

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

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

Action

Requested: Authorization for the University of Michigan to Enter into a Lease Agreement with Urology Associates Realty II LLC (University of Michigan employees Kevin Stone and Brian Stork, co-trustees of trusts with membership interest Urology Associates Realty II LLC)

Background:

The University of Michigan wishes to enter into a lease amendment agreement for 7,603 square feet of property located at 1301 Mercy Drive in Muskegon, Michigan, leased from Urology Associates Realty II LLC. The space is utilized as an ambulatory care clinic for Michigan Medicine urology patients.

The proposed lease amendment agreement falls under the State of Michigan conflict of interest statute as Kevin Stone and Brian Stork are University of Michigan employees and would be party to the lease amendment agreement by virtue of their positions as co-trustees of two trusts with membership interests in Urology Associates Realty II LLC. 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.

The following information is provided in compliance with the statutory requirements contained in Section (c) above:

- i) The parties to the lease agreement are the Regents of the University of Michigan and Urology Associates Realty II LLC.
- ii) The service to be provided is the lease of 7,603 square feet in a building at 1301 Mercy Drive, Muskegon, Michigan, for five years, beginning the first day of the month following full execution of the lease agreement, at a monthly rate of \$18.50 per square foot with \$0.25 per square foot increases every two years. The tenant will also be responsible for the payment of building operating expenses. In addition, approximately \$53,190 of leasehold improvements will be constructed by the landlord to make the lower level space available for occupancy, with the cost of the leasehold improvements amortized into the rent over the lease term at the rate of \$1.50 per square foot based on 7,092 square feet.
- iii) The pecuniary interest arises from the fact that Kevin Stone and Brian Stork, University of Michigan employees, are co-trustees of two trusts with membership interests in Urology Associates Realty II LLC.

Kevin Stone and Brian Stork 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 amendment agreement between the University of Michigan and Urology Associates Realty II LLC, 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 Medical School or the Office of the Vice President for Research.

Respectfully submitted,



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Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

December 2020