Subject: 4.82 Acres of Vacant Land in the Matthaei Botanical Gardens
Superior Township, Washtenaw County, Michigan

Action Requested: Authorization for a Ground Lease

Background:

The Matthaei family donated land to the University of Michigan for use as a botanical garden, and an adjacent parcel to the Humane Society of Huron Valley (HSHV) for use as an animal shelter. Both the University land and the Humane Society land were encumbered with deed restrictions that require that those lands be used for specific purposes.

The HSHV has requested to lease from the University of Michigan approximately 4.82 acres of vacant land on Cherry Hill Road, adjacent to the present Humane Society facility. This parcel is currently part of the University's Matthaei Botanical Gardens. The HSHV intends to construct a new facility of approximately 25,000 gross square feet, as well as approximately 4,000 gross square feet of additional improvements, including outdoor kennels. The new facility will further the HSHV's mission to provide animal welfare services to the community, including shelter operations, education and other uses ancillary to its mission. Representatives of the Matthaei family have expressed their support to expand the HSHV animal shelter into the Botanical Gardens property. The University of Michigan has agreed to the Humane Society's request only with the approval and support of the Matthaei family to change the use of the property.

The proposed agreement is a ground lease by the University of Michigan of approximately 4.82 acres of land, to the HSHV for a fixed term of 65 years, at $8,000 per year for the first 30 years, and $1 per year for the remainder of the lease. Construction of the new HSHV facility shall start within 270 days of the lease signing, with construction to be substantially complete by December 31, 2012. The project will include a landscape buffer on the west and south sides of the leased property, to be planted at HSHV expense with vegetation acceptable to the University. During the term of the ground lease, the HSHV will be required to comply with local and state requirements just as any non-University of Michigan land owner is required to follow. This includes: state and local zoning, building codes, land use, regulations and ordinances. The HSHV will be required to comply with the University-administered Soil Erosion and Sedimentation Control Part 91 of the Natural Resources and Environmental Protection Act, Public Acts 451 of 1994 during construction.
We recommend that the Regents authorize the executive vice president and chief financial officer to execute a ground lease for the 4.82 acres of land located in the Matthaei Botanical Gardens, Superior Township, Washtenaw County, Michigan, to the Humane Society of Huron Valley at the rent of $240,035 for the term of 65 years. Net proceeds from the lease will be applied to the University's General Fund.

Respectfully submitted,

[Signature]

Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2008
Attachment