

**Agendum  
Oakland University  
Board of Trustees  
Finance, Audit and Investment Committee  
October 30, 2008**

**REAL ESTATE LEASE AGREEMENT  
SCHOOL OF NURSING - ST. JOHN MACOMB OAKLAND HOSPITAL  
(RIVERVIEW CAMPUS)**

1. **Division and Department:** Academic Affairs/School of Nursing ("SON")
  
2. **Introduction:** Oakland University currently leases from St. John Health approximately 3,885 square feet of laboratory, classroom, administrative office and other space in the Conner Creek Village medical building in Detroit, Michigan ("Conner Creek"). That lease was approved by the Board of Trustees ("Board") on June 7, 2006. The SON uses the Conner Creek facility for its Accelerated Second Degree Bachelors of Science program ("ASD Program").

St. John Health is remodeling and partially demolishing the Conner Creek facility and has proposed moving the ASD Program to another St. John facility. St. John Macomb Oakland Hospital, a wholly-owned subsidiary of St. John Health, has therefore offered to lease to Oakland University 51,199 square feet of laboratory, classroom, administrative office and other space in the former Riverview Hospital facility ("Riverview Campus") located in Detroit.

The five-year term of the proposed lease ("Lease") would commence on January 1, 2009. The base rent for the entire five-year term, including utilities, common area maintenance and HVAC expenses, will be \$6,015,883. The base rent will be partially paid by a new \$5,373,183 educational grant from St. John Health. The balance of the University's base rent obligation of \$642,700 (over the five-year term of the Lease), and operating expenses (cleaning, insurance, etc.), will be paid from revenue generated from tuition paid by the students in the ASD Program and other SON programs. Oakland University may terminate the Lease if Oakland University does not timely receive all of the grant funds from St. John Health. (See Attachment A, Lease Basic Terms, and Attachment B, Oakland University School of Nursing Accelerated Second Degree BSN Program Proforma.)

The new leased space will allow the SON to, among other things, expand the ASD Program from 50 to as many as 200 students between 2008 and 2011 and relocate and expand other SON programs that are currently located at other facilities in Detroit, such as the Licensed Practical Nursing (LPN) program, Workforce Development Initiatives and Urban Healthcare Initiatives.

In addition to the grant from St. John Health, Oakland University has applied for a \$1,500,000 grant from the Community Foundation of Southeast Michigan to support activities at the Riverview Campus location including build-out expenses, relocation of the LPN program and other community health training activities. The Lease is

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contingent upon Oakland University receiving this additional grant. (See Attachment A, Lease Basic Terms.)

The Board Policy and Procedure for Disposal, Acquisition, Lease and Other Transfer of Real Property Interests requires that the Board approve all leases of real property for University use when the lease term is more than one year or the annual rent is more than \$12,000.

The proposed Lease was reviewed and approved by the Office of Legal Affairs and is in compliance with the law and University policies and regulations, and conforms to the legal standards and requirements of the University's General Counsel.

**3. Previous Board Action: None.**

**4. Budget Implications:** The University will receive an education grant from St. John Health to pay approximately 90% of the base rent and will use tuition from students in the ASD Program to pay the balance of the base rent and operating expenses.

**5. Educational Implications:** The Riverview Campus location is suitable for the ASD Program and will provide excellent clinical and educational facilities for students and the opportunity to further expand the community responsive workforce development programs serving the Southeast Michigan area.

For example, and in addition to the relocation and expansion of the programs already mentioned, the SON and St. John Health will use the Riverview Campus location to launch a joint demonstration project, entitled Transforming Nursing Education ("TNE Program"), designed to better prepare nursing students for employment as Registered Nurses. The innovative aspect of the TNE Program is the integrated delivery of the following four components: curriculum enhancements, including clinical simulation; proprietary student cohorts; precepted clinical; and, a new nurse on-boarding support program that provides post-graduate assistance for nurses.

**6. Personnel Implications: None.**

**7. University Reviews/Approvals:** The ASD Program and the proforma and budget relating to the Lease were reviewed and approved by the Senior Vice President for Academic Affairs.

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8. **Recommendation:** At the November 5, 2008 Formal Session, the Board will be asked to authorize the President or his designee to execute the Lease with St. John Macomb Oakland Hospital.

9. **Attachments:**

Attachment A. Lease Basic Terms.

Attachment B. Oakland University School of Nursing Accelerated Second Degree BSN Program Proforma.

**Submitted by Senior Vice President for Academic Affairs  
and Provost Virinder K. Moudgil:**

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(Please Initial)

**Reviewed by Secretary Victor A. Zambardi:**

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(Please Initial)

**Reviewed by President Gary D. Russi:**

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(Please Initial)

**LEASE  
BASIC TERMS**

The following shall constitute the "Basic Terms" of this Lease. The capitalized and initially underlined terms used in this Lease shall have the meanings assigned to them for purposes of the remainder of this Lease.

<p><u>Landlord</u>: St. John Macomb Oakland Hospital</p> <p><u>Tenant</u>: Oakland University, a Michigan constitutional body corporate and institution of higher education</p> <p><u>Building</u>: the building located at 7733 East Jefferson Avenue, Detroit, Michigan</p> <p><u>Premises</u>: A portion of the second floor of the Building, containing approximately 44,521 usable square feet and 51,199 rentable square feet, as depicted in Exhibit A attached hereto and incorporated herein</p> <p><u>Permitted Uses</u>: Medical office, educational programs, clinical activities and related purposes</p> <p><u>Term</u>: Five (5) years, commencing on the Commencement Date as defined below, contingent upon Tenant's continued timely receipt of all funds due to Tenant pursuant to the SJH Grant Agreement described in the following paragraph. Tenant may terminate this Lease in writing, without prior notice to Landlord or any other party, if Tenant does not timely receive payment in full of all amounts described in the SJH Grant Agreement.</p> <p><u>Commencement Date</u>: January 1, 2009, subject to: (i) approval of this Lease by Tenant's Board of Trustees ("Board"); (ii) execution of an Educational Grant Agreement in the amount of \$5,373,183 between Tenant and St. John Health ("SJH Grant Agreement"); and (iii) the Community Foundation of Southeast Michigan's ("CFSEM") approval of Tenant's pending grant application ("Grant") to pay expenses associated with this Lease and Tenant's educational program to be conducted on the Premises. If the Board does not approve this Lease, the SJH Grant Agreement is not executed or CFSEM does not approve the Grant, this Lease will be null and void and Tenant's sole obligation to Landlord will be payment of a pro-rata share of the Base Rent for the period Tenant physically occupied the Premises.</p> <p><u>Expiration Date</u>: December 31, 2013</p> <p><u>Services</u>:            <u>To be paid by:</u>  Electric                Landlord  Gas:                     Landlord  Water:                  Landlord  Common Area  Maintenance:        Landlord  HVAC:                  Landlord  Cleaning Services:    Tenant</p>	<p><u>Base Rent</u>:</p> <p><u>Year 1:</u>  Base Rent                        \$22.50/SF  Base Rent per month        \$95,998.13  Base Rent per annum        \$1,151,977.50</p> <p><u>Year 2:</u>  Base Rent                        \$23.00/SF  Base Rent per month        \$98,131.42  Base Rent per annum        \$1,177,577.00</p> <p><u>Year 3:</u>  Base Rent                        \$23.50/SF  Base Rent per month        \$100,264.70  Base Rent per annum        \$1,203,176.50</p> <p><u>Year 4:</u>  Base Rent                        \$24.00/SF  Base Rent per month        \$102,398.00  Base Rent per annum        \$1,228,776.00</p> <p><u>Year 5:</u>  Base Rent                        \$24.50/SF  Base Rent per month        \$104,531.29  Base Rent per annum        \$1,254,375.50</p> <p><u>Landlord's Address for Notices &amp; Payments:</u>  St. John Health  20952 Twelve Mile Road, Suite 120  St. Clair Shores, Michigan 48081</p> <p><u>Tenant's Address for Notices</u>  Oakland University  Dean, School of Nursing  428 O'Dowd Hall  Rochester, Michigan 48309</p> <p>and</p> <p>Oakland University  Vice President for Legal Affairs and General Counsel  203 Wilson Hall  Rochester, Michigan 48309</p>
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**Oakland University School of Nursing**  
**Accelerated Second Degree BSN Program Proforma**

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<b>Revenue</b>					
SON Tuition Revenue	766,500	980,000	1,407,000	1,876,000	1,876,000
SJH Grant Support	1,047,000	1,060,410	1,074,222	1,088,449	1,103,102
<b>Total Available Revenue</b>	<b>1,813,500</b>	<b>2,040,410</b>	<b>2,481,222</b>	<b>2,964,449</b>	<b>2,979,102</b>
<b>Expenses</b>					
<b>Salaries and Fringe Benefits</b>					
Faculty Salaries	162,500	216,667	325,000	433,333	433,333
Clinical Instruction Wages	120,000	160,000	180,000	240,000	240,000
Administrative & Clerical Support	120,000	150,000	240,000	320,000	320,000
Fringe Benefits	162,350	211,867	308,500	411,333	411,333
<b>Total Salaries &amp; Fringe Benefits</b>	<b>564,850</b>	<b>738,533</b>	<b>1,053,500</b>	<b>1,404,667</b>	<b>1,404,667</b>
<b>Operational Expenses</b>					
Office Supplies	5,000	5,000	5,000	5,000	5,000
Contractual Services & Security	15,000	20,000	30,000	40,000	40,000
Instructional supplies & materials	7,500	10,000	15,000	20,000	20,000
IT and Phone Support	10,500	14,000	21,000	28,000	28,000
Facility lease (Rent, Util., CAM)	1,151,978	1,177,577	1,203,176	1,228,776	1,254,376
Travel	5,250	7,000	10,500	14,000	14,000
Equipment and Maintenance	12,000	16,000	24,000	32,000	32,000
<b>Total Operational Expenses</b>	<b>1,207,228</b>	<b>1,249,577</b>	<b>1,308,676</b>	<b>1,367,776</b>	<b>1,393,376</b>
<b>Total Expenses</b>	<b>1,772,078</b>	<b>1,988,110</b>	<b>2,362,176</b>	<b>2,772,443</b>	<b>2,798,043</b>
<b>Net Income</b>	<b>41,422</b>	<b>52,300</b>	<b>119,046</b>	<b>192,006</b>	<b>181,059</b>