Subject: Regental Action Required Under the State of Michigan Conflict of Interest Statute

Action Requested: Authorization for the University of Michigan to Enter into Lease Agreements with University of Michigan Credit Union (University of Michigan Employees Earl Bell and Paul Kirsch, officers)

Background:

The University of Michigan seeks approval to enter into a new lease agreement with the University of Michigan Credit Union (UMCU) as described in section d (ii) 5. We also seek approval to continue agreements with UMCU as described in section d (ii) 1, 2, 3 and 4 for space that will be utilized for conducting and carrying on the business of the credit union that serves the university community.

The proposed lease agreements fall under the State of Michigan conflict of interest statute as Earl Bell and Paul Kirsch are University of Michigan employees and party to the lease agreements by virtue of their acting as officers of UMCU. However, the statute allows university employees to participate in such lease agreements, if the following conditions are met:

a) The public servant promptly discloses any pecuniary interest in the lease agreement to the official body that has power to approve the lease agreement, which disclosure shall be a matter of record in its official proceedings.

b) The lease agreement is approved by a vote of not less than two-thirds of the full membership of the approving body in open session without the vote of the public servant making the disclosure.

c) The official body discloses the following summary information in its official minutes:

   i) The name of each party involved in the lease agreement.

   ii) The terms of the lease agreement, including duration, financial consideration between the parties, facilities or services of the public entity included in the lease agreement, and the nature and degree of assignment of employees of the public entity for fulfillment of the lease agreement.

   iii) The nature of any pecuniary interest.
d) The following information is provided in compliance with the statutory requirements contained in Section (c) above:

i) The parties to the lease agreements are the Regents of the University of Michigan and University of Michigan Credit Union.

ii) The services to be provided are the leases of the following:

1) 3,000 square feet in the Ann Arbor campus Michigan Union for 10-years, beginning May 1, 2015, through April 30, 2025, at an annual rate of $116,000.00, with 3 percent annual rate increases. The tenant will be responsible for gas and electric usage plus janitorial service, and also will be responsible for a portion of the operating expenses of the building.

2) 777 square feet in the Ann Arbor Pierpont Commons for 10-years, beginning May 1, 2015, through April 30, 2025, at an annual rate of $27,500.00, with 3 percent annual rate increases. The tenant will be responsible for gas and electric usage plus janitorial service, and also will be responsible for a portion of the operating expenses of the building.

3) 352 square feet in the Dearborn University Center for three-years, beginning January 1, 2019, through December 31, 2021, at an annual rate of $7,800.00. The tenant will be responsible for janitorial service.

4) 328 square feet in the Flint University Pavilion for three years, beginning August 1, 2020, through July 31, 2023, at an annual rate of $6,696.00, with 2 percent annual rate increases. The tenant will be responsible for janitorial service and will be provided with one parking permit.

5) 188 square feet in the University Hospital for five-years, beginning January 1, 2021, through December 31, 2025, at an annual rate of $11,885.00, with 3 percent annual rate increases. The tenant will be responsible for janitorial service. In addition, approximately $150,000 of leasehold improvements will be constructed at the sole cost of the Tenant.

iii) The pecuniary interest arises from the fact that Earl Bell and Paul Kirsch, University of Michigan employees, are officers of University of Michigan Credit Union.

Earl Bell and Paul Kirsch have met state law requirements with the disclosure of their pecuniary interest and their formal appointment arrangements with the University of Michigan.

We recommend that the Board of Regents approve the lease agreements between the University of Michigan and University of Michigan Credit Union, subject to the requirements, if any, of a conflict management plan required by the respective employees’ supervisor, and any requirements imposed by the conflict of interest committees of the Stephen M. Ross School of Business or the A. Alfred Taubman College of Architecture and Urban Planning.

Respectfully submitted,

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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