

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ACTION REQUEST

Subject: University of Michigan Health Clinical Expansion Project  
300 W. Michigan Avenue, Ypsilanti, Michigan

Action Requested: Approval of Lease and Leasehold Improvements

Background:

University of Michigan Health seeks to expand its clinical services to improve access to comprehensive services in the Ypsilanti area, adding multiple adult and pediatric specialty clinics, diagnostic imaging, and social support services to existing primary care programs. The proposed facility is a half-block away from the downtown Ypsilanti Transit Center, which will improve accessibility to programs and services via public transportation. The project also provides adequate onsite parking for community access. This program expansion will emphasize financial investments in local workforce hiring and suppliers, keys to progress on social and economic determinants of health.

In accordance with the University of Michigan Real Estate Policy, we are required to seek approval to execute leases when a lease term exceeds ten years. We propose a lease for a term of fifteen years and three months within a building located in downtown Ypsilanti at 300 W. Michigan Avenue, Ypsilanti, Michigan. The lease will commence in two phases. The first phase will begin October 1, 2023, for approximately 42,000 rentable square feet on floors four and five of the building. The second phase of the lease will commence on January 1, 2024, for approximately 3,000 rentable square feet on the first floor of the building for an imaging suite for Radiology diagnostic services. Because the second phase square footage cannot be precisely determined at this time, we seek approval for 45,000-50,000 total rentable square feet in this lease.

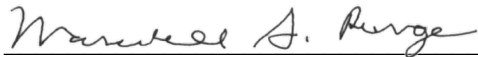
The agreed-upon base rent for the lease includes three months of rent abatement, followed by 36 months at \$29.00/ rentable square feet, increasing by two percent annually thereafter. Our pro-rata share of building operating expenses will be charged over a 2024 calendar base year. The overall lease rate and terms are comparable with market conditions in the area. To accommodate the desired clinical services within the building, a leasehold improvement project will also be required.

We also seek approval for a \$35,400,000 project, including leasehold improvements with an estimated cost of \$15,500,000, with approximately \$2,400,000 (amount to be based on final rentable square footage) funded through the lease as a tenant improvement allowance. Equipment, furniture, and related expenses will comprise the remaining \$19,900,000 of the project. Funding will be provided from University of Michigan Health 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. The construction delivery method of this project will include design-build services managed by the lessor. The scope of this project includes the architectural, electrical, and mechanical work necessary to complete the project.

We recommend that the Board of Regents approve the fifteen year and three month lease and \$35,400,000 project, including leasehold improvements as described, and authorize the EVPCFO to execute the lease.

Respectfully submitted,



Marschall S. Runge, M.D., Ph.D.  
Executive Vice President for Medical Affairs  
and Dean, Medical School



Geoffrey S. Chatas  
Executive Vice President and  
Chief Financial Officer

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