

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Approved by the Regents  
July 15, 2010

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

Action

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

Background:

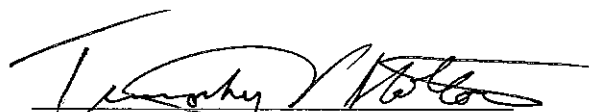
In January 2006, the Board of Regents approved an action request for a 15-year lease agreement with South State Commons II, LLC, for 10,000 square feet of space located at 1000 Oakbrook Drive, Ann Arbor, Michigan to house a high-performance data center and associated support spaces. As indicated in the 2006 Action Request, the landlord would also be leasing space to the Michigan Information Technology Center Foundation (MITC). In a separate Action Request to the Board of Regents this month, we will be requesting action on a conflict of interest to allow for the purchase MITC's assets that are located in this facility for \$1,250,000. We have negotiated with the landlord and other parties to assume operations of the entire data center and expand the university's overall space to 16,227 square feet. The rental rate per square foot will remain the same in the restated lease, and the duration will be for the remaining 12 years of the original 15 year lease agreement.

As our need for high-performance computing continues to grow, this expansion will allow the university's Information and Technology Services department to improve the overall reliability of the data center, and establish license agreements with other parties as explained in conflict of interest action requests also on the July Board of Regents agenda.

The estimated cost of the project is \$1,900,000, including \$1,250,000 to purchase assets from MITC and \$650,000 for additional tenant improvements. Funding will be provided from investment proceeds. Tenant improvements will be performed by the landlord and work is scheduled to be completed in the fall of 2010.

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

Respectfully submitted,

  
Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

July 2010