

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: State Building Authority Financing of University of Michigan-Ann Arbor
Campus Projects

Action Requested: Approval of Resolutions Approving Construction and Completion Assurance
Agreements, Conveyance of Properties, Leases, and Easement Agreements, if
Necessary, for the Named Projects and Authorization for the Appropriate
Officers to Execute and Deliver the Required Documents

Background and Summary:

The State Building Authority (SBA) is expected to go to the market soon with its commercial paper program and it is anticipated that the University will be a beneficiary in that program for the two projects described below. The SBA commercial paper program proceeds will be used to fund the construction cash flow requirements of the projects. Subsequently, at or near completion of the projects, the SBA plans to issue long-term bonds to retire its commercial paper debt.

The SBA's initial financing will require the University to execute a Construction and Completion Assurance Agreement. This agreement details the rights, duties and obligations of the SBA and the University for the project during the construction and prior to conveyance of the property with improvements to the SBA. The Construction and Completion Assurance Agreement also provides assurance to the SBA that the University will complete the facility in a timely manner. At the same time, the University is required to execute a Bill of Sale to convey title for personal property to the SBA.

At or near completion of each project when the SBA is ready to issue long term bonds, the SBA financing will also require execution of a Warranty Deed to convey the property to the SBA and the execution of a Lease between the SBA, the State of Michigan and the University. The University will lease the property from the SBA and the annual lease-rental payments will be paid by the State on behalf of the University. In addition, it may be necessary to execute easement agreements between the University and the SBA to facilitate the transactions. All of the required documents are substantially similar to those authorized by the Regents for previous SBA projects.

The projects previously approved by the Regents for the Ann Arbor Campus and for which we anticipate SBA financing are:

S.T. Dana Building -- School of Natural Resources and Environment Phase II Renovation Project

In the March 1999 meeting, the Regents approved the Phase II renovation of the Dana Building. In the December 2000 meeting, the Regents approved the final budget and authorized issuing the project for bids and awarding the construction contracts. The construction budget for the project is \$17.7 million, of which \$11.2 million will be provided through the SBA and the remaining \$6.5 million by the University. The University's portion is being funded from central administration sources.

The lease term will not exceed 40 years and the annual rental rate will not exceed \$1.2 million.

APPROVED BY THE REGENTS ON

OCT 18 2000

Central Campus Renovation Phase II Perry Building

The Perry Building renovation is one of the projects included in the Central Campus Renovation Phase II Project for the Ann Arbor Campus approved by the State of Michigan.

In the September 1998 meeting, the Regents approved the renovation of the Perry Building. In the December 1999 meeting, the Regents approved the design and authorized issuing the project for bids and awarding the construction contracts. The construction budget for the project is \$12 million, of which \$9 million will be provided by the SBA financing and the remaining \$3 million by the University. The University's portion is being funded from central administration sources, but a portion of the cash flow requirements were provided for through the commercial paper program.

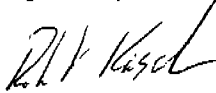
The lease term will not exceed 40 years and the annual rental rate will not exceed \$949,000.

We recommend the Regents approve the attached Resolutions and authorize the appropriate officers to:

- On or prior to the SBA's issuance of commercial paper notes, execute the Construction and Completion Assurance Agreement and Bill of Sale for each of the projects.
- At or near completion of each project and prior to the issuance of the SBA's bonds, execute the respective Lease, convey title to the property, and execute any necessary easement agreements.
- Execute any other documentation required for the financing of the projects by the SBA.

Copies of the Construction and Completion Assurance Agreements, Bills of Sale, Leases, Warranty Deeds, and any necessary Easement Agreements will be available for review in the Treasurer's Office.

Respectfully submitted,



Robert Kasdin
Executive Vice President

October 2001
Attachments

RESOLUTION OF THE REGENTS OF
THE UNIVERSITY OF MICHIGAN
APPROVING A CONSTRUCTION AND COMPLETION
ASSURANCE AGREEMENT, A CONVEYANCE OF
PROPERTY, A LEASE AND AN EASEMENT AGREEMENT,
IF NECESSARY, FOR THE UNIVERSITY OF MICHIGAN - ANN ARBOR S.T. DANA
BUILDING - SCHOOL OF NATURAL RESOURCES AND ENVIRONMENT PHASE II
RENOVATION PROJECT

A RESOLUTION of the Regents of the University of Michigan (i) approving (a) a form of construction and completion assurance agreement (the "Construction and Completion Assurance Agreement"), by and among the State Building Authority (the "Authority"), the State of Michigan (the "State") and the Regents of the University of Michigan, a Michigan constitutional body corporate (the "Educational Institution"), providing for the rights, duties and obligations of the Authority, the State and the Educational Institution with respect to the Educational Institution's Ann Arbor S.T. Dana Building - School of Natural Resources and Environment Phase II Renovation Project and the site therefor (the "Facility") during the construction, renovation and/or equipping of the Facility and prior to the conveyance of the Facility to the Authority, (b) the conveyance of the Facility to the Authority, (c) a lease (the "Lease"), by and among the Authority, the Educational Institution and the State, for the purpose of leasing the Facility to the State and the Educational Institution and (d) an easement and/or other agreement (the "Easement Agreement") between the Authority and the Educational Institution, if necessary and/or desirable in connection with access, parking, utilities, pedestrians, encroachments, and/or other matters pertaining to the interactions between the Facility and real property owned by the Educational Institution, and (ii) providing for other matters related thereto.

WHEREAS, the Authority has been incorporated under and pursuant to the provisions of Act No. 183, Public Acts of Michigan, 1964, as amended ("Act 183"), for the purpose of acquiring, constructing, furnishing, equipping, owning, improving, enlarging, operating, mortgaging and maintaining buildings, necessary parking structures or lots and facilities, and sites therefor, for the use of the State, including institutions of higher education created pursuant to Section 4, 5, 6 or 7 of Article 8 of the Michigan Constitution of 1963 (the "State Constitution"), or any of its agencies; and

authorized by the institution of higher education and signed by its authorized officer and, accordingly, it is necessary that the Educational Institution authorize and approve the Lease; and

WHEREAS, if it is determined that (i) the Authority will require an easement from a public road to the Facility over real property owned by the Educational Institution so that the Authority has access to the Facility, (ii) the Educational Institution will require for future use certain easements through the Facility, (iii) the Authority and the Educational Institution will require an agreement to share a common structural wall, (iv) the Authority will require an easement over real property owned by the Educational Institution so that the Authority has sufficient parking available in connection with the reasonable use of the Facility, and/or (v) the Authority and/or the Educational Institution will require other easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then in order to meet any such requirement, it may be necessary for an authorized officer of the Educational Institution to approve an Easement Agreement or Easement Agreements to provide for such easements and/or agreements;

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN THAT:

1. The plans for the Facility, as filed with the Educational Institution, are hereby approved.
2. The Educational Institution hereby authorizes and approves the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A, and the Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to execute and deliver, at the appropriate time, the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A for and on behalf of the Educational Institution. Such officer is hereby authorized to approve such changes in and modifications to the Construction and Completion Assurance Agreement as do not materially adversely affect the Educational Institution.
3. The conveyance of the Site and the Facility to the Authority in accordance with the Construction and Completion Assurance Agreement is hereby approved, and the then seated

easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then such officer is hereby authorized and directed to execute and deliver an Easement Agreement or Easement Agreements if necessary in order to meet any such requirement.

6. The Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to take or cause to be taken all other actions, including, without limitation, making requests of and approving requests from the Authority and the State and signing certificates, documents or other instruments, on behalf of the Educational Institution, as he deems necessary or desirable under the circumstances to accomplish the purposes of the transactions authorized in this Resolution.

7. The Educational Institution further confirms its obligations to perform the duties and obligations specified in the Construction and Completion Assurance Agreement (only upon its execution by the authorized officer of the Educational Institution) and the Lease (only upon its execution by the authorized officer of the Educational Institution) and acknowledges that such obligations do not depend upon passage of title to the Facility to the Educational Institution without consideration upon termination of the Lease. The Educational Institution hereby recognizes that it would execute and deliver the Lease even if title to the Facility would not pass upon termination of the Lease.

8. The Educational Institution recognizes that the Authority shall pay for costs of the Facility in an amount not in excess of \$11,249,900.

9. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

10. This Resolution shall be effective immediately upon its adoption.

RESOLUTION OF THE REGENTS OF
THE UNIVERSITY OF MICHIGAN
APPROVING A CONSTRUCTION AND COMPLETION
ASSURANCE AGREEMENT, A CONVEYANCE OF
PROPERTY, A LEASE AND AN EASEMENT AGREEMENT,
IF NECESSARY, FOR THE UNIVERSITY OF MICHIGAN-ANN ARBOR CENTRAL
CAMPUS RENOVATION PHASE II PERRY BUILDING

A RESOLUTION of the Regents of the University of Michigan (i) approving (a) a form of construction and completion assurance agreement (the "Construction and Completion Assurance Agreement"), by and among the State Building Authority (the "Authority"), the State of Michigan (the "State") and the Regents of the University of Michigan, a Michigan constitutional body corporate (the "Educational Institution"), providing for the rights, duties and obligations of the Authority, the State and the Educational Institution with respect to the Educational Institution's Ann Arbor Central Campus Renovation Phase II Perry Building and the site therefor (the "Facility") during the construction, renovation and/or equipping of the Facility and prior to the conveyance of the Facility to the Authority, (b) the conveyance of the Facility to the Authority, (c) a lease (the "Lease"), by and among the Authority, the Educational Institution and the State, for the purpose of leasing the Facility to the State and the Educational Institution and (d) an easement and/or other agreement (the "Easement Agreement") between the Authority and the Educational Institution, if necessary and/or desirable in connection with access, parking, utilities, pedestrians, encroachments, and/or other matters pertaining to the interactions between the Facility and real property owned by the Educational Institution, and (ii) providing for other matters related thereto.

WHEREAS, the Authority has been incorporated under and pursuant to the provisions of Act No. 183, Public Acts of Michigan, 1964, as amended ("Act 183"), for the purpose of acquiring, constructing, furnishing, equipping, owning, improving, enlarging, operating, mortgaging and maintaining buildings, necessary parking structures or lots and facilities, and sites therefor, for the use of the State, including institutions of higher education created pursuant to Section 4, 5, 6 or 7 of Article 8 of the Michigan Constitution of 1963 (the "State Constitution"), or any of its agencies; and

authorized by the institution of higher education and signed by its authorized officer and, accordingly, it is necessary that the Educational Institution authorize and approve the Lease; and

WHEREAS, if it is determined that (i) the Authority will require an easement from a public road to the Facility over real property owned by the Educational Institution so that the Authority has access to the Facility, (ii) the Educational Institution will require for future use certain easements through the Facility, (iii) the Authority and the Educational Institution will require an agreement to share a common structural wall, (iv) the Authority will require an easement over real property owned by the Educational Institution so that the Authority has sufficient parking available in connection with the reasonable use of the Facility, and/or (v) the Authority and/or the Educational Institution will require other easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then in order to meet any such requirement, it may be necessary for an authorized officer of the Educational Institution to approve an Easement Agreement or Easement Agreements to provide for such easements and/or agreements;

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN THAT:

1. The plans for the Facility, as filed with the Educational Institution, are hereby approved.
2. The Educational Institution hereby authorizes and approves the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A, and the Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to execute and deliver, at the appropriate time, the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A for and on behalf of the Educational Institution. Such officer is hereby authorized to approve such changes in and modifications to the Construction and Completion Assurance Agreement as do not materially adversely affect the Educational Institution.
3. The conveyance of the Site and the Facility to the Authority in accordance with the Construction and Completion Assurance Agreement is hereby approved, and the then seated

Easement Agreement if necessary in order to meet any such requirement, and/or (v) the Authority and/or the Educational Institution will require other easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then such officer is hereby authorized and directed to execute and deliver an Easement Agreement or Easement Agreements if necessary in order to meet any such requirement.

6. The Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to take or cause to be taken all other actions, including, without limitation, making requests of and approving requests from the Authority and the State and signing certificates, documents or other instruments, on behalf of the Educational Institution, as he deems necessary or desirable under the circumstances to accomplish the purposes of the transactions authorized in this Resolution.

7. The Educational Institution further confirms its obligations to perform the duties and obligations specified in the Construction and Completion Assurance Agreement (only upon its execution by the authorized officer of the Educational Institution) and the Lease (only upon its execution by the authorized officer of the Educational Institution) and acknowledges that such obligations do not depend upon passage of title to the Facility to the Educational Institution without consideration upon termination of the Lease. The Educational Institution hereby recognizes that it would execute and deliver the Lease even if title to the Facility would not pass upon termination of the Lease.

8. The Educational Institution recognizes that the Authority shall pay for costs of the Facility in an amount not in excess of \$8,999,900.

9. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

10. This Resolution shall be effective immediately upon its adoption.