

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ACTION REQUEST

Subject: 703 E. Michigan Avenue, Lansing, Michigan

Action

Requested: Authorization to Sell Real Estate

Background:

Edward W. Sparrow Hospital (“Sparrow”) owns a vacant, two-story office/warehouse building located at 703 E. Michigan Avenue, Lansing, Michigan (“Lansing Property”). There are no future plans to use or develop the Lansing Property.

We are proposing to sell the Lansing Property for \$1,250,000 to a buyer who will improve it and use it for business purposes in the biotechnology industry, specifically focusing on providing solutions for food and animal safety. This is not viewed as a conflict with Sparrow medical practices.

The Lansing Property is an office/warehouse building situated on 2.56 acres of land along E. Michigan Avenue. The building was constructed in 1950 and 1990 (estimated) and contains 20,282 SF of space. The office area finishes are obsolete, but the warehouse space is adequate. Sparrow acquired the Lansing Property in January 1987. It has been available for sale by owner since December 2023, with limited buyer interest. Both buyer and seller obtained independent appraisals to value the Lansing Property. Leveraging Sparrow’s appraisal and UM Health’s negotiation expertise, Sparrow entered into a purchase agreement with the buyer at the market value price of \$1,250,000. From a high-level balance sheet perspective, this sale would result in an increase in cash of \$1,250,000, a decrease in net property, plant, and equipment of \$56,384.56, and an increase in non-operating gain on sale of asset of \$1,193,615.44.

Given the Lansing Property’s current vacancy and irrelevance to Sparrow's operations and strategy, Sparrow is eager to progress towards closing the sale. The terms of this sale have been specified in a Purchase Agreement negotiated and agreed upon among the parties, subject to board approvals.

We recommend that the University of Michigan sell the property located at 703 E. Michigan Avenue, Lansing, Michigan for \$1,250,000 upon terms and conditions acceptable to the University.

Respectfully submitted,



Geoffrey S. Chatas
Executive Vice President and
Chief Financial Officer

May 2024
Attachment

