Lodge Renovation project for bids and awarding construction contracts providing that bids are within the approved budget.

Respectfully submitted,

Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2006