

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: University of Michigan Health-Sparrow Lease of 1004 E. Michigan Avenue,
Lansing, Michigan

Action

Requested: Approval of Lease and Approval to Proceed with Leasehold Improvements

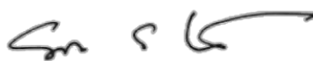
Background:

In accordance with the University of Michigan Real Estate Policy, we are required to seek approval to execute leases when the lease term exceeds ten years, the lease exceeds 50,000 square feet, or the leasehold improvements exceed \$3,000,000. University of Michigan Health-Sparrow (“Sparrow”) wishes to enter into a lease of approximately 11,678 square feet at 1004 E. Michigan Avenue in Lansing, MI (“Property”), a former Rite Aid Pharmacy site. The initial lease term will be ten years, with rent set at fair market value. The Property aligns with Sparrow’s strategic plan for pharmacy, urgent care, and occupational health services by solidifying control over critical service locations, ensuring long-term operational stability, and supporting growth initiatives. This lease strengthens Sparrow’s presence on Michigan Avenue, supports its goals of expanding access to convenient, community-based services, driving patient engagement and increasing revenue potential for such services. A leasehold improvement project will be necessary at the Property to accommodate the new services.

The estimated cost of the leasehold improvements is \$5,400,000. Funding will be provided from University of Michigan Health - Sparrow 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. Construction will be managed by Sparrow and is scheduled to be completed by November 2025.

We recommend the Board of Regents approve the lease and the leasehold improvements project as described.

Respectfully submitted,



Geoffrey S. Chatas
Executive Vice President
and Chief Financial Officer

