

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: New Robotics Laboratory

Action

Requested: Approval of Schematic Design and Revised Project Scope and Budget, and Authorization for the Executive Vice President and Chief Financial Officer to Execute a Lease

Background:

At the April 2015 meeting, the Board of Regents approved the New Robotics Laboratory project and the appointment of Harley Ellis Devereaux as the architects for its design. The project was proposed to be a three-story, approximately 100,000-gross-square-foot research and teaching facility for the College of Engineering's robotics program estimated to cost \$54,000,000. The College of Engineering now proposes to add a fourth story and 40,000 gross square feet to the project to accommodate space for its corporate partner Ford Motor Company that will locate collaborative research activities within the new building. The revised design for the new Robotics Laboratory is approximately 140,000 gross-square-feet with an updated budget of \$75,000,000. This new state-of-the-art facility will house research and testing laboratories, associated support functions, offices and classroom space. These spaces will be constructed in an open plan to allow for greater collaboration, increased flexibility, and better space utilization. Several of the key testing labs include a robot walking lab, a flight testing lab, a rehabilitation robotics lab, and labs for electronics and software development. The original project anticipated an additional parking demand of 30 spaces. The total increased parking demand is now anticipated to be 130 parking spaces that will be met with additional parking on North Campus.

Per the university's real estate policy, we are also seeking approval to enter into a lease for 24 years commencing on the date of substantial completion of the project. The lease includes full recovery of cost at a fair market value with an upfront payment for the cost of construction, payment of actual expenses for university performed services over the duration of the lease (including utilities, maintenance, custodial, and other typical university services) plus a 2 percent management fee. In addition, Ford will pay for future capital maintenance as determined by the university and pro-rated based on the remaining term of the lease, expected life of the component based on Ford's proportionate share of the use of the building, currently estimated at approximately 28 percent and subject to change based on the final building construction square footage data. Ford agrees to follow U-M rules regarding building use.

The estimated cost of the project is \$75,000,000. Funding will be provided from College of Engineering resources and gifts, and a lump sum contribution by Ford Motor Company not to exceed \$22,822,909 (actual cost to be based on the final cost of the project). 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. The project is expected to provide an average of 87 on-site construction jobs. Construction is scheduled to begin after a comprehensive fund-raising effort for College of Engineering funds and be completed in the winter of 2020.

We recommend that the Board of Regents approve the schematic design and revised project scope and budget for the New Robotics Laboratory project as presented at the meeting, and authorize the executive vice president and chief financial officer to execute the lease agreement with Ford Motor Company as described.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kevin P. Hegarty", is written over a horizontal line. The signature is stylized and somewhat messy.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

September 2016