

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Approved by the Regents
May 17, 2012

Subject: University of Michigan Hospitals and Health Centers
Livingston County Survival Flight Hangar

Action

Requested: Approval to Proceed with Project and Authorization to Execute a Lease

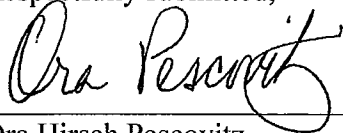
Background:

In accordance with our real estate policy, we seek approval to execute leases when the lease term will exceed ten years. The University of Michigan Hospitals and Health Centers' Survival Flight program includes an air hangar lease at the Livingston County Spencer J. Hardy Airport, an important location in support of air medical services. The current lease space is considered suboptimal to ensure security and efficiency of operations. This project will improve the quality, quantity, reliability and security of the leased space for the storage and maintenance of the aircraft and coordination of flight operations with the Livingston County Emergency Medical Services Department (LCEMS) and airport operations. The UMHHC intends to enter into a lease for twenty years with LCEMS. The landlord will construct a new 66,500-square-foot, three-story building which will incorporate a helicopter hanger, office space, emergency vehicle garage space and common areas adjacent to Hardy Airport. The university will lease hanger space and office space for a total of 12,369 square feet once the project is completed. The lease duration reflects Livingston County's bonding terms and UMHHC intentions to provide a long term commitment for air ambulance services in the region.

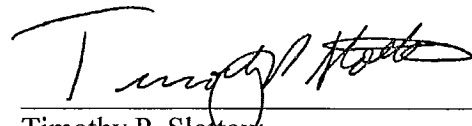
The estimated cost of the leasehold improvements and related expenses is \$2,599,463. Payment for the leasehold improvements and other expenses will consist of a cash down payment of \$500,000 followed by a contribution of \$12,915 per month for the duration of the lease. The agreed-upon base rent is \$4,332 per month with an escalation of 2 percent every five years. Operating costs will be in addition to the base rent. Funding will be provided from Hospitals and Health Centers' resources. 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. Construction will be managed by the lessor and is scheduled to be completed in the summer of 2014.

We recommend that the Board of Regents approve the University of Michigan Hospitals and Health Centers Livingston County Survival Flight Hangar project as described and authorize the execution of a lease a 20-year duration for 12,369 square feet

Respectfully submitted,



Ora Hirsch Pescovitz
Executive Vice President
For Medical Affairs



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2012