

APPROVAL FOR PURCHASE OF
2871 RESEARCH DRIVE, ROCHESTER HILLS
A Recommendation

1. **Division and Department:** Academic Affairs, Finance and Administration, and Facilities Management Department

2. **Introduction:** Oakland University (University) needs additional research space. The 2016 Campus Master Plan identified a research space shortfall of 21,000sf and projected the shortfall to be 131,000sf by 2025. Faculty currently are being hired with no assignable research space. The greatest need for research space is for the College of Arts and Sciences (CAS), School of Engineering and Computer Science (SECS), and School of Medicine (SOM). New research building costs are estimated to exceed \$600/sf. As an alternative, by purchasing a facility off campus that can be remodeled into high-bay research space for SECS research faculty, current on-campus space can be repurposed for CAS and SOM research faculty.

University representatives (Interim Executive Vice President for Academic Affairs and Provost, Vice President for Finance and Administration, Vice President for Research, Senior Associate Provost, SECS Dean, SECS Department Heads, and Associate Vice President for Facilities Management) have toured numerous properties within a several mile radius of campus as potential properties to purchase and selected 2871 Research Drive, Rochester Hills (Property) as the preferred site.

The Property consists of 3.55 acres and 49,543sf (5,235sf of office space and 44,308sf of high-bay warehouse space), as described in Attachment A, approximately four miles southeast of the Oakland University campus.

Based on current SECS occupancy in Dodge Hall and the Math & Science Center (MSC), it is estimated that up to 33 labs and 25 offices will be vacated and moved to the new facility over time. This will involve roughly 25 faculty and 40 students, resulting in 16,000sf of lab space available in Dodge and MSC to be repurposed as space for researchers in medicine, biology, chemistry, physics, and bioengineering. Based on early discussions with SECS faculty, those 33 labs, some of which will be expanded to make projects of greater scope and scale possible, will likely take up roughly 27,000sf in the new building. This will leave sufficient space for growth over the next decade, as well as space to support industry partnership projects. Currently, roughly 20 SECS faculty are regularly funded researchers, which will become a criteria for maintaining lab space. That number is expected to increase over the coming years, as is the total number of SECS faculty. The expectation is that at capacity, the building should be able to house roughly 50 faculty and 80 students on an operational basis. This would include

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space for labs, offices, a conference room, and industry training.

With the assistance of a real estate broker, Colliers International, the University has signed a Letter of Intent to purchase the Property for \$3,715,000 (\$75/sf), subject to satisfactory completion of appropriate due diligence and Board approval. The Property was independently appraised by Integra Realty Resources at \$3,730,000.

The due diligence process is underway and includes thorough building inspections and completion of Phase I and Phase II environmental assessments to be conducted by Soils & Materials Engineers, Inc (SME).

Preliminary due diligence, as revealed by the current owner, First Industrial, L.P. has identified subsurface volatile organic compound contamination that was the result of a shallow sump used by a previous owner, Michigan Metal Coatings. First Industrial, L.P. removed much of the contamination but was limited by the location of the building's foundation. First Industrial, L.P. is now in the process of addressing the remaining contamination by designing and installing a vapor extraction system to facilitate the long-term venting of the floor slab at the Property, and will be solely responsible for the cost of this environmental mitigation, which it expects to complete by November 30, 2020.

SME will review the environmental mitigation plan and evaluate the vapor extraction system, and all other environmental conditions, during their Phase I and Phase II environmental services.

To protect the University from liability from the contamination, a Baseline Environmental Assessment will be filed with the State of Michigan within 45 days of acquisition of the Property. The environmental due diligence services provided by SME include evaluation of the University's future State of Michigan "due care" obligations to protect future occupants from existing environmental contamination.

The purchase will be contingent upon the University's satisfaction with the environmental mitigation, in the University's sole and absolute discretion.

Anticipated maintenance and renovation costs to prepare the Property to be used for SECS research, including an emergency generator and information technology, are estimated at \$10-\$12,000,000 and would be funded by the Series 2019 Bonds and/or reserves. Once the full scope and cost is determined, Board approval will be sought to proceed with the required maintenance and renovation.

It is recommended that the Board authorize the Vice President for Finance and

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Administration to purchase 2871 Research Drive, Rochester Hills upon satisfactory results of the due diligence process, as informed by Oakland University Facilities Management personnel and third-party consultants.

3. Previous Board Action: At the June 10, 2019 Board of Trustees (Board) Formal Session, the Board approved issuance of the Series 2019 Bonds.

4. Budget Implications: The funding source for this purchase is the Series 2019 Bonds. Incremental operating costs (e.g. utilities, custodial, maintenance, insurance) will be incorporated into future General Fund budgets.

5. Educational Implications: The Property will be dedicated to faculty-led research and the training of graduate and undergraduate students through research, including both federally sponsored research and partnerships with industry.

6. Personnel Implications: Incremental maintenance and custodial personnel will be identified based on needs and standard staffing protocols.

7. University Reviews/Approvals: This recommendation was formulated by the Associate Vice President for Facilities Management and reviewed by the SECS Dean, Vice President for Research, Interim Executive Vice President for Academic Affairs and Provost, Vice President for Finance and Administration, and President.

8. Recommendation:
RESOLVED, that the Board of Trustees (Board) authorizes the Vice President for Finance and Administration to execute a purchase and sale agreement with First Industrial, L.P. to purchase 2871 Research Drive, Rochester Hills (Property) for \$3,715,000, and close the purchase upon satisfactory results of the due diligence process, as informed by Oakland University Facilities Management personnel and third-party consultants; and, be it further

RESOLVED, that the Board waives the Board Policy requirement that the Property be evaluated by three qualified appraisers; and, be it further

RESOLVED, that the Board authorizes the President, Vice President for Finance and Administration, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments, and documents required by this resolution that are necessary, expedient, and proper in connection with the purchase of the Property; and, be it further

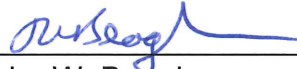
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RESOLVED, that said purchase and sale agreement, contracts, instruments and documents shall be reviewed by and be in a form acceptable to the Vice President for Legal Affairs and General Counsel prior to execution, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel.

9. **Attachments:**

Attachment A – Property Listing

Submitted to the President
on 10/8, 2020 by



John W. Beaghan
Vice President for Finance and Administration
and Treasurer to the Board of Trustees



C. Michelle Piskulich
Interim Executive Vice President for Academic
Affairs and Provost

David A. Stone
Vice President for Research

Recommended on _____, 2020
to the Board of Trustees for Approval by

Ora Hirsch Pescovitz, M.D.
President

2871 Research Dr.

Rochester Hills, MI



As exclusive agents, we are pleased to offer the following property for lease:

- ◆ 49,543 SF Total
- ◆ 5,200 SF Newly Remodeled Office
- ◆ 25' Clear
- ◆ Fully Sprinklered
- ◆ 3 Truckwells / 1 Drive-In Door
- ◆ Class A Park Setting



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**Newmark Grubb
Knight Frank**

27725 Stansbury Blvd, Suite 300, Farmington Hills, MI 48334

The information contained herein has been obtained from sources deemed reliable but has not been verified and no guarantee, warranty or representation, either express or implied, is made with respect to such information. Terms of sale or lease and availability are subject to change or withdrawal without notice.

Lease

2871 Research Dr Rochester Hills, MI 48309



Pricing Information:

Lease Rate Range:	\$6.95-\$6.95 NNN
Lease Type:	NNN
Sale Price:	N/A
Price per SF:	N/A
Real Estate Taxes psf:	\$0.86
Building Insurance psf:	\$0.00
CAM psf:	N/A

Property Details:

Total Building Area:	49,543 sf	Parcel ID:	15-29-302-002
Min/Max Available:	49,543 sf	Parking Description:	88
Office Area:	5,235	Rail Serverd:	No
Property Type:	General Industrial	Cranes:	No
Tenancy:	Single-tenant	Heat:	Air Rotation
Year Built:	01/01/1991	Clear Height Min/Max:	25.0'
Year Renovated:	01/01/2006	Grade/Dock Doors:	1 / 3
Zoning:	Lt. Ind.	Sprinkler:	Yes
Site/Parcel Area:	3.55 acres	Power:	1,000 amps, 480 volt

Comments:

Dan Labes

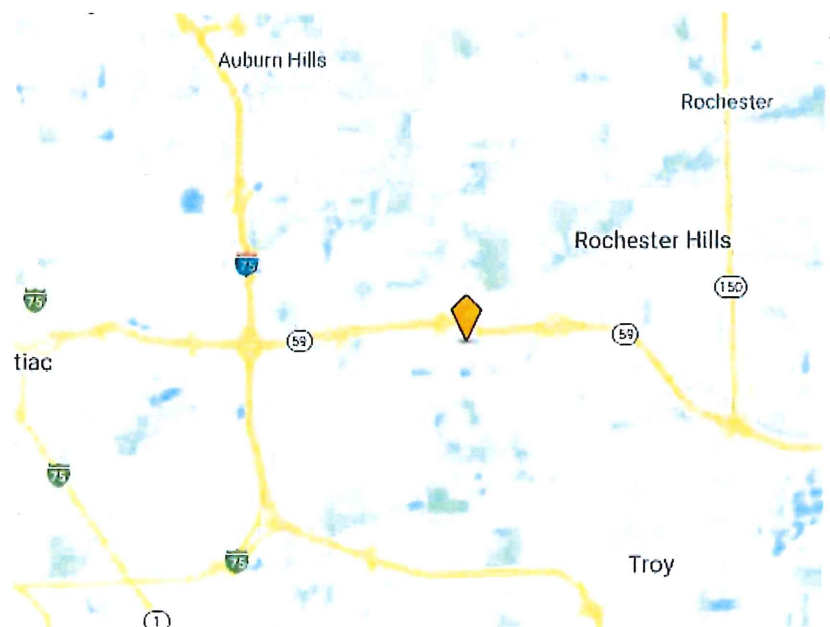
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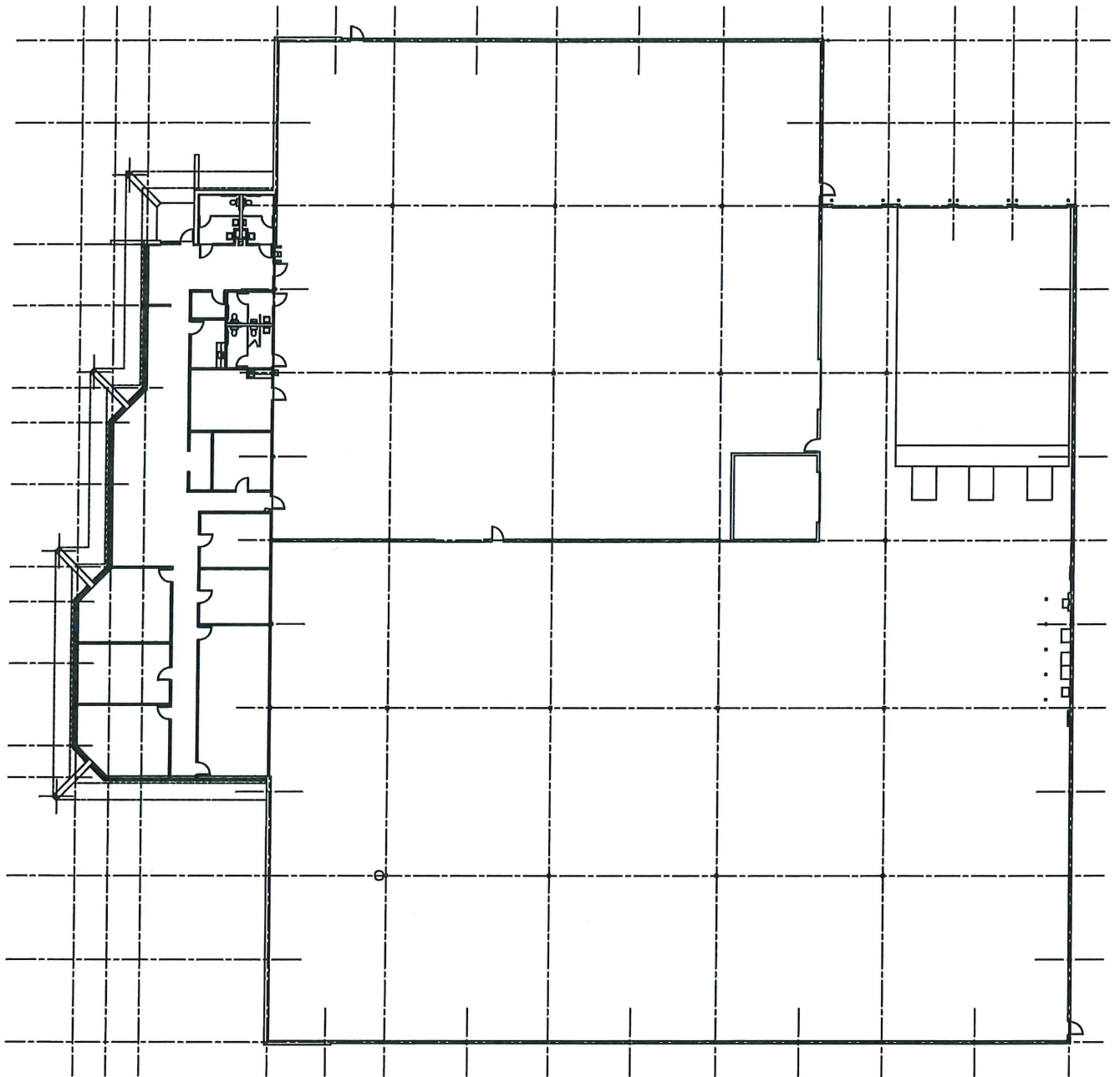
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Geoffrey Hill

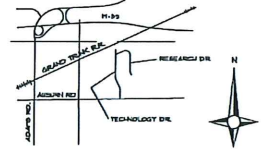
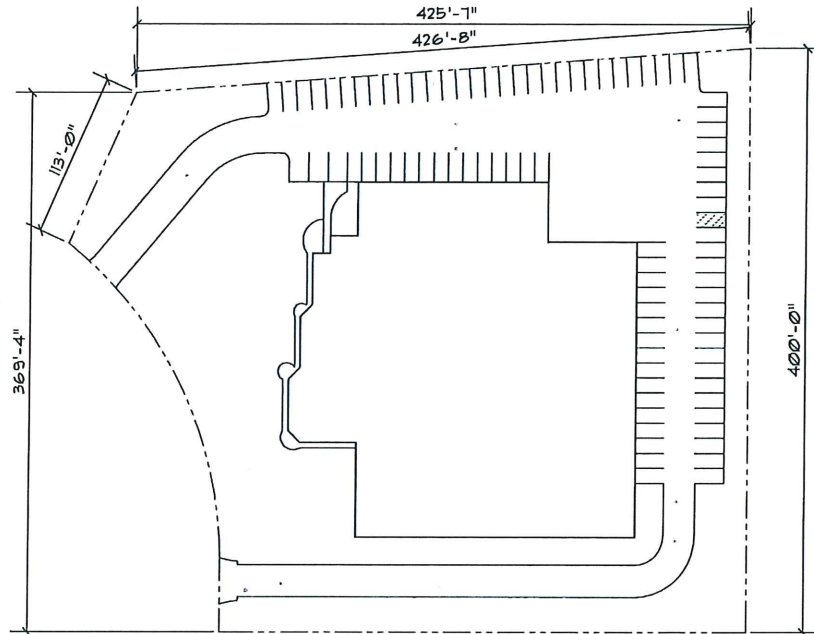
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2871 Research Drive Rochester Hills, Michigan



smith + schurman associates, inc.
architects • planners • interior designers



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