

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
July 17, 2008

ACTION REQUEST

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

Action

Requested: Authorization for the University to Enter into a Lease Agreement with Oakwood Healthcare, Inc. (University of Michigan-Dearborn Chancellor Daniel Little, Board of Trustees member of Oakwood Healthcare, Inc.)

Background:

The University of Michigan-Dearborn wishes to enter into a lease agreement for 14,769 square feet of property located at Oakwood Rotunda Center, Rotunda Boulevard, Dearborn, Michigan, to be leased from Oakwood Healthcare, Inc. The space will be utilized as a home for the UM-Dearborn School of Education's Child Development Center. It will support collaboration between the University and Oakwood's Program for Exceptional Families and allow the relocation of the Child Development Center from three Henry Ford Estate cottages and a modular unit on the Dearborn campus.

The proposed lease agreement falls under the State of Michigan conflict of interest statute as Daniel Little is a University employee and would be a party to the lease agreement by virtue of his serving on the board of trustees of Oakwood Healthcare, Inc. 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 2/3 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.

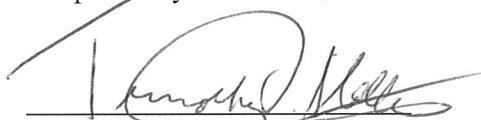
The following information is provided in compliance with the statutory requirements contained in section (c) above:

- i) The parties to the lease agreement are the Regents of the University of Michigan and Oakwood Healthcare, Inc.
- ii) The service to be provided is the lease of 14,769 gross square feet in a building at Oakwood Rotunda Center, Rotunda Boulevard, Dearborn, Michigan, for 18 years, estimated to commence on September 1, 2008 through August 31, 2026, at a monthly rate of: \$17,759.72 for years 1-3; \$18,990.47 for years 4-6; \$20,221.22 for years 7-9; \$21,451.97 for years 10-12; \$22,682.72 for years 13-15; and \$23,913.47 for years 16-18. Tenant will be responsible for electric usage and 38.14% of the operating expenses of the building. Approximately \$300,000 of leasehold improvements will be needed, to be constructed by the landlord and reimbursed by the University. In addition, the University, subject to its approval, will pay increased operating expenses for future capital improvements.
- iii) The pecuniary interest arises from the fact that Daniel Little, a University of Michigan employee, is serving on the Board of Trustees of Oakwood Healthcare, Inc.

Daniel Little has met State law requirements with the disclosure of his pecuniary interest, and his formal appointment arrangements with the University of Michigan.

We recommend that the Regents approve the lease agreement between the University of Michigan and Oakwood Healthcare, Inc.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2008