



ALCOCK & WILLIAMS, LLC

224 Buena Vista Avenue, Ann Arbor, Michigan 48103 • Telephone 734-747-7400

Real Estate Appraisal of:

The Former YMCA Site at
350 South Fifth Avenue
Tax Code 09-09-29-404-001
Ann Arbor, Michigan

Prepared for:

Mr. Tom Crawford
Chief Financial Officer
City of Ann Arbor
301 East Huron Street
Ann Arbor, Michigan 48107

Prepared on: August 11, 2017

Valuation on: August 22, 2017



ALCOCK & WILLIAMS, LLC
Real Estate Appraisal Services

Jay T. Alcock
 Member

Kirsten Williams
 Member

Mr. Tom Crawford
 Chief Financial Officer
 City of Ann Arbor
 301 East Huron Street
 Ann Arbor, Michigan 48107

August 31, 2017

Re: Appraisal of the Former YMCA Site at 350 South Fifth Avenue, Ann Arbor, Michigan; Tax Code 09-09-29-404-001

Dear Mr. Crawford:

The City of Ann Arbor has contracted Alcock & Williams, LLC, to appraise the referenced property. The purpose of this appraisal is to estimate the market value of the fee simple title to the appraisal property as of a current valuation date in 'as is' condition. This appraisal is classified as an Appraisal Report under 2016-17 USPAP.

This valuation is subject to the conditions and limitations stated in this report. Further, this valuation is intended to conform to the requirements of the Code of Professional Ethics and Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

It is our opinion that the market value of the subject in 'as is' condition as of August 22, 2017, is

FAR Market Value Conclusions

FAR	Site Sq.Ft.	Est. Building Sq.Ft.		Value Indicator	Market Value Conclusion
550%	34,848	191,664	x	\$40	\$7,700,000
600%	34,848	209,088	x	\$40	\$8,400,000
700%	34,848	243,936	x	\$40	\$9,800,000
800%	34,848	278,784	x	\$40	\$11,200,000
900%	34,848	313,632	x	\$40	\$12,500,000

For a complete disclosure, refer to the Assumptions and Limiting Conditions set forth in the

eponymously titled section of the report. The attached report is an explanation of the methods of valuation.

Respectfully submitted,
Alcock & Williams, L.L.C.



Jay T. Alcock, Member
Certified General Appraiser,

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EXECUTIVE SUMMARY

The subject is a high-density development site one block east of Main Street in downtown Ann Arbor. City officials are contemplating an option to purchase this site after a redevelopment failed to materialize. The downtown and central campus areas are presently rife with dense apartment developments and proposals following a rezoning of the downtown in 2009 and a national trend to fund and develop urban residential high-rises in more recent years.

- Location: The subject property is bounded by East William Street and South Fourth and South Fifth Avenues in downtown Ann Arbor, Washtenaw County, Michigan.
- Current Use: Vacant land.
- Site: Rectangular shaped 34,848± net square feet or 0.80± net acre double-corner site; 264± feet on William, 132± feet on Fifth, and 132± feet on Fourth; very gradual slope down to the west.
- Utilities: Municipal water and sewer, DTE Energy electric and gas, AT&T and Comcast broadband internet-television-VoIP are at the site. According to the DDA, two six-inch water mains are at the subject site.
- Zoning: D1, Core District
- Traffic Counts: A 24-hour traffic count at the subject at William east of Main was 8,150 in November, 2001, the latest available. No counts are available on South Fourth and Fifth at the subject. Pedestrian foot and public bus traffic are high at the subject.
- Flood Hazard: Zone X area of 0.2% annual chance of flood according to the FEMA flood insurance rate map; Panel 263 of 585, Map No. 26161C0263E, effective April 3, 2012.
- Environmental
Conditions: Unknown but appraisal is subject to change if any environmental conditions are found. See 'Assumptions and Limiting Conditions' for a complete disclosure.

Highest and Best Use: As a dense mixed-use development.

Market Values: The following chart shows the market value conclusions as of on August 22, 2017, subject to the Assumptions and Limiting Conditions noted at the eponymously titled section of this report.

FAR Market Value Conclusions

FAR	Site Sq.Ft.	Est. Building Sq.Ft.		Value Indicator	Market Value Conclusion
550%	34,848	191,664	x	\$40	\$7,700,000
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800%	34,848	278,784	x	\$40	\$11,200,000
900%	34,848	313,632	x	\$40	\$12,500,000

PHOTOGRAPHS OF SUBJECT AND SURROUNDING AREA



Elevated view of the subject looking east



Looking east at the subject from Fourth Avenue

Taken on July 18, 2017 by Jay T. Alcock



Looking southwest across the subject from Fifth Avenue



Looking east at the public transit center with the subject site to the right

Taken on July 18, 2017 by Jay T. Alcock



Looking north at Fourth Avenue



Looking south at Fourth Avenue

Taken on July 18, 2017 by Jay T. Alcock



Look east at William Street



Looking west at William Street

Taken on July 18, 2017 by Jay T. Alcock



Looking north at Fifth Avenue



Looking south at Fifth Avenue

Taken on July 18, 2017 by Jay T. Alcock



Ann Arbor Public Library across Fifth Avenue from the subject site



Underground public parking slated for private development above ground contiguous to the north of the public library

Taken on July 18, 2017 by Jay T. Alcock



Source: Washtenaw County GIS 2015

IDENTIFICATION OF PROPERTY

COMMON NAME AND MAILING ADDRESS

Former YMCA
350 South Fifth Avenue
Ann Arbor, Michigan 48104

LEGAL DESCRIPTION, EASEMENTS, ENCROACHMENTS, AND DEED RESTRICTIONS

The legal descriptions for the subject are taken from the city assessor's records as follows:

LOTS 3 4 5 & 6 B3S R5E ORIGINAL PLAT OF ANN ARBOR

There are no known encroachments or deed restrictions.

The Detroit Edison Company has a variable-width easement covering a narrow strip along the north line of the subject site as recorded in Liber 4763, page 963, Washtenaw County Records. The easement is dated December 9, 2009. This restriction runs with the land and allows the utility company to run electrical and communication services across, on, and under the subject and indemnify and hold the property owner harmless from liability related to Edison's use of the property. No buildings or other permanent structures are allowed without Edison's written consent. Edison (now DTE Energy) presently utilizes the easement for the designated purposes.

INTEREST APPRAISED

Fee simple estate

SIDWELL NUMBER

09-09-29-404-001

OWNERSHIP AND SALES HISTORY

The City of Ann Arbor purchased the subject from YMCA for a \$3,500,000 consideration on December 16, 2003 (Warranty Deed 4349/365). After the sale, the City paid a reported \$1,300,000 to relocate displaced residents living in the facility over a two-year period. The Ann Arbor Downtown Development Authority (DDA) paid a reported \$1,250,000 to abate asbestos and demolish the old YMCA facility.

The subject was initially optioned for sale to HDC LLC in 2005 with later extensions for a \$3,500,000 consideration plus a pledge to reimburse the City \$1,100,000 for the cost to house the displaced residents of the subject. HDC LLC had received \$17,000,000 in tax credits for the subject's development project in 2006. The City approved the \$77,000,000 William Street Station proposal, which included a subsidized housing tower and a hotel on the subject, but the City denied an extension renewal of the purchase option in late 2007.

The City then sold the subject to Dennis Dahlmann dba Fifth Fourth, LLC, on October 17, 2013, for a \$5,250,000 consideration. Covenants to the sale include no less than a 400% FAR, no less than five stories, retail/restaurant on the ground floor, office space on the lower floors, residential apartments on the upper floors, three-bedroom maximum units, open space with fountain, and underground parking connected to the City's Library Lane underground parking across South Fifth Avenue.

The City has the right-of-first-refusal to re-purchase the subject at \$4,200,000 or appraised market value, whichever is lower, until April 1, 2018 (extended from January 1, 2018). Mr. Dahlmann has recently sought to void the original agreement with a full reimbursement of the sale price plus other considerations, short of a court filing, siting access to the Library Lane parking structure and bus traffic surrounding the site.

Mr. Dahlmann negotiated a reported \$6,000,000 sale to Habitat Company, LLC, in recent years; however, Habitat failed to renegotiate certain covenants to its high-rise proposal with 233 apartment units with the City and cancelled its commitment to purchase in October, 2016. Habitat was in partnership with CA Ventures and Hughes Properties, LLC.

We do not have a copy of the Dahlmann purchase agreement and base all details on discussions with City officials and press reports.

SCOPE OF WORK AND CORE DEFINITIONS

APPRAISAL REPORT

This report is classified as an Appraisal Report under the 2016-2017 Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, Standards Rule 2-2(a). Broadly defined, the Appraisal Report option provides an appropriate level of content and information to be understood beyond the report's intended user. The alternate option, a Restricted Appraisal Report, provides a comparatively condensed content and is typically used by financial institutions for internal use only.

SCOPE OF WORK

The scope of this appraisal encompasses the necessary research and analysis to prepare a report in accordance with its intended use as set forth in the following subheading and with the *Uniform Standards of Professional Appraisal Practice* of the Appraisal Foundation. In the appraisal of the subject property, we employed the following data sources:

Physical Data

Both the exterior and the interior of the subject property were personally inspected by the appraiser, Jay T. Alcock. In addition, we used the following sources to provide data pertaining to the subject property such as site dimensions, current and historical assessments, special assessments, zoning data pertinent to the subject property, and environmental hazards:

City of Ann Arbor
Washtenaw County
Michigan Department of Environmental Quality
FEMA

Area and Neighborhood Data

We conducted physical inspections of the area surrounding the subject to obtain area and neighborhood data. Additionally, governmental sources were contacted to obtain information pertaining to such things as adequacy of infrastructure, availability of utilities, demographics, and demographic trends.

Market Data Sources

Physical data for each comparable property is detailed in the 'Market Data' exhibit of this report. The sources of this data are cited at the exhibit. Each comparable property was, at a minimum, inspected from the exterior. The owner, corporate-owner representative, and real estate agents were interviewed regarding area sales, lease rates, inventory, terms, and trends. Sources of additional general market data are listed as follows:

Washtenaw County Register of Deeds

The steps we used to develop the market value estimate stated herein proceed from the Highest and Best Use analysis set forth at the 'Analysis of Value' section of this report.

The Assumptions and Limiting Condition to which this report and its market value conclusion are subject are set forth in the section bearing that title and must be thoroughly read and understood by anyone using this report.

INTENDED USER AND USE OF REPORT

The City of Ann Arbor is the sole intended user of this appraisal report. The intended use of this report is for a purchase decision.

The City of Ann Arbor's right-of-first-refusal and the option to purchase by Habitat Company for \$4.2 million and \$6.0 million, respectfully, are not made a part of this market value range given the intended use of this report by the City.

INTENT OF THE APPRAISAL AND SELECT CORE DEFINITIONS

This appraisal is intended to estimate the current 'as is' *market value* of the *fee simple* title to the appraisal property, identified in the foregoing section of this report, subject to all general or specific limitations and conditions stated herein. Core definitions applicable to this report are as follows:

Fee Simple Title

As defined by the Appraisal Institute, the definition of fee simple title is:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Market Value

The definition of market value, as used in this appraisal report, is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Floor-Area Ratio (FAR)

The indicator used to determine the market value of the subject site relies on the floor-area ratio (FAR). As defined by the Appraisal Institute's dictionary, the FAR is "the relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area."

¹The Dictionary of Real Estate, Fifth Edition, 2010, Appraisal Institute, Chicago, Illinois.

²This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit Union Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the *Interagency Appraisal and Evaluation Guidelines*, dated October 27, 1994.

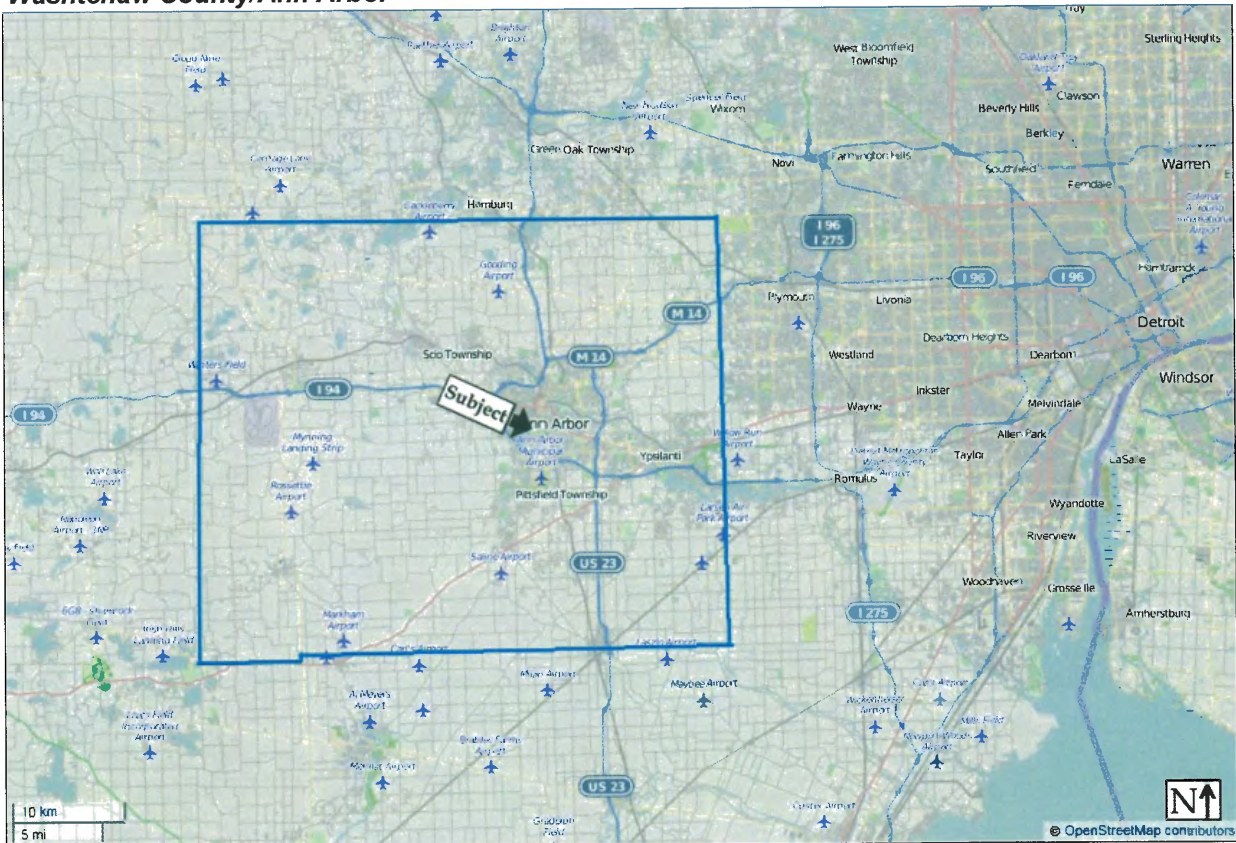
We prefer to use a percentage FAR indicator as is local practice so that 200% would indicate twice the total land area. As an example, if a building were constructed on half the land area based on a 200% FAR, it would be four stories above ground.

PROPERTY ANALYSIS

AREA ANALYSIS

As depicted by the location map below, the appraisal property is in Ann Arbor, in central Washtenaw County, Michigan. Washtenaw County is in the southeastern part of the State of Michigan just west of Wayne County, and is part of the area surrounding the metropolitan center of Detroit, the state's largest city. Southeastern Michigan, hereinafter referred to as the SEMCOG (Southeast Michigan Council of Governments) Region, is comprised of Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw and Wayne Counties. Wayne County includes the city of Detroit and the balance of the county. The U.S. Census Bureau ranks the Metro Detroit population, with a mid-2013 estimate of 5,314,163, as 12th out of 166 of the largest metropolitan Combined Statistical Areas (CSAs) in the country exceeded by New York, Los Angeles, Chicago, Washington-Baltimore, San Jose-San Francisco-Oakland, Boston, Philadelphia, Dallas, Fort Worth, Miami, Houston, and Atlanta CSAs. The Metro Detroit CSA consists of the Detroit-Warren-Livonia MSA plus the counties of Washtenaw (Ann Arbor), Genesee (Flint), and Monroe.

Washtenaw County/Ann Arbor



The city of Detroit experienced an alarming population exodus of 25% while the Southeast Michigan Region lost only 2.7% and the U.S. population grew 9.7% over this last decade. Other major U.S. cities lost population including Chicago, down 7%, and Cleveland, down 17%.

The following discussion provides an overview of the pertinent features of the area including population, households and housing, the economic base, employment and income characteristics, educational opportunities, recreational amenities, transportation availability, and growth and development trends. Separate discussions are provided for Washtenaw County and the city of Ann Arbor. Data charts are provided on the following pages for Washtenaw County which include 1990, 2000, and 2010 Census data, related projections from the 2030 SEMCOG Regional Development Forecast and SEMCOG reported residential building permit. Where appropriate, these characteristics for the region have been included to provide continuity and a broader perspective to the county demographic data.

WASHTENAW COUNTY PROFILE

Washtenaw County contains approximately 709 square miles, consists of four cities, four villages and twenty townships and is the sixth largest of Michigan's 83 counties. The city of Ann Arbor is the county seat. Ann Arbor and Ypsilanti are adjacent, full service cities and together comprise the largest urban area in the county.

Population, Households and Household Formation

Washtenaw County has a 2010 Census population of 344,791, with 137,193 households, and 147,573 housing units. The county gained 22,021 persons for a 6.8% increase between 2000 and 2010, with the number of households increasing by 9.6%, and the number of housing units increasing by 12.7%. The seven-county SEMCOG area lost 128,625 persons or 2.7% while the national population grew a robust 9.7% over the same period.

As indicated in the profile, aggressive increases in both population and households are projected for both the Washtenaw County and the city of Ann Arbor by SEMCOG through the 2030 timeframe. In 2000 and 2010, the largest percentage of the County population was between the ages of 35 and 64 years old with this bracket maintaining the lead at the 2030 forecast.

Housing Characteristics

Washtenaw County contains a diversified housing base that broadly expanded during the global housing boom peaking in 2007. Housing affordability is reviewed here for Washtenaw County using the *Median Multiple* which measures the ratio of the median house price to the median annual household income. The ratio historically below 3.0 indicates a balanced housing market. Based on data compiled by the Wall Street research

Washtenaw County Demographics

Population, Households & Household Size	1990 CENSUS	2000 CENSUS	% Change	2010 Census	% Change	2030 Forecast	% Change	
Population	282,937	322,770	14.08%	344,791	6.82%	448,020	29.94%	
Households	104,528	125,232	19.81%	137,193	9.55%	187,253	36.49%	
Housing Units	111,256	130,974	17.72%	147,573	12.67%			
Household Size	2.50	2.41	-3.60%	2.38	-1.24%	2.27	-4.62%	
Population By Age	1990	% Total	2000	% Total	2010	% Total	2030	% Total
Age 0-4	19,160	6.8%	20,130	6.2%	19,138	5.6%	26,985	6.0%
Age 5-17	41,936	14.8%	51,158	15.8%	40,162	11.6%	66,884	14.9%
Age 18-34	11,602	4.1%	108,812	33.7%	89,804	26.0%	122,577	27.4%
Age 35-64	89,013	31.5%	116,524	36.1%	130,244	37.8%	158,943	35.5%
Age 65+	21,226	7.5%	26,271	8.1%	34,951	10.1%	72,631	16.2%
Households	1990	% Total	2000	% Total	2010	% Total	2030	% Total
With Children	33,383	31.9%	39,140	31.3%	79,138	57.7%	54,463	29.1%
Without Children	71,163	68.1%	86,192	68.8%	55,023	40.1%	132,790	70.9%
Income Quartile 1 - Low	23,009	22.01%	25,455	20.33%	22,549	16.44%	32,092	17.14%
Income Quartile 2	26,893	25.73%	29,624	23.66%	35,066	25.56%	39,173	20.92%
Income Quartile 3	25,808	24.69%	31,476	25.13%	50,689	36.95%	51,377	27.44%
Income Quartile 4 - High	28,836	27.59%	38,777	30.96%	25,857	18.85%	64,611	34.50%
Household Income Analysis	1990	% Total	2000	% Total	2010	% Total		
Less than \$10,000	12,017	11.5%	9,960	8.0%	10,261	7.5%		
\$10,000 to \$14,999	7,737	7.4%	5,715	4.6%	6,310	4.6%		
\$15,000 to \$24,999	15,638	15.0%	12,388	9.9%	11,956	8.7%		
\$25,000 to \$34,999	15,204	14.5%	13,577	10.8%	12,439	9.1%		
\$35,000 to \$49,999	18,765	18.0%	18,493	14.8%	16,649	12.1%		
\$50,000 to \$74,999	20,732	19.8%	24,139	19.3%	23,377	17.0%		
\$75,000 to \$99,999	8,133	7.8%	16,365	13.1%	17,089	12.5%		
\$100,000 to \$149,999	4,738	4.5%	15,960	12.7%	20,446	14.9%		
\$150,000 or more	2,150	2.1%	8,868	7.1%	15,634	11.4%		
Median Household Income	\$48,655		\$51,990		\$59,065			
Households in Poverty	12,140	11.6%	13,520	10.8%	17,565	12.8%		
Persons in Poverty	31,777	11.2%	33,450	10.4%	44,059	12.8%		
Housing	1990	% Total	2000	% Total	2010	% Total		
One-Family Detached	57,186	51.4%	71,200	54.4%	83,117	56.3%		
One-Family Attached	6,316	5.7%	8,794	6.7%	8,187	5.5%		
Two-Family Duplex	3,817	3.4%	4,039	3.1%	4,242	2.9%		
Multi-Unit Apartments	38,877	34.9%	41,458	31.7%	50,346	34.1%		
Mobile Homes	4,037	3.6%	5,538	4.2%	5,915	4.0%		
Other Units	987	0.9%	40	0.0%	0	0.0%		
Owner-Occupied Units	57,787	51.9%	74,830	57.1%	83,483	56.6%		
Renter-Occupied Units	46,741	42.0%	50,497	38.6%	53,710	36.4%		
Vacant Units	6,728	6.0%	5,742	4.4%	10,380	7.0%		
Median Housing Value (in 2000 & 2010 \$'s)	\$126,749		\$174,300		\$190,600			
Median Contract Rent (in 2000 & 2010 \$'s)	\$647		\$633		\$839			
Specified Owner-Occupied Housing Values	1990	% Total	2000	% Total	2010	% Total		
Less than \$50,000	5,398	12.0%	910	1.5%	5,749	7.0%		
\$50,000 to \$99,999	18,714	41.5%	7,563	12.5%	9,943	12.1%		
\$100,000 to \$149,999	11,274	25.0%	13,800	22.7%	11,791	14.3%		
\$150,000 to \$199,999	5,002	11.1%	15,227	25.1%	16,666	20.2%		
\$200,000 to \$299,999	3,225	7.2%	14,329	23.6%	19,256	23.4%		
\$300,000 to \$499,999	1,224	2.7%	7,115	11.7%	14,127	17.1%		
\$500,000 to \$999,999	220	0.5%	1,567	2.6%	4,302	5.2%		
\$1,000,000 or more	incl. abv.	0.0%	219	0.4%	557	0.7%		
	45,057		60,730		82,391			

Compiled by Alcock & Williams, LLC, from 1990, 2000, 2010 Census, SEMCOG reported bldg. permits & 2030 SEMCOG RDF

Washtenaw County Demographics (Continued)

Employment	1990 CENSUS		2000 CENSUS	% Change	2010 CENSUS	% Change	
Total Employment	213,895		232,175	8.55%	168,393	-27.47%	
Ag. Min Natural Resources	4,550		4,549	-0.02%	619	-86.39%	
Manufacturing	37,363		34,517	-7.62%	19,132	-44.57%	
T.C.U.	6,912		8,916	28.99%	4,630	-48.07%	
Wholesale Trade	6,177		6,618	7.14%	3,118	-52.89%	
Retail Trade	33,166		38,888	17.25%	15,248	-60.79%	
F.I.R.E.	10,970		10,729	-2.20%	7,896	-26.41%	
Services	110,208		119,998	8.88%	103,667	-13.61%	
Public Administration	4,549		7,960	74.98%	4,288	-46.13%	
Educational Attainment - Population Age 25 or Older							
Did Not Graduate High School	21,387	12.9%	16,716	8.5%	13,601	6.9%	
Graduated High School	32,406	19.5%	33,752	17.2%	35,124	17.9%	
Some College, No Degree	33,027	19.8%	40,063	20.4%	40,730	20.7%	
Associate Degree	10,379	6.2%	11,857	6.0%	14,337	7.3%	
Bachelor's Degree	35,249	21.2%	48,034	24.5%	51,888	26.4%	
Graduate or Professional Degree	34,766	20.9%	46,992	23.9%	55,191	28.1%	
Total*	166,406		196,408		210,871		
Total shown may not equal sum of sample data.							
Land Use							
	1990 CENSUS Acres	% Total	2000 CENSUS Acres	% Total	2008 SEMCOG Acres	% Total	
Single-Family Residential ¹	51,723	11.2%	67,064	14.5%	189,513	41.0%	
Multiple-Family Residential	2,703	0.6%	3,480	0.8%	2,897	0.6%	
Commercial & Office	3,929	0.8%	4,600	1.0%	9,981	2.2%	
Institutional	4,718	1.0%	5,356	1.2%	13,560	2.9%	
Industrial	7,527	1.6%	8,656	1.9%	15,317	3.3%	
Trans., Commun. & Utility	5,114	1.1%	5,160	1.1%	19,105	4.1%	
Cultural, Outdoor Rec. & Cemetery	6,318	1.4%	7,779	1.7%	35,031	7.6%	
Active Agriculture	221,266	47.8%	191,140	41.3%	165,587	35.8%	
Grassland & Shrub	49,765	10.8%	59,040	12.8%	0	0.0%	
Woodland & Wetland	95,020	20.5%	93,366	20.2%	0	0.0%	
Extractive & Barren	1,339	0.3%	1,617	0.3%	0	0.0%	
Airport	0	0.0%	0	0.0%	649	0.1%	
Water	10,062	2.2%	10,133	2.2%	10,608	2.3%	
Under Development ²	3,049	0.7%	5,141	1.1%	0	0.0%	
Total Acres ³	462,533		462,532		462,248		
¹ Includes SFR, manufactured housing, farmsteads and portions of developing SFR							
² Includes 1) undeveloped acreage in developing projects, and 2) areas of ground breaking where no use could be determined.							
³ 1990 & 2000 total acres may not be the same due to rounding errors and precision differences in 1990/2000 GIS layers.							
Residential Building Permits							
	New & Demolished Units Permitted						
	Single-Family	Two-Family	Attach. Condo	Multiple-Family	Manf Housing	Other	Net Total
Census 1990	57,186	3,817	6,316	38,877	4,073	987	111,256
Census 2000	71,200	4,039	8,794	41,458	5,538	40	131,069
Change 1990-2000	14,014	222	2,478	2,581	1,465	-947	19,813
SEMCOG							
2000-2005 Annual Ave	1,694	17	420	199	n/a	-52	1,992
2006-2011 Annual Ave	291	7	90	135		-57	466
2012	315	4	34	348		-111	590
2013	462	0	94	342		-188	710
2014	405	4	66	445		-33	887
2015	479	4	84	414		-39	942
2016	535	10	141	583		-111	1,158
Compiled by Alcock & Williams, LLC, from 1990, 2000, 2010 Census, SEMCOG reported bldg. permits & 2030 SEMCOG RDF							

firm of Ned Davis Research (NDR), the national *mean* indicator is an elevated 3.5 from 1982 into 2011 with an indicator of 3.4 at the end of 2013. The multiple illustrates a bubble period beginning in 2000 in a range from 3.2 to 3.3 and peaking in mid-2006 at 4.2, tumbling down to 3.5 in late 2009 and now stagnating at 3.5 to the present period.

Washtenaw County shows a 3.4 ratio based on 2010 Census figures and is essentially unchanged from a 3.5 ratio based on the 2000 Census figures but remains well above the 2.6 ratio based on the 1990 Census figures.

The deleveraging process will ultimately align incomes with housing prices at the historically affordable ratio below 3.0 albeit with increased volatility in the years ahead.

Growing volatility can be found in the widely observed S&P/Case-Shiller Home Price Index for the 10-City and 20-City Composite which includes Detroit in its broader composite and shows U.S. city home prices rising from 1996 into a peak in 2005 with a precipitous 40% drop into 2009 (largest on record) and then a sharp recovery of roughly 20% into the present period. In its October 25, 2011, *S&P Indices* press release, the firm stated “Detroit and Washington DC were the only two cities to post positive annual returns of +2.7% and +0.3% respectively.” Even with this specter of confidence, we believe interest rates must eventually rise from these current historically low levels and will serve to lower home prices further in line with the income ratio. U.S. Government data indicates 1987 was the last year wages exceeded inflation with the current data indicating continued improvement in job growth but stagnation in pay on the national level.

The median multiple is known to rise in areas with restricted housing development growth associated with limited development land. A 16-year history of residential construction based on authorized new dwelling permits for the county is given in Figure 2 showing housing starts were strong until the collapse into 2009 with the median multiple elevated through the expansion period. Excessive credit rather than restricted housing development growth is more likely to be the cause of the elevated median multiple in the county. The authorized new dwelling permits are charted and discussed further under the ‘Economic Conditions’ to follow.

The city, private developers and University of Michigan Regents identified the University of Michigan (UM) student population as a long neglected dweller of poor-quality housing around 2004 when the UM president initiated a decade-long dormitory rehabilitation and expansion ending in 2015. The city increased zoning density near the central campus and the downtown in 2009. More than 4,800 student beds in large public and private projects have been added to the UM inventory since 2004 with more than 1,100 student beds proposed and likely to be developed through 2018. UM enrollment has increased by 5,185 students since 2004 to a full-time equivalent enrollment of 44,718 for Fall 2016 to easily absorb this student bed expansion. This is the largest enrollment in the university’s history.

UM Economic Base and Employment

Employment opportunities within Washtenaw County are concentrated primarily in the greater Ann Arbor area.

The largest employers in Ann Arbor include the University of Michigan and the University of Michigan Hospital System. The largest employers in Ypsilanti include Eastern Michigan University and Trinity Health. Former top employer in the county, Visteon Corporation, was Ford Motor Company's largest supplier until ownership was reverted to Ford in lieu of bankruptcy. The U.S. automakers gradually lost market share of units sold for the past several decades. In early 2006, Ford announced that it would shed 28% of its workforce or 34,000 jobs in North America over the next six years and close 14 North American factories including three in Washtenaw County. GM and Chrysler entered Chapter 11 bankruptcy in 2009 and thereafter sold off brands, operations, plants, and shed much of its dealership network. These bankruptcies are the fourth and seventh largest in U.S. corporate history. Many autoworkers transitioned into healthcare jobs and migrated out of Michigan.

A transition to the area's automotive manufacturing emerged within Washtenaw County through two foreign automakers. First, the expanding Toyota Technical Center USA in Ann Arbor, with 1,530 employees in 2015, is supported by a 350,000-square-foot research and development center on 690 acres in York Township just south of Washtenaw County. Second, the completion in 2005 of the Hyundai-Kia America Technical Center, a \$117-million facility in Superior Township which added 140 jobs to the county and was expanded in 2007.

A third impetus to the transition is found in the 23-acre Mcity opened in 2015 on the UM North Campus. This is an all-weather autonomous-car proving grounds developed by the UM with a partial grant from State of Michigan Department of Transportation with an initial \$6.5 million development budget. Boston Consulting Group opines driverless technology will be a \$42 billion annual industry by 2025. Bloomberg News asserts that Ann Arbor is already inundated with some 3,000 Web-connected cars being tested by UM, automakers, and the National Highway Traffic Safety Administration. Since Mcity is a public research facility to accommodate competing technology testing, it facilitates new standards vital to the autonomous-car safety and success.

GM Willow Run Powertrain and GM Powertrain Ypsilanti Transmission Operations was under one roof on 335 acres with five million square feet of factory area. It manufactured four-speed and six-speed transmission up until its closure at the end of 2010. Peak employment of 17,000 workers was reached in the 1970's but declined to around 4,000 by 2005. Much of the plant was demolished in 2015 with a portion purchased by the Yankee Air Museum for posterity.

The Michigan Strategic Fund approved a \$2.9 million grant to initiate the design for the American Center for Mobility (ACM) in 2016. This will be a large-scale 311-acre proving grounds for driverless vehicle testing at highway speeds with an estimated \$80 million cost

on the former Willow Run plant site. It will complement the smaller Mcity proving grounds. These are joint ventures with the State of Michigan, UM, and manufacturers that include Delphi Automotive, Ford, GM, Honda, Toyota, Nissan, State Farm, Verizon, Xerox, Bosch, Navistar, and others.

Ann Arbor SPARK published its most recent survey of the largest public and private employers in Washtenaw County in 2017 as shown in the chart.

Top 24 Employers in Washtenaw County in 2017

Rank	Company	Number Employed in County	Business Category
1	UM & UM Medical Center	30,835	Educ. & Healthcare
2	Trinity Health	7,169	Education
3	VA Ann Arbor Healthcare System	2,459	Healthcare
4	Ann Arbor Public Schools	1,907	Education
5	Faurecia Interior Systems	1,850	Automotive
6	Eastern Michigan University	1,617	Education
7	Integrated Health Associates (IHA)	1,268	Healthcare
8	Washtenaw County	1,260	Public Service
9	Thomson Reuters	1,200	Information Tech
10	Truven Health Analytics	850	IT/Healthcare
11	Grupo Antolin Interiors	800	Automotive
12	Thai Summit America Corporation	800	Automotive
13	Ford Motor Company - Rawsonville Plant	784	Public Service
14	Domino's Pizza	734	Automotive
15	City of Ann Arbor	729	Public Service
16	Zingerman's Family of Businesses	700	Food Service
17	JAC Products	674	Automotive
18	Edwards Brothers Malloy-East	650	Print Manufacturer
19	ProQuest	650	Information Tech
20	Toyota Technical Center	619	Automotive
21	Citizens Insurance Co. of America	600	Insurance
22	Terumo Cardiovascular Group	600	Medical Eqpmt
23	CitiMortgage	600	Financial
24	NSF International	578	Industrial Testing

Source: Ann Arbor SPARK, January 2017

Zingerman's has a high percentage of part-time employees for its mail order business. Faurecia North America is only temporarily occupying an old Ford assembly plant in Saline until a new factory under construction is completed elsewhere in the Detroit area. Large reduction or elimination of all jobs in the county was announced in 2009 by Ford, GM, Borders Group, and Pfizer. Ford dropped to 784 at present from 2,280 employees in the county in 2009 but is now trending toward growth. Borders Group, the locally created national bookseller that was headquartered in the county,

failed in 2011 and took 895 employees in the county with it.

The 2015 figures on industry employment for Ann Arbor from *SEMCOG* shows 20% of the labor force in knowledge-based services, 9% in services to households and firms, 9% in private education and healthcare, 8% in leisure and hospitality, 7% in retail trade, 2% in wholesale trade, transportation, warehousing, and utilities, and 1% in manufacturing. Government employment is not included but is presumed to be around half of the county's employment. The dramatic decrease in manufacturing and retail and increase in service sector jobs, coupled with the large percentage of labor force in government and education, follow national trends. Because Ford and General Motors (departed end of 2010) have manufacturing plants in the immediate vicinity, the city of Ypsilanti and the surrounding area population are heavily dependent on manufacturing jobs, by contrast to the city of Ann Arbor's population which depends heavily on research and university jobs.

Historically, the Ann Arbor MSA has the lowest unemployment rate by MSAs in Michigan. Michigan, on the other hand, ranked eighth in 2014 out of all 50 states plus the District of Columbia in highest unemployment owing to the automotive industry collapse. The state's labor force declined by 40,000 in 2007 from 2006. The state recovered to rank 29 in 2016 after strong job growth recovery in health care, aerospace and defense, transportation, distribution and logistics, and information technology in Metro Detroit. This recovery gained momentum after the city of Detroit declared bankruptcy in 2013.

Economic stability is provided by the county's two universities - The University of Michigan in Ann Arbor and, to a far lesser degree, Eastern Michigan University in Ypsilanti. These facilities are major employers which are historically not as economically sensitive to fluctuations in automotive demand as are industries found in the greater Detroit area. In recent times, an emphasis has been put on high technology research and development expansion through the creation of numerous research and development parks. The universities, because of their human resources, have attracted a variety of companies in these industries over several decades. Among the dozens of research-oriented high technology firms in the area are NSF International, ProQuest, General Dynamics, National Oceanic & Atmospheric Administration, Google, Terumo Cardiovascular Systems (formerly a division of 3M), National Vehicle and Fuel Emissions Laboratory, Honda, Mercedes, Nissan, Suzuki, and Mazda Emissions Laboratories, UBE Machinery, Hyundai America Technical Center and Toyota Technical Center, all located in or on the periphery of Ann Arbor.

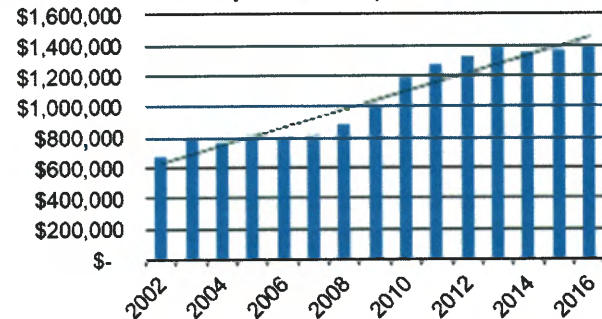
Other major corporations headquartered in the county include Edwards Brothers Malloy, the sixth largest book manufacturer in the country, and several other smaller book binderies. The sprawling Chrysler Chelsea Proving Grounds employs hundreds here. The short-haul trucking company Con-Way, Domino's Pizza, and Citizens Insurance Corporation are also headquartered here.

In January 2007, Pfizer Inc. announced that it would close its sprawling 174-acre research campus with two million square feet of building area on Ann Arbor's northeast side by the end of 2008. There were 2,100 persons employed locally by this firm. A Fortune-500 company and leading international pharmaceutical, it completed a hostile takeover of Warner-Lambert in June, 2000. Warner-Lambert's Parke-Davis research lab in Ann Arbor, established decades ago by UM alumni, became one of Pfizer's primary research facilities. Both companies physically expanded the campus in Ann Arbor at a feverish pace over the past decade. Concern regarding Pfizer's desire to further expand its nearly maximized campus within the city resulted in the UM Regents' reluctant sale in 2001 of 55 acres of vacant land contiguous to the Pfizer campus, the largest undeveloped non-residential land tract within the city, to ensure Pfizer's contentment. Pfizer initially pledged an \$800-million budget for expanding here within the next decade. This pledge was billed by the press as the largest corporate commitment in the country in 2001; however, Pfizer's \$53-billion merger with Pharmacia in April, 2003 put a halt to this local expansion and ultimately its exit from the community.

In January 2009, UM purchased the entire 174-acre Pfizer research campus. The \$103 million purchase came from the UM Health System reserves. Use of this campus has expanded rapidly since this acquisition, now known as the North Campus Research Complex, with 2,000 employees and \$92 million in university capital improvements in 2013. It has taken a mere six years to recover nearly all the jobs lost by the Pfizer exit.

UM is ranked the number one research budget among some 400 public U.S. universities at \$1.39 billion in FY 2016 by the NSF (See chart) and has maintained this number one ranking since 2002 when the available record ends. Combined with private institutions, UM consistently ranks number two behind John Hopkins University. The potential for cost-cutting, known as ‘sequestration’ through the U.S. Congress, may reduce the federal research budget in the future as a component of the national budget and has declined more than 200 basis points as a percent of GDP since 2010 but outpaced inflation on average annually by nearly 3.0% since 2012. Any reduction in national research spending, ranked first among nations at more than \$500 billion in 2015 with more than \$140 billion of this total in federal funds, can have a negative impact on the key U.S. technology sector. The large Veterans Administration Hospital in the county is exempt from sequestration grant cuts.

UM Fiscal R&D Expenditures (Dollars in thousands)



Source: NSF

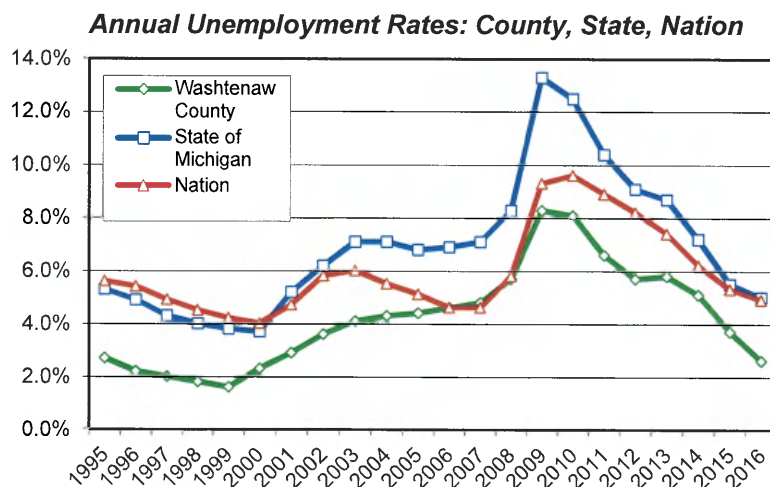
In July 2006, Google, now a division of Alphabet Inc., the internet search-engine giant with \$71.76 billion in 2015 gross revenue and based in Mountain View, California, relocated support for its AdWords division to Washtenaw County. AdWords is Google’s primary source of revenue. Google’s May 2015 announcement that it will expand into 140,000 square feet of an existing and proposed corporate campus on the north side of Ann Arbor (First Martin Corporation) and out of its 85,000-square-foot downtown location (McKinley Properties) while also just recently leasing 30,000 square feet in a premium building in the Briarwood office node (MAV Development) should continue to bolster base employment in the county. In August 2015, Google announced reorganization of its subsidiaries into a holding company, Alphabet, Inc. One of the company’s founders, Larry Page, is a 1995 UM engineering graduate.

As the fastest growing public company in the country in terms of employees and revenue, Google is now a major new economic and cultural contributor to the Ann Arbor landscape.

In 2000, UM created UM Tech Transfer to commercialize research discoveries and intellectual property and has created over 2,000 jobs and hundreds of new patents, license/option agreements, and invention reports. In 2015, its Venture Center launched a record 19 new startups. There is a long history of fledgling research companies started in Ann Arbor by entrepreneurial academics employed by UM with three examples as follows:

- Sakti3, developer of solid-state rechargeable lithium-ion battery technology for electric drivetrain vehicles, was incorporated in 2007 by CEO Ann Marie Sastry, the former Arthur F. Thurnau Professor of Mechanical Engineering, Biomedical Engineering, and Materials Science and Engineering at the UM, who left the faculty position in 2012 to concentrate on the start-up venture. Sakti3 had secured \$5 million in funding through its partners GM, the State of Michigan, and Khosla ventures. By late 2015, the company was sold to Dyson for \$90 million.
- Genomic Solutions, Inc., a developer of human genome analysis software and support services that went public in March, 2000, was sold in 2002 to Harvard Bioscience Inc. (Nasdaq: HBIO) for about \$26 million. Headquartered in Ann Arbor, Genomic Solutions has 156 employees worldwide including 65 workers in Ann Arbor. Amongst others, its current president and CEO has an MBA from the University of Michigan and Pfizer Inc. as a primary client.
- Veridian ERIM International Corporation, spun off from the non-profit Environmental Research Institute of Michigan in 1997, was a for-profit closely held corporation with 1998 revenues of \$81.7 million and has 459 local and 600 worldwide employees. The non-profit was started by a group of UM academics decades ago. ERIM International develops imaging systems, information extraction and knowledge generation and dissemination mostly and historically as the non-profit for the U.S. government and relocated a large corporate campus in Ann Arbor. It was purchased by General Dynamics in 2003 and is now headquartered in Ypsilanti Township.

The annual unemployment figures for the last two decades for Washtenaw County, the state, and the nation, compiled from the *Michigan Bureau of Labor Market Information & Strategic Initiatives (LMISI)*, are illustrated in the chart.



LMISI shows a year-end 2016 labor force for Washtenaw County of 198,537. The year-end 2016 labor force for the Michigan is 4,831,000. The trend of employment recovery since 2009 is shown on all levels in the chart. Washtenaw County currently has the lowest unemployment rate of 2.6% out of all 83 counties

in Michigan with the highest per capita of engineers in the country owing to the universities and automotive manufacturers here.

Following the 2006-09 American automotive industry's capitulation to market forces, we now see an employment recovery in the chart as new job innovation takes hold. National unemployment has dropped to a healthy 4.5% for year-end 2016 and is expected to remain low for now as jobs return from overseas.

Washtenaw County is expected to remain below the state unemployment, as shown historically in the chart, owing to the economic strength and influence of UM and emerging foreign automotive manufacturers and technology companies. The Pfizer departure is offset by the entrance of Google Inc. and others as well as the UM's continued local expansion and business innovation.

Medical Systems

Washtenaw County is home to three major hospital campuses: the University of Michigan Health System (UMHS), the Veterans Administration Ann Arbor Healthcare System (VAAAHS), both in Ann Arbor, and Trinity Health's St. Joseph Mercy Health System which encompasses the St. Joseph Mercy Hospitals just north of Ypsilanti, Saline Hospital, and St. Joseph Mercy Chelsea. Trinity Health is sponsored by the Catholic Health Ministries.

The University of Michigan Hospital was founded in 1848 and is today UMHS, a major teaching hospital system with 865 beds and 5,568,090 square feet of hospitals, research labs, lecture halls, and classrooms. UMHS is world renowned for vast research into diseases and treatment. Notable divisions are the C.S. Mott Children's Hospital, the Burn Center, the Kellogg Eye Center, and the Cancer Center. The general hospital was most recently replaced in 1986 with several major specialty hospitals built since that time.

Along with Dr. Thomas Francis' human trials confirming a reliable vaccine for Polio in 1955, University of Michigan doctors performed the first successful lung removal, introduced iodine to common table salt thereby eliminating goiter in the U.S., discovered the genes responsible for cystic fibrosis, muscular dystrophy, sickle cell anemia, and prostate cancer, and created the gene therapy protocol for AIDS, discovered the two classes of diabetes, introduced standards for interpreting EKG results, and the emergency use of angioplasty. UMHS established one of the first trauma burn centers in the U.S. as well as the first human genetics program that has now grown into the Life Sciences Institute.

UM completed four major facilities in 2006-07: the \$215.5 million Cardiovascular Center, the \$68.5 million School of Public Health expansion, and the \$41-million Ambulatory Psychiatry & Depression Center. Construction has recently completed for the replacement for the C.S. Mott Children's & Women's Hospitals with at a \$523 million project cost and 1.1 million square feet in nine- and 12-floor towers. Also, construction is now complete for the expansion of the Kellogg Eye Center and Brehm Center for Type 1 Diabetes Research and Analysis with a \$132 million project cost and 222,000 square feet on eight floors.

The VAAAHS provides primary and secondary care for U.S. veterans in the region with 143 beds and was extensively expanded circa 1995. This VA hospital is affiliated with UMHS in that all its physicians are employed by the latter. VAAAHS has an annual research budget of \$10.6 million plus NIH funding.

St. Joseph Mercy Hospital is noted for its maternal care, cancer, cardiovascular, orthopedics, neurosciences, emergency medicine, senior health, and surgical services and is also a teaching hospital with many of its physicians affiliated with UMHS. This facility contains 529 beds along with several specialty clinics on a 527-acre campus and with an additional 82-bed hospital in Saline. The Sisters of Mercy completed two 11-story patient towers in 2011 for \$258 million and 660,000 square feet of new hospital area.

St. Joseph Mercy Chelsea, an acute care provider, was purchased by Saint Joseph Mercy in 2009. This hospital has 113 beds on a 119-acre campus. The 148-bed Oakwood Hospital Beyer Center in Ypsilanti closed in 2000 and is now a bariatric surgery clinic operated by Forest Health Services.

There are few places in the world that could provide more comprehensive medical care than Washtenaw County. These hospital systems provide a major economic component to the community.

Income and Retail Sales

The largest and most extensive retail facilities in Washtenaw County are in the Ann Arbor/Ypsilanti area. Retail is provided through a legion of individual retailers, many neighborhood centers and 10 community centers situated throughout the greater Ann Arbor/Ypsilanti area. The Briarwood Mall, the county's super regional center, is located on the south side of Ann Arbor. Built in 1973 and 1978, Briarwood contains 982,500 square feet with Sears, J.C. Penney, Macy's, and Van Maur as its anchors. Sears, J.C. Penney, and Macy's continue to report weak financial results putting these retailer's future under media speculation going into 2017.

Costco Wholesale and Menards are the most recent big box additions to the county built in 2012 and 2015, respectively. Arbor Hills, a fashion/specialty center, is the most recent shopping center developed in the county with 94,157 square feet catering to high-income shoppers and completed in 2013. Retail development in the county correlates to national retail trends. There are several additional regional shopping facilities in the Metro Detroit and large discount malls within a 30- to 60-minute drive from Ann Arbor.

Supermarket and grocery store competition in Ann Arbor is intense with more than 20 separate operators competing for food consumption dollars.

Washtenaw County ranks surprisingly low within Metro Detroit in consumer spending relative to its strong median household effective buying power. Given the presence of the UM, it is speculated by retail demographers that the overtly educated populous does not indulge in excess consumption; however, Livingston County runs counter to that notion

with median household effective buying power above Washtenaw County without a major university. It is plausible that Washtenaw and Livingston are distinctly less urban than the counties that rank above them in consumption within Metro Detroit.

Transportation

The primary mode of transportation within Washtenaw County and the region is by private automobile. Transportation for the region and Detroit PMSA is extensive including all types of aviation and railroad services, both passenger and freight, one of the largest and busiest fresh water ports in the country, as well as an extensive network of highways and freeways. Washtenaw County residents and businesses benefit from the ready availability and easy accessibility to all area modes of transportation.

A light rail transit master plan with a projected cost of \$4.6 billion was initiated in 2012 through the state legislature forming the Regional Transit Authority (RTA) of Southeast Michigan. The RTA is tasked with the creation of public transportation in the city of Detroit and four counties that include Washtenaw County with rail stops in the cities of Ypsilanti and Ann Arbor. Both cities are now planning expanded train stations on the existing main rail line used by Amtrak. Full funding is uncertain and will require public approval with the initial phase QLine on Woodward Avenue in Detroit running a 3.3-miles route that started service in 2016 with two modern streetcars. This master plan provides a commuter system into downtown Detroit from the county.

Based on the *Census 2000 Supplementary Survey*, conducted in 700,000 households nationwide in communities with 250,000 people or more, Washtenaw County commuters average 21:06 minutes one-way, well below the other Detroit Metro counties of Oakland and Macomb with averages of almost an hour. A total of 216 counties were surveyed nationwide with Washtenaw County ranking 158 in average commuter time. Richmond County, New York, ranked first with an average 43:54-minute commute while Polk County, Iowa, ranked last with an average 16:30-minute commute. The survey also reported that 81% of Washtenaw County’s workforce drove to work alone, 6.0% carpooled, 3.7% worked at home, and 2.0% used public transportation. Washtenaw County commuters fare much better than other populous communities. For example, suburban New York and Washington, D.C., driver commute times are double that of the Washtenaw County driver time.

Travel Distance

City	Distance in Miles
Detroit	40
Lansing	60
Cleveland	160
Chicago	230
Indianapolis	250
Toronto	280

The freeway network within Washtenaw County includes I-94, M-14 and US-23. I-94 and US-23 serve as primary east-west and north-south thoroughfares, respectively, both in the area as well as the state. I-94 provides access to the greater Detroit Metropolitan area to the east and Jackson, Battle Creek, Kalamazoo and on to Chicago to the west. US-23 provides access to Flint, Saginaw, the Bay City area, and more generally to the northern part of the state, and to Ohio and the southern states. M-14 serves as a connection between

I-94 and US-23 and I-696 and I-275 to the east. I-94, M-14 and US-23 all tie into the Detroit PMSA freeway system.

Passenger air travel is available from several municipal general aviation airports, including the Detroit Metropolitan International and City Airports, approximately 30 and 40 miles east, respectively. These airports both provide flights to almost all U.S. destinations, while Detroit Metro also has numerous international flights available. Detroit Metro is the hub of Northwest Airlines. Ann Arbor has a small general aviation airport and Ypsilanti is home to Willow Run Airport, which was built during World War II for production of the B-24 bomber. The Ann Arbor and Willow Run Airports are tower controlled. Neither Willow Run nor Ann Arbor Airports are served by major passenger carriers: Willow Run is used primarily for corporate flights and cargo service and Ann Arbor is used primarily for recreational flying. Charter services are, however, available from Willow Run.

The county is serviced by Conrail, Norfolk & Western, and the Tuscola & Saginaw Railroads, providing freight service to area industry. Passenger rail service is available through Amtrak, which provides service to most major metropolitan areas across the country. The nearest passenger stations are in Ann Arbor, Ypsilanti and Dearborn. The city of Detroit is home to one of the world's busiest international waterways, with full U.S. customs, warehouse availability and a free trade zone.

Public transportation in the area includes the Ann Arbor Transportation Authority (AATA), which provides service to greater Ann Arbor, parts of Ypsilanti and some outlying areas. This service also includes Dial-A-Ride, providing specialized services for the elderly and handicapped. Greyhound Bus operates a national service which stops both in Ann Arbor and Ypsilanti. Uber and Zipcar operate in Ann Arbor.

Educational Facilities and Attainment

Washtenaw County is served by 18 public school districts and several private schools located primarily in the Ann Arbor area. The area also has many full and part-time preschool and child care facilities.

The State of Michigan has 29 public community and junior colleges, 55 independent colleges and universities, and 15 public four-year universities. Two of these four-year public universities are in Washtenaw County, UM's Ann Arbor campus and Eastern Michigan in Ypsilanti. Washtenaw Community College in Ypsilanti and Concordia Lutheran College in Ann Arbor also offer opportunities for higher education. The University of Michigan is a nationally renowned facility which is widely recognized for its outstanding engineering, law, medical and business schools. Enrollment at the University of Michigan is now over 43,000 students and Eastern Michigan University has approximately 23,600 students.

Eastern offers bachelor degrees in art education, business, fine and liberal arts, music, nursing and science. Masters degrees are offered in business, education, fine arts, liberal

studies, public administration and science. The only doctoral program offered is for education. The school offers a less expensive alternative university education than the University of Michigan and is well known for its undergraduate business school.

Together, these institutions offer ready access to a comprehensive diversity of programs for both undergraduate and graduate studies, including liberal arts, general, teacher preparatory and professional programs such as law, engineering, medicine, and business.

Based on the *Census 2000 Supplementary Survey*, conducted in 700,000 households nationwide in communities with 250,000 people or more, Washtenaw County ranked fourth out of the 216 most populous counties nationwide and first in the state of Michigan for people who hold a bachelor's degree or higher, at 52.6% of the county's population. Montgomery, Maryland, Fairfax, Virginia, and Boulder, Colorado, were the top three but so close as a percentage to Washtenaw County to be deemed statistically insignificant by the Census officials.

Also, based on the *2010 Census*, 20.9% of Washtenaw County's residents have a graduate or professional degree. A full 87% of the residents over 25 are high school graduates.

In summary, the area offers a wide variety of educational opportunities and facilities including a public community college, whose open-door admissions policies and lower costs make higher education more readily accessible to area residents while UM ranks among the top public universities in the country. The Washtenaw County population ranks among the top in the U.S. for educational attainment.

Culture, Attractions, Events and Recreation

The Ann Arbor/Ypsilanti area offers a wide variety of cultural events and attractions. Ann Arbor has its own public library, several of its own museums and numerous facilities, museums and libraries associated with the UM to which the public has access. These include the Ann Arbor Hands-on Museum, Cobblestone Farm, Kelsey Museum of Ancient and Medieval Archeology, Kempf House Center for Local History, the Matthei Botanical Gardens, U-M Exhibit Museum and Museum of Art, Ruthven Planetarium, U-M Harlan Hatcher Graduate Library, and several special purpose libraries. Neighboring Ypsilanti points of interest include Depot Town, with its renovated 19th Century shopping district housing both antique stores and eating establishments and the annual Frog Island Music Festival, held at Frog Island Field near Depot Town. The Yankee Air Museum, featuring old airplanes, bombers and training aircraft, is located at Willow Run Airport.

Both Detroit and Ann Arbor attract world famous musicians, artists and scholars owing to the extensive availability of performance and educational facilities and general support. There are numerous recreational and cultural attractions within the greater Detroit Metropolitan area. These include the Henry Ford Museum, Greenfield Village, Belle Isle Aquarium, Detroit Historical Museum, Detroit Institute of Arts, Fisher Mansion, Museum

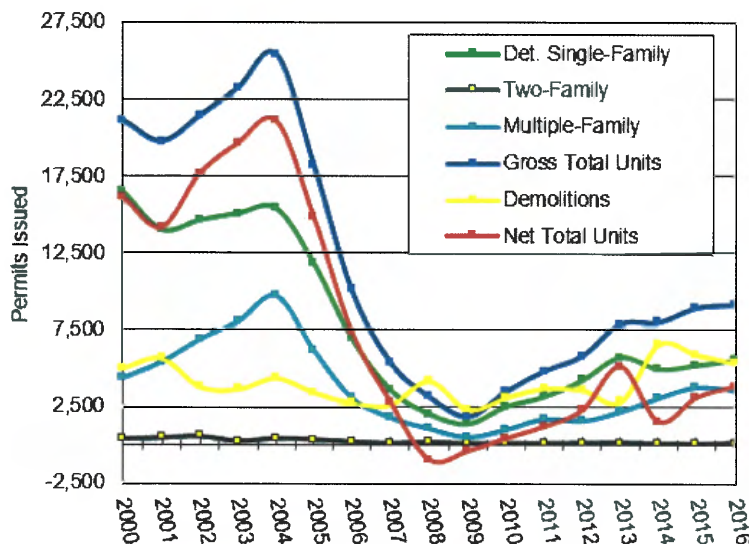
of African American History, Music Hall Center for the Performing Arts, Renaissance Center, Joe Lewis Arena, Tiger Stadium and the Michigan State Fair Grounds.

With an abundance of state and public parks and lands and the changing seasons, southeast Michigan offers a wide variety of year-round outdoor recreational opportunities. These include many state parks with hiking and biking trails, lakes for water sports and private facilities for skiing, golfing, skating, and so forth. Public lakes in Washtenaw County and the near surrounds include Ford Lake, Whitmore Lake and the Chain of Lakes (Portage, Baseline, Whiteford, Gallagher, Strawberry, Zukey and Bass Lakes), which offer all types of water sports activities. Within the county and in its vicinity, public state-operated recreation facilities and areas include the Hudson Mills, Dexter-Huron and Delhi Metroparks, Huron Meadows and Kensington Metroparks (the latter with public golf course), Chelsea State Game Area, and the Island Lake, Highland, Proud Lake, Brighton, Pinckney and Waterloo State Recreation Areas. There are also public campgrounds, public and private golf courses, and skiing at the Mount Brighton Ski Area. The city of Ann Arbor has 122 public parks, indoor and outdoor skating and pool facilities. There are numerous worship facilities for those of all faiths located in the area.

Economic Conditions

One reflection of the economic health of the region can be the number of authorized new residential dwelling permits issued. Graphs of building permits since 2000 for Metro Detroit and Washtenaw County are illustrated based on SEMCOG data.

Metro Detroit New Dwelling Permits & Demolitions

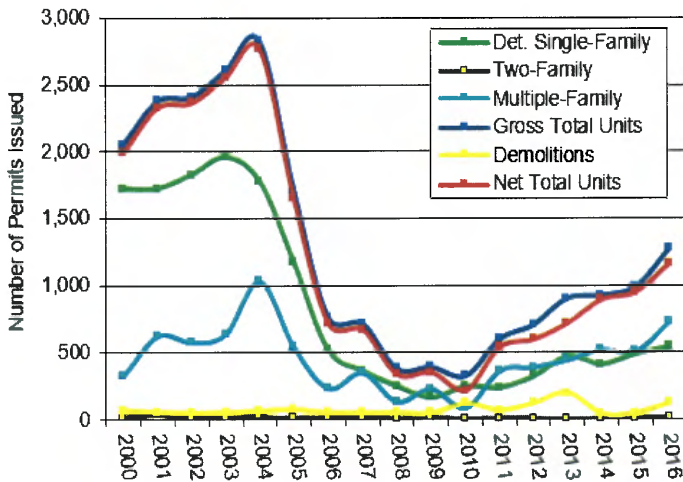


National recessionary trends of the early 1990's affected this region, though not to the extent found elsewhere in the country. Overall decreases of the early 1990's in most of the area counties were reflective of an enormous building surge from the mid to the late 1980's. The upward trend commenced in 1991, with the number of total new housing unit permits issued peaking in 1998 for the SEMCOG

Region at 25,968, declining steadily through 2001, with an equal steady upward trend through 2004. This prolonged national inflationary housing boom, exacerbated by an aggressive federal monetary policy, clearly came to an end by 2006. An equally rigorous housing growth of all types with a surge in apartments in Washtenaw County in the newly

rezoned downtown and UM campus areas is underway since 2009 as seen by the uptrend in the graph below. Larger detached and attached subdivisions are underway since 2016 near the city center.

Washtenaw Co. New Dwelling Permits & Demolitions



The city of Detroit is known as the automobile manufacturing capital of the world. Detroit leads the country in the manufacture of automobiles, trucks and metals, as well as in non-electrical machinery and pharmaceuticals. The regional economy is to a large degree dependent upon the health of the automotive industry. We have previously reviewed the employment issues tied to the area’s automotive industry.

In recent years, Washtenaw County has been in a period of strong growth, evidenced by numerous apartment, commercial, institutional, and research developments in and around the Ann Arbor area and the surrounding communities. This growth once tempered in by the region’s automotive industry woes, Borders Group and other bankruptcies, and the exit of Pfizer is accelerating though the UM expansion, UM Tech Transfer, and the Google influence on information technology company formation within the community. The automotive industry is re-emerging in the county with the continued expansion of Toyota’s expansive facilities and the Mcity and American Center for Mobility proving grounds for driverless vehicles.

Another indication of UM prominence is its large endowment. For 2016, UM moves up one notch to the 9th position from 2015 to remain one of the top ten largest North American university endowments as shown in the endowment chart on the next page. Given the \$9.74 billion in its coffers, the UM’s ability to expand and improve on its already mostly modernized Ann Arbor infrastructure is secure.

Top 15 North American University Endowments

Rank	School	2016 Endowment (in billions)	Change from 2015
1	Harvard	\$34.54	-5.2%
2	Yale	25.41	-0.6%
3	University of Texas	24.20	0.5%
4	Stanford	22.40	0.8%
5	Princeton	22.15	-2.5%
6	M.I.T.	13.18	-2.2%
7	University of Pennsylvania	10.72	5.7%
8	Texas A & M	10.54	0.6%
9	University of Michigan	9.74	-2.1%
10	Northwestern	9.65	-5.3%
11	Columbia	9.04	-6.2%
12	University of Notre Dame	8.37	-2.3%
13	University of California	8.34	4.3%
14	University of Chicago	7.00	-7.3%
15	Duke	\$6.84	-6.3%

Source: NACUBO, published January 2017

In 2013, the University of Michigan announced its largest donation in history: An alumnus, Charlie Munger, gifted \$110 million for a new dormitory and other projects targeting graduate student housing. Later in the same year, alumnus Stephen M. Ross gave the university \$200 million to be split between its business school and athletic campus. Major current projects on the Ann Arbor campus are identified on the next page.

The university has more than \$2.1 billion in capital projects within the city

completed in 2014-16 and underway into 2020 including two major projects approved by the regents for completion in 2018. These two projects are the \$261 million biological sciences building on the central campus and the \$168 million Ross Athletic Campus South Project being developed on the 17-acre site formerly known as the Edwards Brothers Malloy factory contiguous to the south of the UM Athletic Campus golf course. For less than a decade so far projected into 2018, the UM has committed more than \$5 billion in capital projects within Ann Arbor and is now the state's second largest employer behind Ford Motor Company.

In summary, the area has a diverse economic base and labor force, and offers a wide variety of employment, educational, recreational, shopping, and medical care in the immediate and near vicinity, all of which serve to stabilize the local economy. Extensive opportunities and amenities are available to area residents. Washtenaw County has historically been in the path of outward growth from the greater Detroit Metropolitan area and is within easy commuting distance, via an extensive network of local highways and freeways, to many other employment centers and other amenities of the greater metropolitan area. The presence of the UM in Ann Arbor buffers the local economy from the fluctuations endured by other communities more heavily dependent on the automobile industry such as neighboring Ypsilanti. Research and development firms, foreign manufacturers, and high technology developers have continued to locate in the area owing to the presence of the universities and an educated workforce.

UM Major Building Projects in Ann Arbor Since 2014

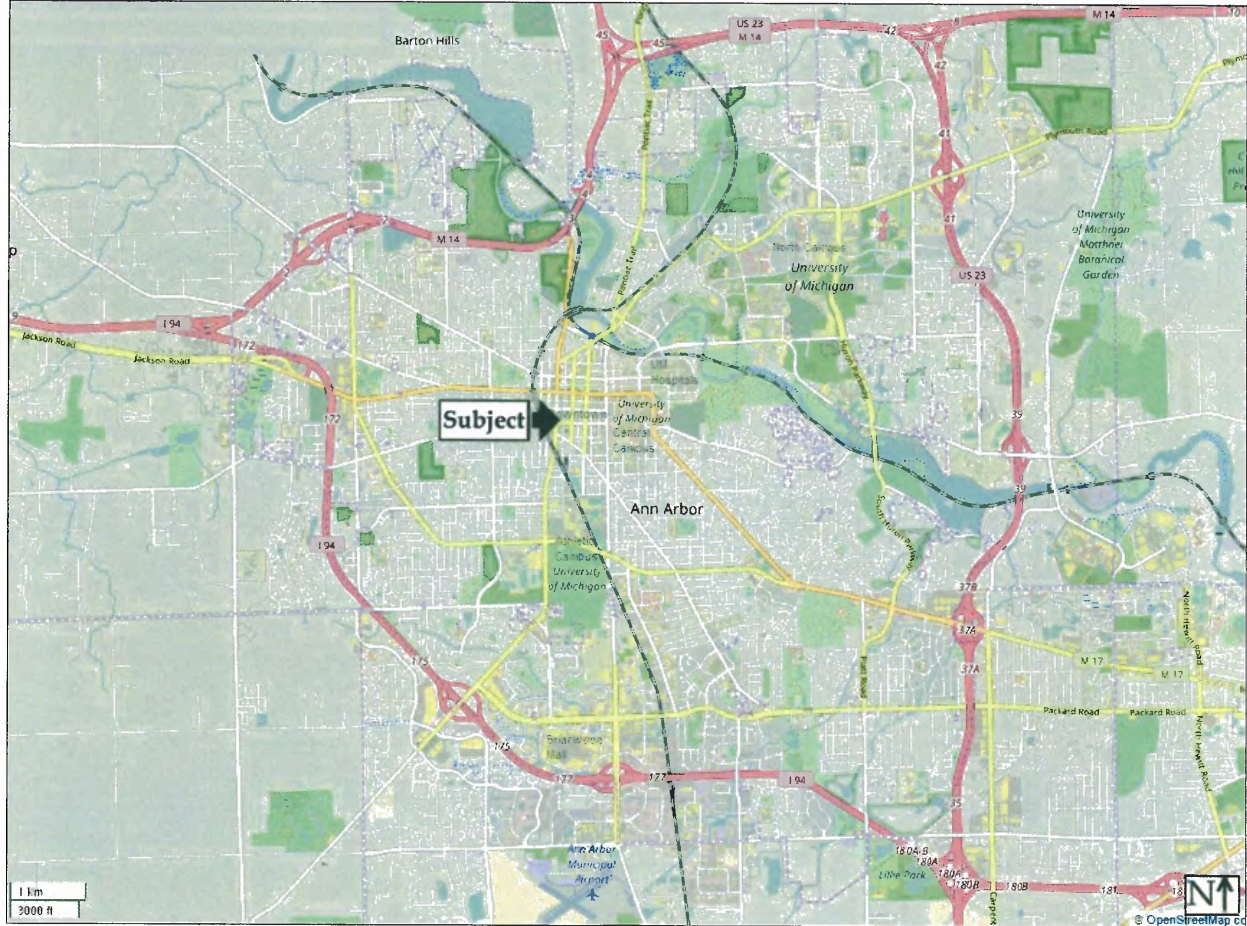
Project	Budget (in millions)	Total Annual Budget	Completion Year
South Quad Renovation Project	\$60.0		2014
Brown GG Lab Mechanical Engineering Addition	46.0		
Wall Street East Parking Structure	34.0		
Institute for Social Research Addition	29.0		
New field Hockey Team Center and Stadium	13.5		
Schembechler Hall Renovation	9.0		
Elmer D Mitchell Field Improvements	8.0		
Central Power System Upgrade	5.7		
West Hall Renovation for LSA Dept of Astronomy	5.5		
Peirpont Commons Café Renovation	5.3		
New Softball Center	5.3	\$221.3	
Munger Graduate Residences	185.0		2015
West Quad & Union-Cambridge House Renovation	114.5		
UMHHC Taubman Library Renovation	55.0		
School of Nursing New Building	50.0		
Moore Building Renovation and Brehm Pavilion	29.5		
Varsity Dr Building Ruthven Dry Collection Relocation	27.5		
William Clements Library Upgrade	16.8		
School of Education Renovation	13.6		
UMHHC Medical Short Stay Unit	9.0		
Elmer D. Mitchell Field Improvements	8.0		
Adult Emergency Dept Critical Care Unit	7.0		
Eda U. Gerstacker Grove	6.9		
Mobility Transformation Facility (Mcity)	6.5		
Dept of Intercollegiate Athletics Operations Center	6.0		
Yost Ice Arena Ice System Improvements	5.8	\$541.1	
Ross School of Business Kresge Renovation/Jeff T Blau Hall	135.0		2016
George Granger Brown Lab Renovation	47.0		
UMHHC Operating Room Expansion	23.5		
Intramural Sports Building Renovation	21.4		
Chiller to Medical Sciences Research Building III	14.0		
Child & Adolescent Psychiatric Hospital Relocation	10.9		
UMHHC Magnetic Resonance Imaging Suite Expansion	10.0	\$261.8	
Weiser Hall Renovation	49.0		2017
West Ann Arbor Health Center	46.0		
Art & Architecture Building A. Alfred Taubman Wing Project	28.5		
Richard L. Postma Family Clubhouse	15.0		
Frankel Cardiovascular Lab & Operating Room	14.8		
Nuclear Engineering Lab Renovation	12.0		
UMHHC University Hospital South Unit 4 Faculty Office Renovations	8.2		
UMHHC University Hospitals Radiation Oncology Linear Accelerator Replacement	6.8	\$180.3	
Biological Science Building	261.0		2018
Ross Athletic Campus South Competition & Performance Project	168.0		
William Monroe Trotter Multicultural Center	10.0	\$439.0	
UMHHC Clinical Pathology Relocation & Renovations	160.0		2019
Robotics Laboratory	75.0		2020
Michigan Union Renovation	85.2		2020
Alexander G. Ruthven Museums Building Renovations & Additions	150.0		TBD
LS&A Building First Floor Renovation & Addition	35.0		TBD
North Campus Recreation Building	17.4	\$522.6	TBD
Total	\$2,166.1		

Source: UM Plant Extension

CITY OF ANN ARBOR PROFILE

The city of Ann Arbor covers approximately 27.4 square miles or 17,015 acres and is in central Washtenaw County. It is the county seat. The city is bordered by Ann Arbor Township to the north and east, Scio Township to the west, Lodi Township to the southwest and Pittsfield Township to the south. The city of Ann Arbor is a full-service community which has extended municipal utilities to areas in some of the neighboring townships. The map illustrates major routes around Ann Arbor.

City of Ann Arbor



Some of the more pertinent economic characteristics of the community are reviewed here. Demographic chart summations for Ann Arbor, which includes select U.S. Census data, related projections the SEMCOG Regional Development Forecast, and SEMCOG reported residential building permit data, are as follows on the next two pages.

City of Ann Arbor Demographics

Population, Households & Household Size	2000 CENSUS		2010 CENSUS	% Change	SEMCOG July 2016	% Change
Population	114,024		113,934	-0.08%	118,699	4.18%
Households	45,693		47,060	2.99%	49,523	5.23%
Housing Units	47,218		49,789	5.44%	51,375	3.19%
Household Size	2.22		2.17	-2.25%	2.14	-1.38%
Population By Age	2000	% Total	2010	% Total	2030	% Total
Age 0-4	5,744	5.0%	4,868	4.3%	4,746	4.0%
Age 5-19	22,982	20.2%	21,961	19.3%	10,703	9.0%
Age 20-34	41,741	36.6%	43,369	38.1%	46,129	38.9%
Age 35-64	34,540	30.3%	33,124	29.1%	34,374	29.0%
Age 65+	9,017	7.9%	10,612	9.3%	20,318	17.1%
Households	2000	% Total	2010	% Total	2030	% Total
With seniors 65+	6,559	14.4%	8,020	17.0%	9,900	20.0%
Without seniors	39,134	85.6%	39,040	83.0%	43,313	87.5%
2+ persons without children	18,457	40.39%	20,018	42.54%	13,928	28.12%
Live alone, 65+	3,017	6.60%	3,695	7.85%	9,574	19.33%
Live alone, under 65	13,209	28.91%	13,901	29.54%	11,546	23.31%
With children	11,010	24.10%	9,446	20.07%	18,165	36.68%
Household Income Analysis	2000	% Total	2010	% Total		
\$0 to \$10,000	4,724	10.3%	4,864	10.3%		
\$10,000 to \$14,999	2,543	5.6%	2,436	5.2%		
\$15,000 to \$24,999	5,221	11.4%	4,253	9.0%		
\$25,000 to \$34,999	4,894	10.7%	4,292	9.1%		
\$35,000 to \$49,999	6,873	15.0%	5,601	11.9%		
\$50,000 to \$74,999	8,046	17.6%	7,665	16.3%		
\$75,000 to \$99,999	5,024	11.0%	4,631	9.8%		
\$100,000 to \$149,999	5,129	11.2%	5,917	12.6%		
\$150,000 or more	3,290	7.2%	5,507	11.7%		
Median Household Income (2010 dollars)	\$46,299		\$52,625			
Households in Poverty	6,856	15.0%	8,004	17.0%		
Persons in Poverty	16,922	14.8%	20,318	17.8%		
Housing	2000	% Total	2010	% Total		
One-Family Detached	19,725	41.8%	20,416	41.0%		
One-Family Attached	5,065	10.7%	4,779	9.6%		
Two-Family Duplex	2,194	4.6%	2,535	5.1%		
Multi-Unit Apartments	20,104	42.6%	22,043	44.3%		
Mobile Homes	126	0.3%	98	0.2%		
Other Units	0	0.0%	0	0.0%		
Owner-Occupied Units	20,685	43.8%	21,078	42.3%		
Renter-Occupied Units	25,008	53.0%	25,982	52.2%		
Vacant Units	1,301	2.8%	2,470	5.0%		
Median Housing Value (in 2010 dollars)	\$235,520		\$240,400			
Median Contract Rent (in 2010 dollars)	\$913		\$946			
Specified Owner-Occupied Housing Values	2000	% Total	2010	% Total		
Less than to \$50,000	161	0.9%	468	2.2%		
\$50,000 to \$99,999	1,176	6.4%	1,032	4.9%		
\$100,000 to \$149,999	4,087	22.3%	1,770	8.4%		
\$150,000 to \$199,999	5,647	30.7%	3,531	16.8%		
\$200,000 to \$299,999	4,560	24.8%	7,120	33.9%		
\$300,000 to \$499,999	2,076	11.3%	5,227	24.9%		
\$500,000 to \$999,999	642	3.5%	1,572	7.5%		
\$1,000,000 or more	16	0.0%	256	1.2%		
	18,365		20,976			

Compiled by Alcock & Williams, LLC, from U.S. Census and SEMCOG

City of Ann Arbor Demographics (Continued)

Employment	2000	2010		2040		
	CENSUS	SEMCOG	% Change	SEMCOG Forecast	% Change	
Total Employment	124,378	120,588	-3.05%	144,899	20.16%	
Ag. Min Natural Resources	626	n/a		1,311		
Manufacturing	7,165	1,339	-81.31%	1,098	-18.00%	
T.C.U.	2,743	n/a		n/a		
Wholesale Trade	2,863	2,189	-23.54%	2,032	-7.17%	
Retail Trade	19,412	9,389	-51.63%	8,940	-4.78%	
F.I.R.E.	7,336	22,090	201.12%	26,653	20.66%	
Services	79,965	19,411	-75.73%	41,547	114.04%	
Public Administration	4,268	n/a		63,318		
Educational Attainment - Population Age 25 or	2000	2007-2011				
	CENSUS	% Total	ACS 5-yr ave	% Total		
Did Not Graduate High School	2,794	4.3%	2,195	3.5%		
Graduated High School	5,812	9.0%	5,290	8.5%		
Some College, No Degree	8,727	13.5%	7,944	12.7%		
Associate Degree	2,529	3.9%	2,721	4.4%		
Bachelor's Degree	19,302	29.8%	17,875	28.7%		
Graduate or Professional Degree	<u>25,508</u>	39.4%	<u>26,357</u>	42.3%		
Total	64,672		62,382			
Land Use	2000	2008				
	SEMCOG	% Total	SEMCOG	% Total		
Single-Family Residential ¹	6,803	38.9%	6,345	35.3%		
Multiple-Family Residential	1,560	8.9%	1,134	6.3%		
Commercial & Office	1,321	7.6%	1,433	8.0%		
Institutional	1,805	10.3%	3,160	17.6%		
Industrial	1,047	6.0%	357	2.0%		
Trans., Commun. & Utility	432	2.5%	3,119	17.3%		
Cultural, Outdoor Rec. & Cemetery	1,438	8.2%	2,033	11.3%		
Active Agriculture	160	0.9%				
Grassland & Shrub	911	5.2%				
Woodland & Wetland	1,224	7.0%				
Extractive & Barren	0	0.0%				
Water	577	3.3%	<u>405</u>	2.3%		
Under Development ²	<u>190</u>	1.1%				
Total Acres	17,468		17,986			
¹ Includes SFR, manufactured housing, farmsteads and portions of developing SFR						
² Includes 1) undeveloped acreage in developing projects, and 2) areas of ground breaking where no use could be determined.						
Residential Building Permits						
	Single-Family	Two-Family	Attach. Condo	Multiple-Family	Total Demos	Net Total
Annual Ave 1996-2000	153	15	57	200	13	412
Annual Ave 2001-2005	52	12	174	41	11	268
Annual Ave 2006-2010	14	7	40	69	10	120
2011	10	2	0	321	12	321
2012	9	4	0	336	56	293
2013	26	0	19	194	2	237
2014	23	4	3	265	9	286
2015	17	4	0	384	8	397
2016	23	8	53	461	3	542
Compiled by Alcock & Williams, LLC, from U.S. Census and SEMCOG						

Population, Households and Household Formation

The city experienced a nominal decrease in population between 2000 and 2010, with the number of households increasing by 3.0%, the number of housing units increasing by 5.4% and the number of persons per household decreasing by 2.3%. SEMCOG current estimates show a healthy 3.6% increase in population and 5.9% increase in households since the 2010 Census.

As indicated in the profile, SEMCOG estimates an aging population growth projected into 2030. The largest percentage of the Ann Arbor City population are between ages of 20 and 34, with the next largest percentage that from 35 to 64 years. The percentage population in the 5-19 age bracket is projected to decrease as the population ages. The larger percentage in the 20-34 age bracket reflects the presence of the UM in Ann Arbor and is projected to remain near 40% of the city's population into 2030.

Housing Characteristics

Based on 2010 Census figures, single-family detached housing accounted for 41.0% of all housing in the city with multiple-unit apartments accounting for 44.3%. There is a construction boom in apartments now which should increase this sector as a percentage of total considerably within the next decade.

In 2010, 42.3% of all housing units in the city were owner-occupied with 52.2% renter-occupied. The trend is toward more renter-occupied units going forward. The 2010 median housing value was \$240,400 while the 2010 median rent for the city was \$946 with both little changed from the previous decade once adjusted for inflation.

A history of residential construction based on authorized new dwelling permits for the city is shown in the demographic charts. Housing construction dropped rapidly from the late 2007 housing securitization crisis. Along with the rezoning of the downtown in 2009 to allow greater building density, permitting indicates the surge in apartment development that is on-going in this university community.

Income

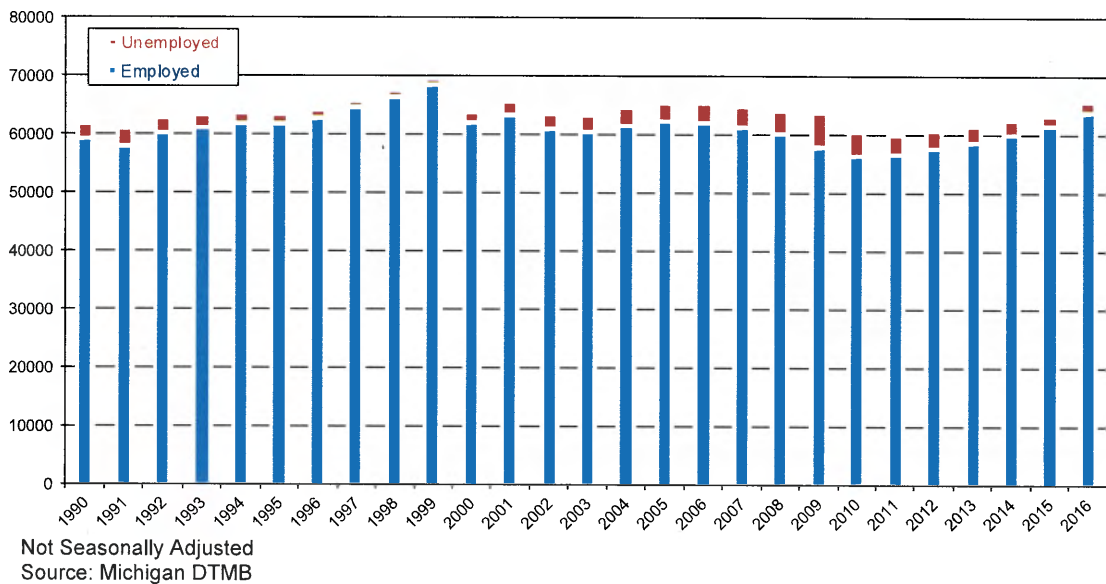
The 2010 median household income is \$52,625, down 13.2% from the 2000 Census, and the per capita income is \$30,498, down 11.8% from the 2000 Census (all in 2010 dollars).

Labor Force Trend

Annual average labor force for the city of Ann Arbor is graphed below since 1990 illustrating a cyclical pattern of every decade from trough to trough with a stable employment base around 60,000 for the past two and one-half decades. The city's total

civilian labor force stands at 66,425 with a 2.2% unemployment rate in December, 2016. The city's employment is now trending toward a peak halfway into the decade-long cycle from the 2010 trough. The unemployment rate is often the lowest in the state but in the state which is occasionally the highest in the country and has improved ahead of the nation and state owing to rising employment opportunities in information technology, service, healthcare, and higher education. Unemployment in the city was on the rise by 2000 and culminated in the 2007 departure of Pfizer's with its 2,100 local employees and the major losses within the U.S. automotive industry through its two 2009 bankruptcies with the city's recovery emerging by 2011 as illustrated in the labor force chart.

City of Ann Arbor Civilian Labor Force



As the largest city in the county and the county seat, much of the local industry and economic base is located within the city itself or in the immediate vicinity. See the discussion of Washtenaw County for a list of the largest area employers.

Transportation

Access to the local freeway network, which includes I-94, US 23 and M-14, is available via several interchanges on the periphery of the city. The city is essentially completely encapsulated by the local freeway system.

The Detroit Metropolitan Airport, one of the largest in the Midwest with carriers serving most national and international destinations, is located approximately thirty miles east of the subject. Limited public transit is available to area residents from the Ann Arbor Transportation Authority (AATA), which services the cities of Ann Arbor, Ypsilanti and some nearby outlying communities. Lake and river waterways are abundant.

Education

Area youths in public schools attend the Ann Arbor Schools. Public transportation is available for area school children. A third public high school is presently under construction within the city.

Several institutions of higher education, both public and private are in the near vicinity of area residents. These facilities include the University of Michigan and Eastern Michigan University in Ann Arbor and Ypsilanti, respectively, and Washtenaw Community College in Ypsilanti.

The 2007-2011 annual average Census data indicates that an atypically high 42.3% of city residents have a graduate or professional degree, 28.7% have a bachelor's degree, 4.4% have an associate's degree and the remaining group is split between those with some college but no degree, high school graduates and non-graduates. Along with other major university towns, this is one of the most educated populations in the country.

Medical

Ann Arbor is home to a major regional healthcare system that includes several specialty and general hospitals as discussed in detail previously under the county profile.

Land Use

Land uses in the city in 2008 are primarily residential with single-family residential accounting for 35.3% of land use and multiple-family residential accounting for 6.3% but increasing rapidly in development density in the downtown. Institutional land use is 17.6% of the total, reflecting the presence of the University of Michigan, and is rising. Of course, most institutional land is not taxed. Commercial and office uses account for 8.0% of land use, while industrial land use continues to decline to a mere 2.0%. A total of 11.3% of land is a combination of outdoor recreation, parks, woods, cultural and cemetery. Transportation, communication and utilities account for 17.3% of the land use with the remaining 2.3% as water.

In conclusion, Ann Arbor remains resilient to broader cyclical economic declines owing to the presence of UM and its educated populace. The area appeals to prospective residents owing to its ready accessibility to area employment centers and all area amenities, including shopping, recreational, medical and educational facilities, cultural and entertainment centers, and accessible air, rail, water and road transportation.

NEIGHBORHOOD PROFILE

The subject property is bounded by East William Street and South Fourth and South Fifth Avenues near the center of downtown Ann Arbor one block east of Main Street in a neighborhood of older commercially zoned residences, the public library, municipal parking, a public bus depot, and the Federal Building containing U.S. Postal Service, FBI, and the U.S. District Court. The subject's neighborhood location map, outlined in blue, is illustrated on the following page. The neighborhood is sometimes described as midtown because it covers the six blocks between Main Street and the UM Central Campus. Main Street, one block west of the subject, is dominated by restaurants, bars, and banks on the street level. A growth of loft-style and mid-rise apartment housing in the downtown is an expanding trend.

The subject property fronts onto publicly maintained asphalt roadways with concrete curbs and sidewalks, storm systems, and lighting. William and Fourth at the subject are two-way two lanes with parallel metered street parking. Fifth is one way heading south at the subject with four lanes and no street parking. Main, Huron, Liberty, and Packard are the primary streets in the neighborhood.

According to the Washtenaw Area Transportation Study (WATS), a 24-hour traffic count at the subject at William east of Main was 8,150 in November 2001, the latest available. No counts are available on South Fourth and Fifth at the subject. Automotive traffic is limited by the streets' two lanes and traffic light stops at each block. The foot traffic in this location is high.

Most of the century old buildings have been rehabilitated along Main Street in the downtown over the past decade. Primary users include restaurants, banks, law firms, and small retailers. A growth of loft-style and mid-rise apartment housing in the downtown is an expanding trend.

The 744-space four-story underground public parking structure contiguous to the public library and just northeast of the subject was completed in 2012. The air rights to this site are under negotiation for sale in 2017 to Chicago-based Core Spaces for a 17-story development to include 360 apartments, 131 hotel rooms, 20,000 square feet of office space, and 3,375 square feet of ground floor retail. The building area is proposed for 353,057 square feet.

The Blake Transit Center contiguous to the north of the subject was redeveloped in 2014 with a 12,019-square-foot replacement building for a downtown public bus station. This fully developed neighborhood is in the processes of on-going renewal.

Neighborhood Characteristics

Aspect	Character
Location	Urban Core
Built-Up	90%
Growth Rate	Increasing
Property Values	Rising
Demand/Supply	Renewal
Predominant Occupancy	Mixed
Overall Vacancy	< 2%
Land Use	
Residential	40%
Open Land	10%
Retail	20%
Public/Office	30%

Neighborhood Map



SITE DESCRIPTION

Information pertaining to the site is based on our observations during inspection, review of government data, and conversations with representatives of relevant local governmental departments.

The subject site is shown in the tax plat on the following page. Further details are described as follows.

Past, Present, and Proposed Use

The subject site was formerly used as the community's YMCA and included low-income housing until being demolished in 2008. The subject is presently improved with a surface parking lot that was leased to the City but is no longer in use and would require a variance by the City to be used as a private parking lot. Proposed uses are outlined previously under Identification of Property.

Size, Shape, and Topography

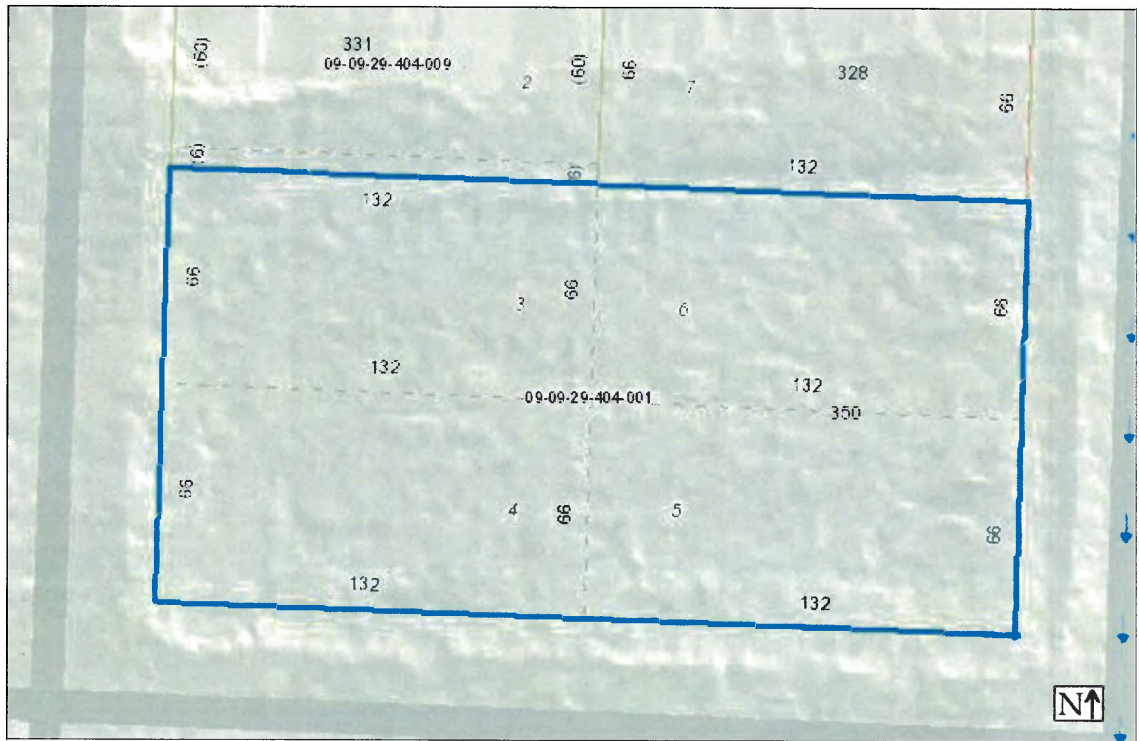
The subject site is a rectangular shape double-corner site contiguous to a public bus depot to the north. The subject contains a total 34,848± net square feet or 0.80± net acre according to the survey.

The site has a very gradual slope down to the west and is at street grade with storm drainage. There are 264± feet on William, 132± feet on Fifth, and 132± feet on Fourth giving ample visibility and road frontage.

Utilities

Municipal water and sewer, DTE Energy electric and gas, AT&T and Comcast broadband internet-television-VoIP are at or near the site. According to the DDA, two six-inch water mains are at the subject site.

Tax Plat



Source: Washtenaw County GIS

Ingress/Egress

Curb cuts are on William Street and Fifth Avenue.

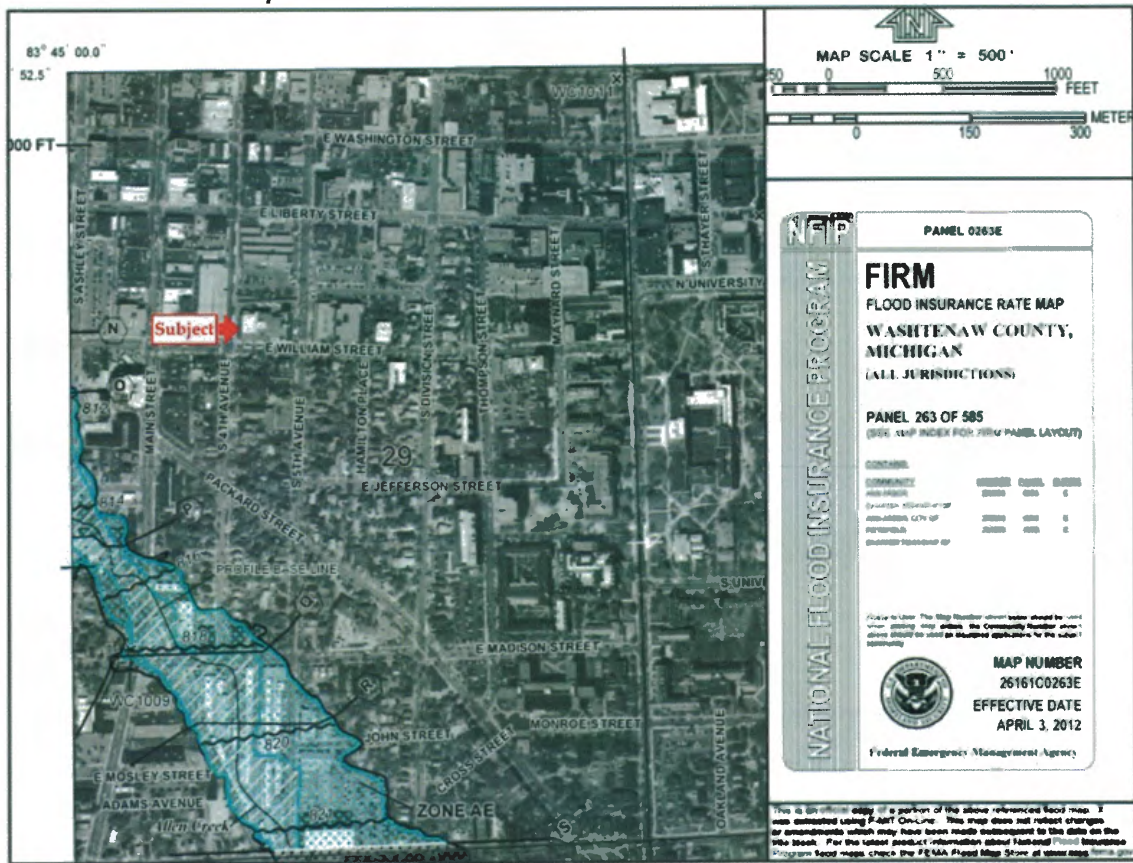
Easements, Deed Restrictions, and Encroachments

All public roadways are owned in fee by the municipality. There are no known encroachments or deed restrictions. DTE Energy has a narrow variable-width easement along the north property line.

Flood Plain

According to the Federal Emergency Management Agency's (FEMA) flood insurance rate map, the subject is in a Zone X of 0.2% annual chance of flood according to the FEMA flood insurance rate map, Panel 263 of 585, Map No. 26161C0263E, effective April 3, 2012. The map is shown below.

FEMA Flood Rate Map



PERSONAL PROPERTY

Not applicable.

ENVIRONMENTAL CONDITIONS

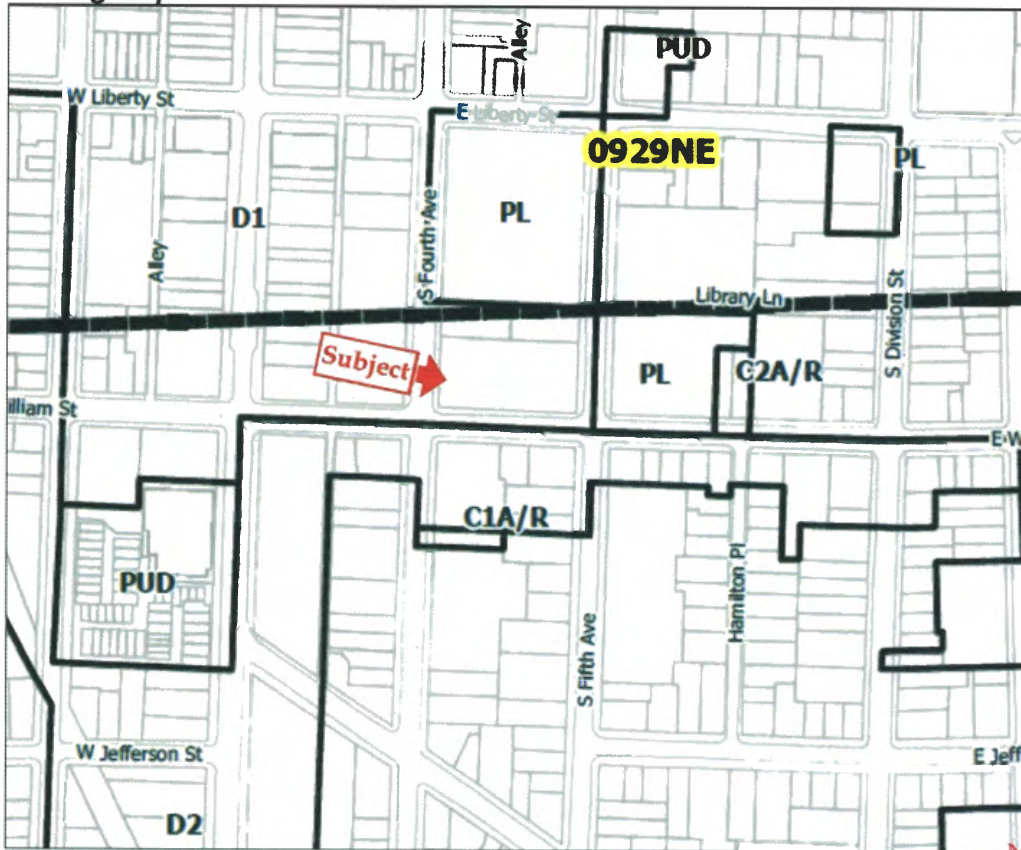
The market value estimate is predicated on the assumption that there is no contaminated material on or in the property that would cause a loss in market value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

The client or any person or company reading this report is urged to retain an expert in the environmental contamination field to ascertain the subject's environmental condition. See Assumptions and Limiting Conditions for a complete disclosure.

ZONING ANALYSIS

The entire downtown area now contains two districts – D1 and D2 – to improve the downtown's urban design and development. These two districts expand and unify the broad array of commercial, office, parking, public land, and residential districts as adopted in late 2009. A zoning map is provided as follows.

Zoning Map



Source: City of Ann Arbor July 26, 2016

The subject is within the D1, Downtown Core District. The D1, Downtown Core District, is summarized as follows.

The D1 District's intent is as follows.

These districts, in coordination with the downtown character overlay zoning districts, are designed to support the downtown as the city's traditional center. The downtown serves both the region and local residents as a place to live, work, and take advantage of civic, cultural, educational, shopping, and entertainment opportunities. The downtown districts are intended to allow a mixture of land uses, dense urban development, pedestrian orientation, unique residential opportunities, and a compatible and attractive mix of historic and contemporary building design. Development in these districts is designed to be accessible by a variety of modes of transportation.

(a) D1 – Downtown Core District. This district is intended to contain the downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office and commercial development.

(b) D2 – Downtown Interface District. This district is intended to be an area of transition between the Core and surrounding residential neighborhoods. This district is appropriate for medium density residential and mixed-use development.

The subject is within the D1's Midtown Character Overlay District. This character district is defined as follows:

The Midtown Character District is framed on all sides by other downtown character districts and contains the Fifth Avenue civic corridor. At present, this district lacks a strong sense of identity and is a place where creation of a new context should occur. The intent for this district is higher density development with a strongly defined street edge and active open spaces.

Primary permitted uses are extensive and include the following:

Residential: Single- and two-family dwelling; multiple-family dwelling; fraternity, sorority or student cooperative; rooming or boarding house; emergency shelter; and convalescent or nursing home.

Lodging: Hotel or motel and bed & breakfast.

Civic and Institutional: Religious assembly; educational services; day care center; community center; social or service club; library; government office; courthouse; park or plaza; and museum.

Office: General or business, medical or dental office; veterinary; and medical laboratory.

Commercial: Bank, credit union, or financial services; restaurant or bar; personal or business services; permanent and temporary outdoor sales; theater; entertainment – general; and funeral services.

Industrial & Transportation: Printing or publishing; transit center or station; broadcasting facility; utility substation; and railroad.

Special exception uses include the following:

Commercial: Conference center; drive-through facility; vehicle fueling station; vehicle sales or rental; vehicle repair or storage; and vehicle wash.

Industrial & Transportation: Assembly or manufacturing; parking structure; and parking lot – principal use; and wireless communications facility.

Adult entertainment, warehouse, building materials wholesale, construction/trade contractors, and fabrication – metal & canvas are specifically prohibited.

Density and setback requirements are defined as follows.

Zoning Density & Setbacks

D1 District	Code	Subject
Max Usable Floor Area in Percentage of Lot Area	400% without premiums 700% with premiums 900% with affordable housing	0%
Front Setback	None	0.00
Rear Setback	None	0.00
Side Setback	None	0.00
Minimum Height	24 feet; 2 stories	0.00
Maximum Height	180 feet	
Max Building Coverage	None	0%
Minimum Open Space	None	0%
Minimum Gross Lot Size	None	34,848 sq.ft.

On-site parking requirements are presently defined within the D1 District as follows:

Lots located in the D1 or D2 downtown zoning districts are considered a special parking district and are subject to the following standards:

- (1) No off-street motor vehicle parking is required in the special parking district for structures which do not exceed the normal maximum permitted usable floor area or for structures zoned PUD with usable floor area which does not exceed 300 percent of the lot area. Structures which exceed the normal maximum usable floor area by providing floor area premiums, or PUD-zoned structures that exceed 300 percent of lot area, shall provide parking spaces for the usable floor area in excess of the normal maximum permitted. This parking shall be provided at a rate of 1 off-street parking space for each 1,000 square feet of usable floor area. Each parking space reserved, signed and enforced for a car-sharing service may count as four (4) required motor vehicle parking spaces.
- (2) Off-street bicycle parking is required for residential uses in the special parking district at a rate of 1 off-street bicycle space for each 2,500 square feet of usable floor area and shall be provided in compliance with the requirements of Section 5:168.1 for Class A spaces. Off-street bicycle parking is required for non-residential uses in the special parking district at a rate of 1 off-street bicycle parking space for each 10,000 square feet of usable floor area and shall be provided in compliance with the requirements of Section 5:168.1 for Class C spaces.
- (3) The required bicycle or motor vehicle parking shall be provided on-site, off-site as described in this section, or by the payment of a contribution in lieu of required parking consistent with the formula adopted by city council, or any combination thereof, consistent with the requirements of this section. The per-space payment shall be that required by Council resolution at the time of payment. Approval of a contribution in lieu of required motor vehicle or bicycle parking shall be conditioned upon the execution of a development agreement. Payment of the contribution in lieu for required parking shall be made prior to the issuance of a certificate of occupancy.

- (4) The applicant may request, as part of a site plan, to meet all or a portion of the bicycle parking requirements by installing bicycle parking spaces in the public right-of-way and/or a public parking structure. City council may approve this request if there is sufficient space in the right-of-way and/or parking structure and the location is convenient to bicycle users.
- (5) Parking structures that are available solely to residents or employees of the building are not subject to the stall and aisle standards of Section 5:168.

Application of the zoning district requirements to the subject size regarding building density and on-site parking requirements are discussed and analyzed later under Highest & Best Use in the Analysis of Value section of this report.

TAX CONSIDERATIONS

In the State of Michigan, tax law requires that real property be assessed at 50 percent of market value. The assessed value (AV) is then multiplied by a state equalization factor to determine the state equalized value (SEV). Prior to 1995, the real property taxes were then determined by multiplying the SEV by a millage rate levied by the local municipality to pay for various public expenditures, including school funding and municipal services. Through the passage of Proposal A in March of 1994, the property assessment and taxation system was changed. The primary purpose of Proposal A was to reduce real property taxes through the establishment of a state school aid fund, change the assessment and taxation method on real and tangible personal property, and increase the retail sales tax from 4.0 to 6.0 percent. The effect of the establishment of the state school aid fund has been that millage rates levied locally for the funding of the public school systems have, in most areas, decreased. Local municipalities do retain the right, however, to levy additional mills for the school system through a local vote.

Two values were introduced in the new taxation system: taxable value and the capped value. While the SEV and AV are maintained and calculated as in the past, beginning in 1995 property taxes are calculated using the taxable value. The taxable value (TV) is the lower of the SEV or the capped value. The capped value equals last year's taxable value, increased by 5.0 percent or the consumer price index (CPI), whichever is lower, plus the value of additions or losses. It is only the taxable value which has a capped increase; the SEV continues to increase, or decrease, in accordance with changes in the market. The SEV is used when a property transfers or is significantly altered, at which time the cap is lifted on the taxable value and the property's taxable value then equals the SEV in the following tax year.

The taxable value is multiplied by the overall millage rate to give total annual tax liability. Each mill represents one dollar of tax per \$1,000 of taxable value. A property in the state of Michigan is typically taxed based on a partial millage applied to the current taxable value in the summer (July) and then winter (December) of each year and billed during those periods. We use the 2016 overall non-homestead millage rate for Ann Arbor Schools of \$61.2626 per \$1,000 of taxable value to determine the projected uncapped (using assessed value) property tax of the subject based on the market value definition which assumes a title transfer.

The tax plat record has the subject identified as 09-09-29-404-001 for the real property. The subject shows a 2017 assessed value of \$1,243,300 and a 2017 taxable value of \$1,243,300.

The tax liability for the subject is calculated as follows. A 1.0% service charge is applied to the tax liability each year.

Property Tax Liability

2017 Assessed Value	2016 Non-Homestead Millage	1% Admin Fee	Projected Fiscal Tax
\$1,243,300 x	0.0612626 x	1.01	\$76,929

Personal property taxes are not considered in this analysis. The subject’s 2017 assessment, which assumes a ‘fair market value’ of \$2,486,600, is consistent equivalent development land in the community.

ANALYSIS OF VALUE

MARKET CONDITIONS AND TRENDS

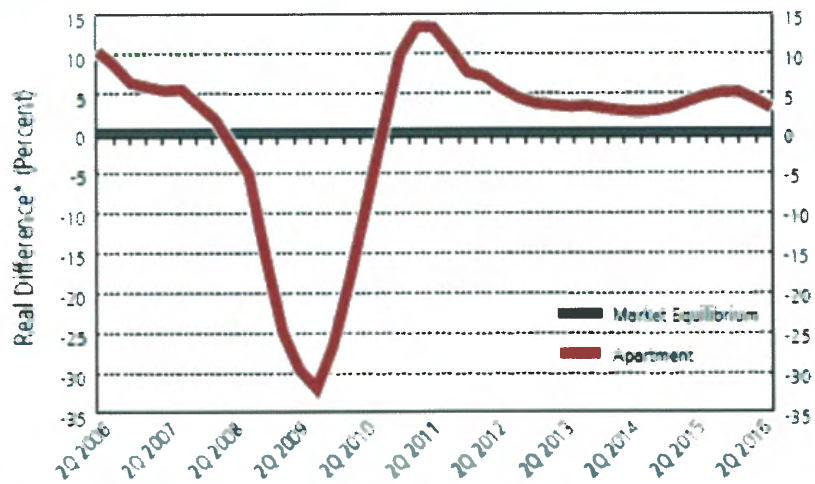
Given the volatile economic conditions since late 2007, the national apartment market has emerged as a haven for large capital interests. Rapidly rising rental rates, high sales transaction volumes, and rising sale prices/lower cap rates serve as proofs through numerous surveys on a national level. We consider the new stock student housing as a subcategory of the substantial student apartment sector at the UM and is the core use for the high-density development sites in the downtown and near the UM Central Campus. Apartment stability is being attributed to the deleveraging of government-backed housing debt via Fannie Mae and Freddie Mac with homeowners transitioning into apartments. Both CMBS and life insurance funds are consequently flowing into the prime apartment market sector. Foreign capital is also a contributing factor as currencies fluctuate, equity and bond markets are perceived as higher risk or with lower returns than apartment real estate, and a U.S. investment in exchange for green card status program with Chinese nationals proves popular. Several of the new downtown high-rise developments are owned by foreign limited liability companies.

The Situs RERC Real Estate Report for 2Q 2016 offers the national apartment performance cycle chart for a supply and demand reference indicating all apartment types just above an equilibrium vacancy which means the property type is in balance to slightly over supplied after the last recession based on realized and required yield return differentials.

In Ann Arbor, invigorated by a 2009 rezoning of the entire downtown and perimeter central campus areas to allow for greater building density, numerous large apartment mid-rises have emerged near the central campus. Developers of this new apartment inventory are targeting rents more than \$1,100 per month

per bedroom and up to \$2,400+ per bedroom in hopes of capturing the predominantly affluent student population with arguably superior product amenities. Given a total student enrollment of 44,718 at the university in the Fall 2016 [Fall 2017 not yet available] with the regents intending to reduce the undergraduate population while continuing to gradually grow the graduate population ratio, enrollment is flat from the Fall 2014 enrollment with a 0.9% annual growth average since 2004 to 2015 and a jump of 2.4% or more than 1,000 students in 2016 which has not occurred

Situs RERC Apartment Performance Cycle



*Difference between NCREIF realized and Situs RERC required returns.
Sources: Situs RERC, NCREIF, 2Q 2016.

UM Bedroom Expansion/Enrollment Review

Year	Project or Change	Total Beds	UM Fall Enrollment*	Enroll. Change	Change %
2004	UM Starts Decade of Dorm Rehab		39,533		
	Comer House Lofts	140			
2005	-		39,993	460	1.2%
2006	-		40,025	32	0.1%
2007	-		41,042	1,017	2.5%
2008	Sterling 411 Lofts	342	41,028	-14	0.0%
2009	D1 & D2 High Density Zoning Created		41,674		1.6%
	Zargon Place	248			
	The Courtyards	896			
2010	UM North Quad	450	41,924	250	0.6%
2011	-		42,716	792	1.9%
2012	Zargon West	200	43,426	710	1.7%
	Landmark	606			
	Varsity Ann Arbor	415			
	City Place	143			
2013	-		43,710	284	0.7%
2014	-		43,625	-85	-0.2%
2015	UM Completes Decade of Dorm Rehab		43,651	26	0.1%
	ArborBLU	232			
	UM Munger Graduate Residences	630			
2016	Foundry Lofts	513	44,718	1,067	2.4%
	Totals	4,815		**5,185	13.1%
Future					
2017	The Calvin/Under Construction	300			
	611 E University/Under Construction	343			
2018	Collegian East/Proposed 2016	132			
2019	The Collective/Library Lot	369			
	Collegian North/Approved 2017	243			
	Total	1,387			
?	Mary Markley Hall site for hospital	-1,180			
?	Lower Town at 1140 Broadway St	530 minimum			
?	Collegian South/Planned	?			
*Ann Arbor Undergraduate and Graduate Totals					
**2004 and 2016 Enrollment Change					
Source: Alcock & Williams, LLC Survey; UM Office of the Registrar					
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since 2007. This stable and mostly gradual growth enrollment coupled with the substantial on-going apartment inventory growth will likely result in the low-grade housing further from the campus to be repurposed to an alternative demographic in the coming years. The subject is very near to the central campus. Given these changes, the subject could absorb apartment demand but at stagnant inflation-adjusted rental levels depending on the rental pricing target outcomes of the new inventory near central campus in the years ahead.

The bedroom expansion and enrollment are summarized in the chart. The rezoning of the downtown and central campus perimeter initiated a rapid expansion phase starting in 2009 and continuing

into the near future. Very limited apartment expansion occurred since the last major expansion from 1960 to 1967. Zoning limited student apartment expansion until 2009 with only a handful of projects undertaken typically as the result of fire. Given the poor condition of the aging student housing stock around the central campus, the expansion under a streamlined D1/D2 approval process is now well underway.

The chart shows that 4,815 beds have been added since 2004 when the UM started its comprehensive dormitory rehabilitation program. Given the expanded enrollment over the same period of 5,185 students, we estimate 95% of the new inventory has been absorbed by this enrollment expansion. Given the past decade's record of enrollment expansion and the regents desire to gradually expand it into the future, we can expect roughly 440 additional students annually on average in the coming years. Student retention is high at the UM. The probable future

bed expansion over the next two years is yet another 1,387 beds in five projects shown in the chart. Another 822 beds are just completed or probable on Main Street in the downtown and will likely capture 20% or 164 graduate students in a near but off-campus neighborhood based on reports from the completed and leased project at 618 South Main. We believe net demand will be absorbed over the coming years; however, saturation and a peak expansion are not far off with managers resorting to some rent incentive techniques at this time and student enrollment growth expectation only moderately lagging projected probable bed expansion over the next two years. Proposed mid-rise projects in the downtown have shifted to hotel/office/non-student mixed uses. The majority of all projects include retail on the ground floor.

Both ArborBLU and Foundry Lofts missed their completion deadlines for the start of the Fall academic year and resorted to relocating student tenants until completion. This led to cost overruns and restructured deals.

The university expanded its central campus dormitory capacity by adding 450 undergraduate units through the construction of the North Quadrangle in 2010. This is the first dormitory expansion by the university since 1967. The regents have also undertaken extensive renovations of each of its existing dormitories on the central campus from 2004 to 2015 and operate one of the larger student housing programs in the country with roughly 10,000 undergraduates living on campus at this time. About 35 percent of the undergraduate population lives *on campus* and retention may rise with increased quality and competitive rental rates that include a meal plan and luxuriously redeveloped cafeterias prompting expansion. Off-campus housing management companies have historically required a one-year term while the dorm rates run only eight months of the year. Several of the new mid-rise apartment managers are now experimenting with eight-month leases with adjusted rents to capture market-rate 12-month terms and attempting to lease the remaining four months to short-stay occupants through the summer.

The residence hall renovations are recently completed with all the dormitories now open after a decade of phased closures.

Munger Graduate Residences



As previously mentioned, in 2013, UM announced its largest donation in history: An alumnus, Charlie Munger, gifted \$110 million for a new graduate student dormitory and other projects targeting graduate student housing. The new graduate dormitory opened in the Fall 2015 with a construction cost of \$185 million and 370,000

square feet for 630 *graduate* students and is located on South Division and Packard Streets at the perimeter of the central campus and a few blocks north of the subject.

In the past three academic years, off-campus student rentals have increased in a range of 2% to 7% per annum and far outpaced the on-campus increase of 3.0% per annum according to our survey of local property managers. We expect inflation adjusted apartment rents to flatten for quality units as significant new inventory continually comes online for the first time in decades and eventually saturates demand. Owners of low-quality or poorly-maintained units are now compelled to upgrade to maintain inflation-adjusted rental levels in an expanding and more competitive UM housing environment. Given the wage weakness in the jobs market, however, we also expect lower-rent units in lower-quality older apartments with superior location to remain popular with the budget conscious tenant. Rooming houses remain very popular with the undergraduate population.

For the 2016-17 academic year, 98% of UM freshman and 35% of undergraduates live on campus. Most large property management companies report pre-leasing all their units for the 2016-17 academic year well in advance with the similar results expected for the 2017-18 academic years. This suggests that the expansion phase for the student housing stock has not peaked.

There have been several medium-sized non-student family-oriented apartment projects completed in recent years around the perimeter of the city or pending construction with site plan approvals which suggest that the downtown density remains under pressure as these suburban projects meet new demand via expansion beyond the downtown and the city limits. One example is the State Street Village Apartments roughly one mile south of the central campus. It is a 78-unit complex consisting of two four-story buildings developed in 2016 in an industrial neighborhood off South State Street and was successfully rezoned in 2014 for the apartment use by McKinley, Inc. One of the largest apartment operators in the area and based in Ann Arbor, McKinley manages, develops, and owns thousands of apartment units in the area and throughout the U.S. Several regional developers along with McKinley have endeavored to fill demand for the gap between downtown luxury and low-end old-stock apartments in what is being termed workforce housing targeting families. The State Street Village units offer above-average amenities, on-site parking, and 52 or two-thirds of the units configured as large three- and four-bedroom units with multiple bathrooms. Rents range from \$1,350 to \$3,200 per month and it is presently fully occupied only months after completion according to a McKinley manager.

Small residential condominium projects in a range of four to 15 units have emerged along or near Main Street along the city's core over the past decade and continue to develop mostly within the D2 district through land assemblages and can be found near of the subject neighborhood. These units now sell above \$500 per square foot in a range around \$1,000,000 per unit. Site assemblage within the D1 and D2 remains a strong trend.

HIGHEST AND BEST USE ANALYSIS

As defined by the Appraisal Institute, highest and best use is:

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value.³

The concept of highest and best use, by definition, considers two scenarios: firstly, highest and best use of the land as vacant and available for development and, secondly, highest and best use of the property as improved. By determining the highest and best use of the subject property, the appropriateness of the existing improvements can be analyzed and data can be properly selected and applied in the valuation process.

The four criteria of highest and best use are legal permissibility, physical possibility, financial feasibility, and maximum profitability. A brief description of each of these criteria follows.

Legally Permissible

Legal considerations are private restrictions, including easement and deed restrictions, or a long-term lease, zoning and building code limitations, historic district controls, and environmental regulations.

Physically Possible

This aspect considers all physical characteristics of the site, with special consideration for any features which might preclude or enhance development of the subject for a particular type of use.

Financially Feasible

All uses that are expected to produce a positive return, equal to or greater than the amount needed to satisfy operating expenses, financial obligations and capital amortization, are considered to be financially feasible alternative uses.

³ Market Analysis for Real Estate: Concepts and Applications in Valuation and Highest and Best Use, Second Edition, 2014, Appraisal Institute, Chicago, Illinois, p. 493.

Maximally Productive

This criterion of highest and best use requires comparison of all financially feasible uses for a determination of that which is the most profitable use or the use which produces the highest return.

We offer the following considerations in determination of the subject's highest and best use as improved using the four criteria defined previously as follows.

We determine the subject's highest and best use as improved using the four criteria defined previously as follows.

Legally Permissible: The site is an adequate size and shape for mixed-use high-density development. It has adequate road frontage at two corners, excellent visibility, and meets the city's size and density requirements for such a development.

Physically Possible: The surrounding existing improvements prove that redevelopment is physically possible. Municipal water and sewer are in place. The topography for is level and drainage is adequate outside of a floodplain.

Financially Feasible: This site location exhibits high developmental pressure based on similar site development sites under construction in the downtown.

Maximally Productive: See the 'Market Comparison Approach' to follow for a detailed discussion of floor-area ratios (FARs) as they relate to the subject's market value. Our FAR assumptions translate directly into market value.

Based on the given discussion, the highest and best use of the subject is for a dense mixed use similar to those currently proposed in the downtown.

METHODS OF VALUATION

The three generally recognized approaches to valuing real property are the cost approach, the income approach, and the sales comparison approach.

The cost approach pertains to valuing improved property. The subject has no site improvements of long-term value. Thus, this approach is not used as a valuation technique in this report other than to discuss demolition cost for the parking structure on the property.

The income approach is used as a method for valuing improved income producing property. Since this property will be vacant and not income producing, this approach does not have application to the appraisal problem.

A variation of the income approach is the land residual technique. In this technique, the return on a theoretical building is deducted from its estimated net operating income. The residual amount is then capitalized to indicate the market value of the land. We have not used this technique in this report because the many estimates necessitated by its use make the resulting value speculative and susceptible to considerable inaccuracy.

The appropriate approach to valuing the subject land is the sales comparison approach. The sales comparison approach is defined as “The process of deriving a value indication for the subject property by comparing similar properties that have recently sold with the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of comparable sales is available.” Where sufficient sales data is available, this approach is considered very reliable as it reflects the actions of buyers and sellers in the open market. The Appraisal Institute further states that “the concepts of anticipation and change, which underlie the principles of supply and demand, substitution, balance, and externalities [positive and negative external economic forces such as a financial crisis], are basic to the sales comparison approach.”⁴

The unit comparison is the most widely used form of market comparison because it is simple and based on investor motivations. We use a *price per square foot of potential building area* because it is commonplace. This indicator is for land only and omits area below grade and, in most cases, for parking.

Several developers mention a *price per potential bedroom or ‘bed’* as a consideration when purchasing land for dense housing proposals in downtown Ann Arbor. We found this indicator to be inconsistent and to produce an added layer of uncertainty to the ‘potential building area’ assumption by projecting an optimal unit layout into the development density equation. For instance, a downtown site known as Metro 202 was sold in early 2008 with an approved site plan for 30 two-bedroom units and 14 studio units (74 total beds) for student apartment housing. The site purchaser, a hotel developer, petitioned the City to allow 88 hotel units without affecting approved building density. This is a 19% increase in bed density without modification to the approved building density. The site plan expired. We therefore reject this indicator as inferior to the *price per square foot of potential building area*.

The sales comparison approach is applied to the subject property as follows.

⁴ The Appraisal of Real Estate, Thirteenth Edition, 2008, Appraisal Institute, Chicago, Illinois, pp. 297-298.

SALES COMPARISON APPROACH

Prime commercially-zoned property with the potential for dense floor-area ratio (FAR) development often sells based on a *price per square foot of potential building area*. The FAR assumption is therefore critical to the market value of the property site. The FAR definition is provided on page 14.

FARs for the D1 and D2 districts found for recent land development sales in Ann Arbor's downtown vary from 329% to 791% with premiums and exclusive of parking floors below ground. A property's FAR varies based on physical attributes, buyer/seller assumptions prior to site plan approval, rezoning, final site plan approvals, on and off-site parking provisions, and final site plan revisions.

Construction limitations also influence density. Lower cost Class 'C' construction of masonry or concrete exteriors with wood/light steel infrastructure is used in low-rise projects up to four stories with a fifth-floor wood-frame penthouse for roughly a 450% FAR maximum while anything higher typically requires a costlier Class 'A' construction of fireproofed structural steel frame. Class 'A' construction in Ann Arbor is presently financially feasible with 8 to 13 stories for sites around one-quarter to three-quarters acre. The site sales provided here are in various stages of development from 6 to 12 stories using Class 'A' steel-frame construction.

Three of the new high-density apartment developments at the perimeter of the central campus on South University Avenue have FARs from 698% to 791% which is at or above the maximum building density allowed under the D1 district with physical premiums (700% maximum). By adding low-income housing, a developer may achieve a maximum FAR up to 900% but this has not been achieved, to the best of our knowledge, by any of the project developers. Premiums for low-income housing were available before the D1/D2 districts were established. We believe an informed developer would target the 700% FAR maximum above grade within the D1 district based on this given data unless the City were to provide a concession as the seller. We conclude with a range of potential FAR densities as requested.

Because of FEMA restrictions, residential uses are not allowed within a floodplain and sites in the floodplain are therefore being passed over by developers targeting apartment development at this time. The subject is outside of a floodplain.

We have documented three sales of downtown development land along with a proximity map as set forth in the "Market Data," exhibit 2, of this report. The sale comparison chart is summarized on the following page. Demolitions costs are not significant for redevelopment on this scale.

These sales represent the most current transactions available. Student housing and apartment development in general are in a national uptrend.

Sale #1 is just northwest of the UM Central Campus and sold in conjunction with a contiguous high-rise hotel formerly known as the Campus Inn. The site was approved with a 550% FAR under the D1 district after the sale. This sale indicator is consistent with other large development

sites near the campus in recent years. The seller is the current owner of the subject site, Dennis Dahlmann.

Sale #2 is an assemblage just one block west of the UM Central Campus and is one-third of an acre as assembled within the D1 district. The purchaser, Howard Frehsee, is a well-known developer in Metro Detroit. Mr. Frehsee also owns a contiguous restaurant/office parcel within an historic district that fronts onto South State Street (Sava Restaurant). We estimate a conservative 550% FAR to develop the indicator in a similar range to Sale #1 but any proposal put forth by Mr. Frehsee is likely to call for a higher building density.

Development Land Sales Summary

	Subject	Sale No. 1	Sale No. 2	Sale No. 3
Common Name	YMCA Lot	The Calvin		The Residences
Location	350 S 5th Ave Ann Arbor	603 E Huron Ann Arbor	600 E Washington Ann Arbor	615 S Main Ann Arbor
Sale Date	Optioned	Sep-2015	Nov-2015	Oct-2016
Sale Price	\$6,000,000	\$7,050,000	\$4,100,000	\$10,410,000
Net Acreage	0.80	0.58	0.33	2.06
Net Square Footage	34,848	25,251	14,375	86,690
Corner	Multiple	No	No	Yes
Zoning	D1	D1	D1	D2
Entitle Land	No	No	No	No
FAR	550%	520%	550%	330%
Mun. Sewer & Water	Yes	Yes	Yes	Yes
Unadj. Price/Sq.Ft. FAR	\$31.30	\$53.72	\$51.86	\$36.39
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing Terms	Cash	Cash	Cash	Cash
Conditions of Sale	-	0.0%	0.0%	0.0%
Market Conditions	-	0.0%	0.0%	0.0%
Physical Characteristics				
Workforce Housing	-	0.0%	0.0%	0.0%
Infrastructure	-	0.0%	0.0%	0.0%
Site Size	-	0.0%	0.0%	0.0%
Location/Corner	-	0.0%	0.0%	0.0%
Total	-	0.0%	0.0%	0.0%
Adj Price/Sq.Ft. FAR	\$31.30	\$53.72	\$51.86	\$36.39

Sale #3 is just over two acres in size along South Main Street within the D2 district with a 200% FAR maximum without premiums. This was an assemblage of three parcels with several existing low-density older building improvements. This was approved as the parcels were purchased under

option for a 286,079-square-foot six-story apartment complex and a 330% FAR plus 163 mostly underground parking spaces. To achieve a higher density with premiums, the developer agreed to preserve an historic buggy factory façade. The approved plan is 15 feet taller than permitted under the D2 but similar in density to a recent apartment development directly across the street.

The adjusted indicator range is from \$36.39 to \$53.72 per square foot of building area for land. The data shows a range from projected density assumptions to realized density by the purchasing developers. The data is located near the UM Central Campus to Main Street in the downtown while the subject is located between the Campus and downtown. The sales near the UM Central Campus are above \$50 while Sale No. 3 is at the edge of the downtown area at over \$36 per square foot of building area for land within the D2 district.

Other outlier land sales under or nearing development are summarized as follows.

A fully entitled 0.44-acre site at 611 East University near the UM Central Campus sold in 2016 to Collegiate Development Group. This development is approved for a 13-story 133,805-square-foot student apartment building. This site sold for \$16.8 million or \$125.56 per square foot of approved building area according to Agent Anthony Leeds of CBRE, a participating broker. This sale is a new high benchmark and the project is under construction with a 698% FAR under the D1 district. Clearly, a premium was paid for the high-density entitlement (site plan approval in place) but that consideration, as a component of the overall land sale, is not known and so it is not given consideration.

A 0.19-acre site at 315-317 South Main Street at the center of the downtown sold in early 2015 to R.A.N. Properties (Dr. Reza Rahmani) and later site plan approved for a six-story 32,813-square-foot retail and office building with a 400% FAR under the D1 district. This site sold for \$3,050,000 or \$92.95 per square foot of building area as approved after the sale. It is presently improved with a single-story three-suite retail building. Construction has not commenced. This sale is considered too small for comparison to the subject site and so it is not given consideration.

Several developments including the Hughes-Ulrich proposals on South University and the corner site at Madison and South Main are undisclosed ground leases.

Several other high-rise development site sales in the city since 2008 are known by us but are too old to apply and are much lower than the current indicators.

The potential building area for the subject is estimated from 550% to 900% of the site area or 191,664 to 313,632 gross square feet (for example: 34,848± square foot site x 7.0 [700% FAR] = 243,936 square feet as shown in the chart) to give a range in market value for the subject site. It is our opinion that the subject site has a market value of \$40.00 per square foot of potential building area as applied to this broad potential density range based on the given data coupled with the City's discretion to exercise its option to repurchase the subject property and determine an FAR.

The subject's proximity to the transit center and the congested public bus traffic surrounding the site is given consideration. Equal weight is given to all three sales. The rounded market value calculations are shown in the chart below.

FAR Market Value Conclusions

FAR	Site Sq.Ft.	Est. Building Sq.Ft.		Value Indicator	Market Value Conclusion
550%	34,848	191,664	x	\$40	\$7,700,000
600%	34,848	209,088	x	\$40	\$8,400,000
700%	34,848	243,936	x	\$40	\$9,800,000
800%	34,848	278,784	x	\$40	\$11,200,000
900%	34,848	313,632	x	\$40	\$12,500,000

RECONCILIATION AND CONCLUSION OF MARKET VALUE

The market value range indicated by the sales comparison approach is the only dependable indicator available and is given full weight by us. It is thus our opinion that the market value range for the subject site in 'as is' condition as of August 22, 2017 is as follows:

FAR Market Value Conclusions

FAR	Site Sq.Ft.	Est. Building Sq.Ft.	Value Indicator	Market Value Conclusion
550%	34,848	191,664 x	\$40	\$7,700,000
600%	34,848	209,088 x	\$40	\$8,400,000
700%	34,848	243,936 x	\$40	\$9,800,000
800%	34,848	278,784 x	\$40	\$11,200,000
900%	34,848	313,632 x	\$40	\$12,500,000

The City of Ann Arbor's right-of-first-refusal and the option to purchase by Habitat Company for \$4.2 million and \$6.0 million, respectfully, are not made a part of this market value range given the intended use of this report by the City.

This value range opinion is subject to the Assumptions and Limiting Conditions noted at the eponymously titled section of this report.

ASSUMPTIONS AND LIMITING CONDITIONS

IDENTIFICATION OF THE PROPERTY

The legal description given to Alcock & Williams is presumed to be correct by correspondence to the given source and it has not been confirmed by a survey. Alcock & Williams assumes no responsibility for such a survey or for encroachments or overlapping that may be revealed thereby.

Alcock & Williams renders no opinion of a legal nature, such as to ownership of the property or condition of title.

Alcock & Williams assumes that title to the property is marketable and that the property is an unencumbered fee.

UNAPPARENT CONDITIONS

Alcock & Williams assumes that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable than otherwise comparable property. Alcock & Williams assumes no responsibility for such conditions or for engineering which may be required to discover such things.

HAZARDOUS MATERIALS

No toxic materials or environmental impact studies were either requested or made in conjunction with this appraisal, and Alcock & Williams, Jay T. Alcock, and Kirsten Williams hereby reserve the right to alter, amend, revise or rescind any of the market value opinions based upon any subsequent or subsequently revealed toxic materials or environmental impact studies, research or investigations.

Unless otherwise stated in this report, the existence, whether suddenly or over a long period of time, of hazardous material, which may or may not be present on the property, was not observed by Alcock & Williams, Jay T. Alcock, or Kirsten Williams. Alcock & Williams, Jay T. Alcock, and Kirsten Williams have no knowledge of the existence of such materials on or in the property. Alcock & Williams, Jay T. Alcock, and Kirsten Williams, however, are not qualified to detect such substances. The presence of bacteria, mold, mildew, spores, fungi, any other growth or organic matter of any kind whatsoever, asbestos, urea-formaldehyde foam insulation, radon gas, PCB's, lead-based paint, lead, contaminants such as petroleum products or hazardous chemicals escaping from underground storage tanks, radioactive or nuclear material, or other potentially hazardous materials may affect the market value of the property. The market value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in market value. No responsibility is assumed for any such claim directly or indirectly relating to the actual,

potential, alleged or threatened presence of the aforementioned hazardous material, or for any expertise or engineering knowledge required to discover them. The client or any person or company using this report is urged to retain an expert in this field, if desired.

INFORMATION AND DATA

The information and data supplied to Alcock & Williams, by others, which have been considered in the valuation, are from sources believed to be reliable, but no further responsibility is assumed for their accuracy.

DISABILITIES ACT OF 1992

The Americans with Disabilities Act (ADA) became effective January 26, 1992. No specific compliance survey or analysis of this property was made by Alcock & Williams to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the market value(s) of the property. Since Alcock & Williams has no direct evidence relating to this issue, possible non-compliance with the requirements of the ADA is not considered in estimating the market value(s) of the property.

GENERAL RESTRICTION UPON DISCLOSURE AND USE OF THE APPRAISAL

Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, especially any conclusions as to value, the identity of appraiser, or Alcock & Williams or any reference to the Appraisal Institute, shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval by Alcock & Williams.

The appraisal report may not be used for any purpose except substantiation of the value estimated without written permission from Alcock & Williams. All valuations in the report are applicable only under the stated program of use. The valuation of a component part of the property is applicable only as a part of the whole property.

Any party who uses or relies upon any information in this report, other than the intended user, without written consent from Alcock & Williams, does so at their own risk.

RESTRICTION ON USE OF THE APPRAISAL FOR REAL ESTATE SYNDICATION OR REAL ESTATE INVESTMENT TRUST PURPOSES

The names Alcock & Williams, Jay T. Alcock, the report, nor any material contained in the report, may be included in any prospectus, or used in offerings or representations in connection with the sale of securities or participation interests to the public without the express written permission of Alcock & Williams.

Neither the appraisal report nor any part of it may be submitted to the Securities and Exchange Commission nor to any state securities regulatory agency without the express written permission of Alcock & Williams.

RESTRICTION ON USE OF THE APPRAISAL FOR ACTIVITIES OR TRANSACTIONS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 AS AMENDED

The names Alcock & Williams, Jay T. Alcock, the report, nor any material contained in the report may be used for activities or transactions that are subject to the Employee Retirement Income Security Act of 1974 as amended without the express written permission of Alcock & Williams.

INEFFECTIVENESS OF REPORT CONCLUSIONS THROUGH THE PASSAGE OF TIME

The market value(s) estimated herein may change in the future because of changing local or national economic conditions or capital of money market changes. The market value opinion(s) therefore should not be considered accurate and current after 120 days after the date of valuation unless the report has been updated in writing by the author in association with Alcock & Williams.

SKETCHES AND MAPS

The sketches included in the report are only for the purpose of aiding the reader in visualizing the property, and are not based on survey. Sizes and dimensions not shown should not be scaled from the sketches.

Revised: September 2017

REQUIRED STATEMENTS

LICENSURE

Jay T. Alcock is required to be licensed and is regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing Michigan 48909. Jay T. Alcock is currently and properly licensed as a certified general appraiser.

USPAP COMPETENCY PROVISION

This appraisal complies with the Competency Provision of the USPAP.

NARRATED DATES

Date of Appraisal Report:	August 31, 2017
Dates of Inspection:	July 18, August 11 & 22, 2017
Date of Valuation:	August 22, 2017

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. the statements of fact contained in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions;
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved;
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. my engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
7. my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
8. The report analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
9. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
10. I have made a personal inspection of the property that is the subject of this report;
11. no one provided significant real property appraisal assistance to me.



Jay T. Alcock, Member
Alcock & Williams, L.L.C.

APPRAISER'S QUALIFICATIONS

Jay T. Alcock

EDUCATION

University of Michigan

- Bachelor of Arts. History & English, 1983

Appraisal Institute (Partial List)

- Real Estate Principles
- Basic Valuation Procedures
- Capitalization Theory and Techniques, Parts A and B
- Case Studies in Real Estate Valuation
- Report Writing and Valuation Analysis
- Standards of Professional Practice, Parts A, B, & C (USPAP)
- Highest and Best Use Applications
- Appraisal of Nonconforming Uses
- Partial Interest Valuation—Undivided
- Advanced Sales Comparison & Cost Approaches
- Apartment Appraisal: Concepts and Applications
- Office Building Valuation: A Contemporary Perspective
- Business Practices and Ethics
- Commercial Appraisal Engagement and Review
- Preparing Appraisals for Michigan Tax Tribunal Appeals
- Green Buildings: Principles & Concepts
- Analyzing Operating Expenses
- Analyzing Distressed Market Conditions in Michigan
- USPAP Update
- Comparative Analysis
- Advanced Market Analysis and Highest & Best Use

BUSINESS EXPERIENCE

- 1983–91 Employed by Gerald Alcock Company, Ann Arbor, Michigan, as a commercial real estate appraiser.
- 1992– Member of Alcock & Williams, L.L.C., Real Estate Appraising and Counseling, Ann Arbor, Michigan.

PROFESSIONAL AND TRADE AFFILIATIONS

- Certified General Appraiser, State of Michigan, No. 1201000229
- Licensed Real Estate Broker, State of Michigan, No. 6501198056
- Licensed Builder, State of Michigan, No. 2101079652

PARTIAL CLIENT LIST

FINANCIAL

Ann Arbor State Bank
Barclays
Chemical Financial Corporation
Comerica Bank
Fifth Third Bank (5/3 Bank)
FirstMerit Bank
First Federal Bank
First National Bank
Huntington Bank
JPMorgan Chase Bank
KeyBank
Lake Trust Credit Union
Old National Bancorp
Bank of Ann Arbor
PNC Bank
The PrivateBank
TCF National Bank
Northstar Bank
University Bank

INSURANCE

AIG Mortgage Finance Company, Inc.
American Enterprise Life Insurance Co.
Auto-Owners Insurance Company
Crown Life Insurance
Delta Life & Annuity Company
Franklin Life Insurance Company (part of AIG)
Hylant Group (Dobson)
Royal Neighbors of America

PUBLIC

Ann Arbor Chamber of Commerce
Ann Arbor Downtown Development Authority (DDA)
Ann Arbor Housing Commission
City of Ann Arbor
City of Ypsilanti
National Center for Manufacturing Sciences
State of Michigan
- Department of Management and Budget
- Department of Military Affairs
- Department of Natural Resources
- Department of Transportation
- Department of Treasury
Environmental Research Institute of Michigan (ERIM)
Farmers' Home Administration (FmHA)
Federal Deposit Insurance Corp. (FDIC)

PUBLIC

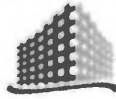
Huron River Watershed Council
Independent Order of Foresters (IOF)
Livingston County
The University of Michigan
Veterans of Foreign Wars of the U.S. (VFW)
Village of Dexter
Washtenaw County Road Commission

AREA BUSINESS

Acco Babcock Industries, Inc.
Associated Spring
Cabrio Properties
Cameron Balloons
Campus Management, Inc.
Campus Realty
Draw Tite, Inc.
Domino's
Eberbach Corporation
Emergency Physicians Medical Group
Federal-Mogul Corporation
Fingerle Lumber Company
First Martin Corporation
Flying Dutchman Management
Market Development Corp. (Spartan Food)
MAV Development Company (Vlastic)
Pfizer Inc.
Phoenix Contractors, Inc.
PPG Industries
Shaffran Companies
Suzuki Motor of America, Inc.
Sweepster Jenkins Equipment Co.
The Selective Group
Thomson-Shore, Inc
Waste Management Systems

EXHIBIT 1

Appraisal Engagement Contract



ALCOCK & WILLIAMS, LLC
Real Estate Appraisal Services

Jay T. Alcock
Member

Kirsten Williams
Member

July 7, 2017

Mr. Tom Crawford
Chief Financial Officer
City of Ann Arbor
301 East Huron Street
Ann Arbor, Michigan 48107

Re: Appraisal of the development site at 350 South Fifth Avenue (tax code 09-09-29-404-001), Ann Arbor, Michigan.

Dear Mr. Crawford:

In response to our telephone conversation, this letter summarizes Alcock & Williams' proposal to appraise the fee simple interest of the referenced real estate property in 'as is' condition as of a current date.

The report will be in a narrative format and will comply with the standards and specifications of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The function of the appraisal will be to assist in the potential purchase by the City. Completion of this report is estimated to be one month from the award of appraisal contract.

Alcock & Williams' fee for this appraisal is \$3,850. This fee is due upon receipt of the appraisal. Any subsequent assistance will be billed at our \$250 hourly rate. An electronic (PDF) copy of the report will be provided.

224 Buena Vista Ave., Ann Arbor, MI 48103 • Phone 734-747-7400
email: alcockwilliams@comcast.net • web: alcockwilliams.com

Mr. Tom Crawford
July 7, 2017
Re: Appraisal of the development site at 350 South Fifth
Page Two of Two

If you have any questions concerning this proposal, please contact me. You may authorize Alcock & Williams to proceed by having the person responsible for paying the appraisal fee sign below and submitting a copy to our office.

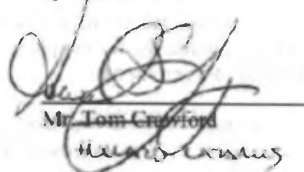
Yours truly,

Alcock & Williams, L.L.C.



Jay T. Alcock, Member
Certified General Appraiser,
State of Michigan, No. 1201000229
Expires 7/31/2018

You are authorized to proceed as
specified above:


Mr. Tom Crawford

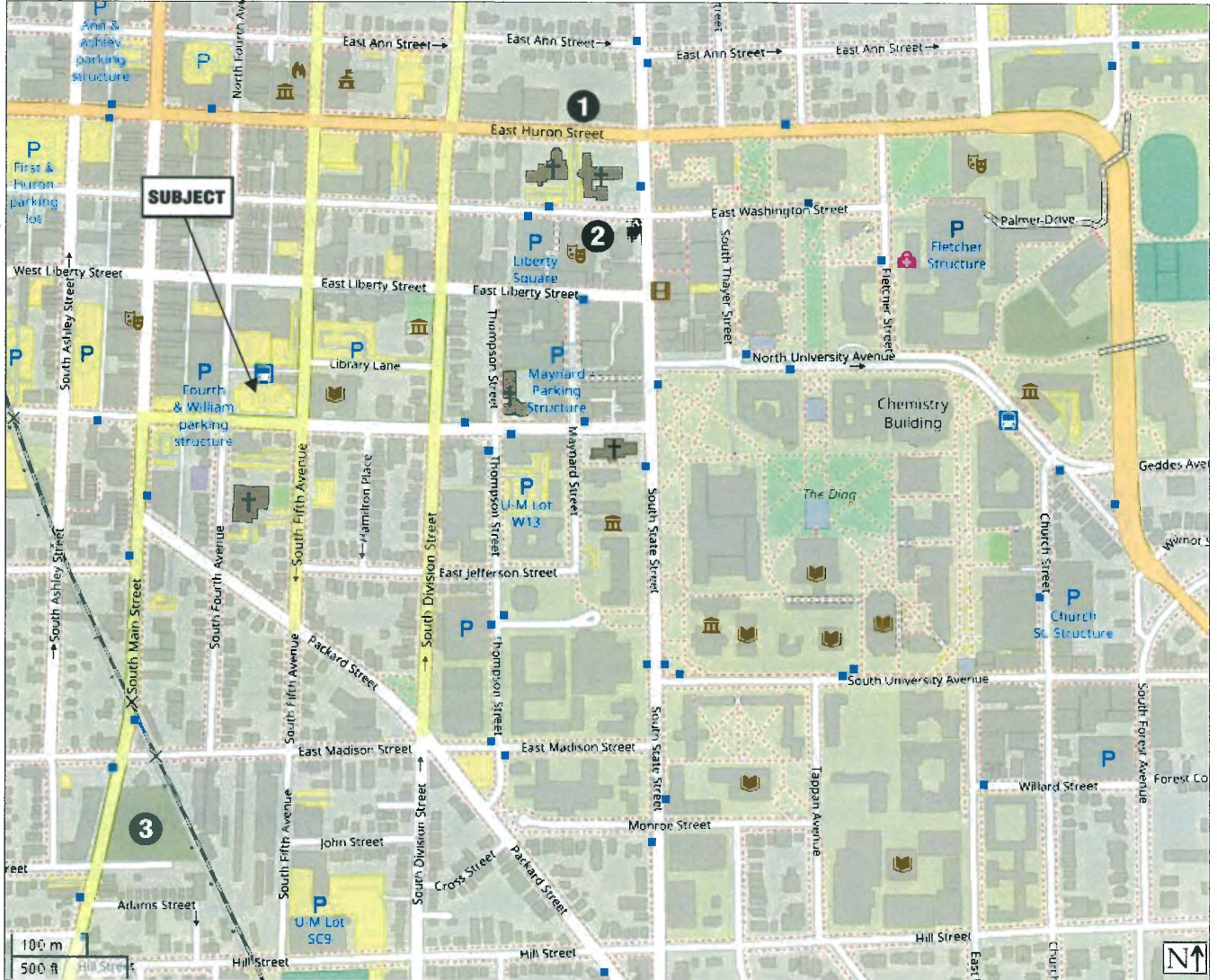
Date

7/11/17

EXHIBIT 2

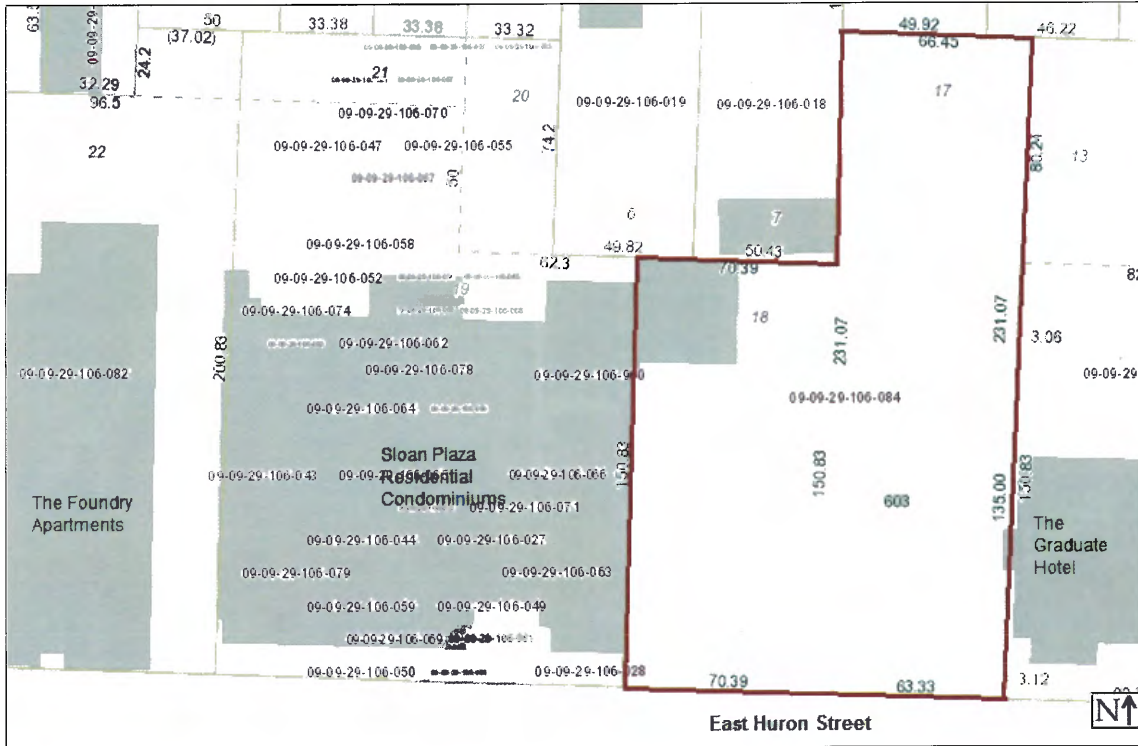
Market Data

Comparable Data Map



Source: OpenStreetMap

Market Data Development Land Sale



Source: Washtenaw County & City of Ann Arbor GIS

Location: 603 East Huron Street, Ann Arbor, Washtenaw County, Michigan

Tax Code: 09-09-29-106-084

Seller: Dahlmann Apartments Ltd
Purchaser: Core Spaces; registered to Core Ann Arbor, LLC, a foreign limited liability company

Sale Date: September 15, 2015

Sale Price/Terms: \$7,050,000, cash to seller
Conditions/Rights: Arm's length / Fee simple
List Price/DOM: Private sale

Site Size: 25,251 net sq.ft. or 0.58 net acre
Zoning: D1; approved for 520% FAR after the sale
Shape/Frontage: Irregular; 133 feet on Huron
Topography/Cover: Level with surface parking
Easements/Deed Restrictions: Typical utility
Improvements: Asphalt surface parking
Utilities: All available.
FEMA Flood Zone: X outside of a floodway

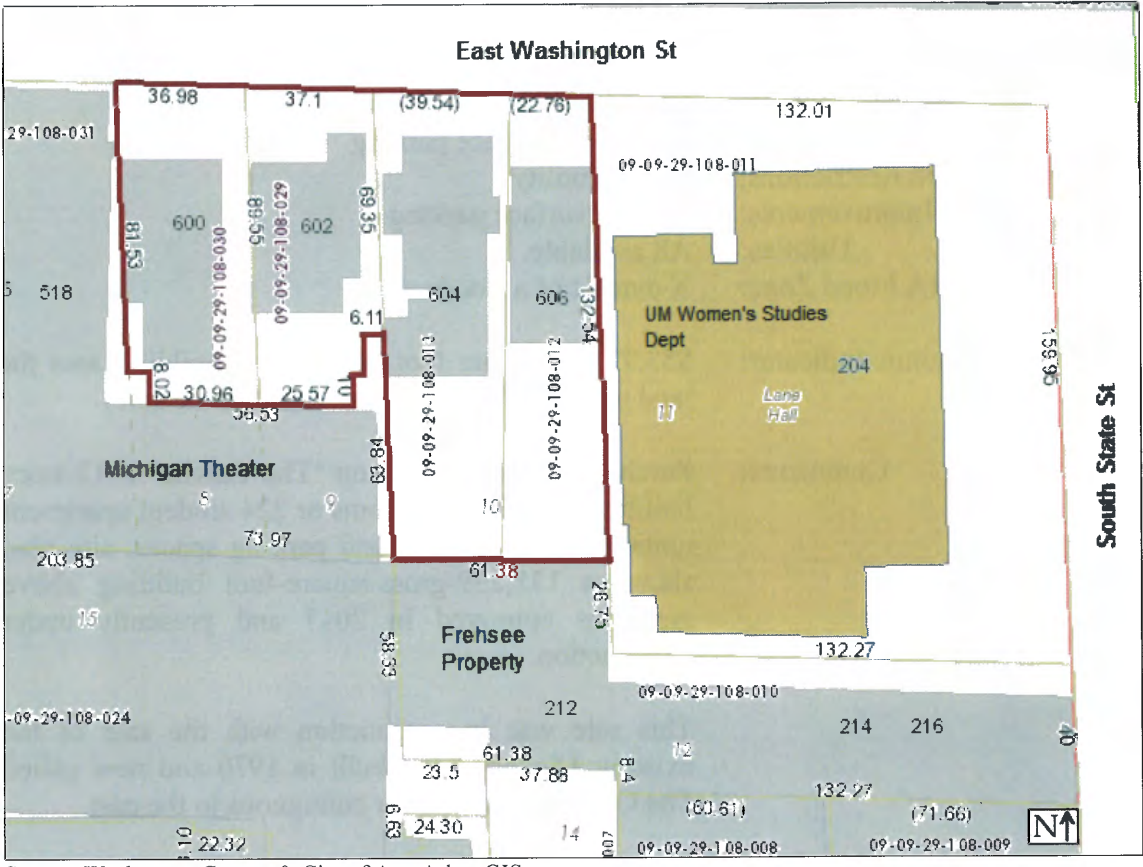
Economic Indicator: \$53.72 per square foot of potential building area for land only (520% FAR approved after the sale)

Comments: Purchaser broke ground on 'The Calvin,' a 12-story building with 300 bedrooms or 224 student apartment units and 108 underground parking spaces; site plan shows a 131,239-gross-square-foot building above grade as approved in 2017 and presently under construction.

This sale was in conjunction with the sale of the existing 14-story hotel built in 1970 and now called The Graduate Ann Arbor contiguous to the east.

Sources: Covenant Deed, Liber 5117, Page 965, Washtenaw County Records; Ann Arbor Assessor's records; inspection.

Market Data
Development Land Sale Assemblage



Source: Washtenaw County & City of Ann Arbor GIS

Location: 600-602-604-606 East Washington Street, Ann Arbor, Washtenaw County, Michigan

Tax Codes: 09-09-29-108-030, -029, -013, and -012

Sellers: Daniel P. Pampreen; Charles & Chen-Oi Hsieh
Purchaser: Howard Frehsee d/b/a Cerca Trova, LLC

Sale Date: July 31 and November 16, 2015

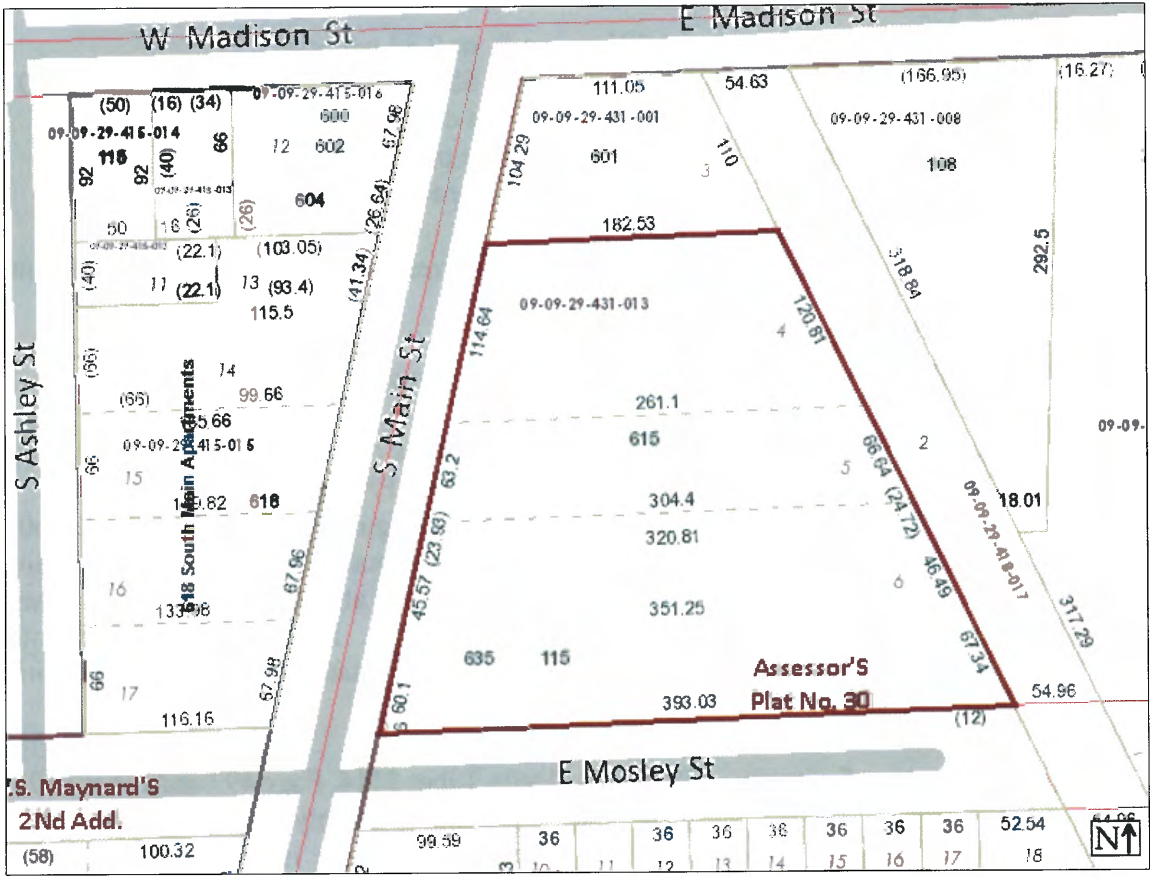
Total Sale Price/Terms: \$4,100,000, cash to sellers
Conditions/Rights: Arm's length / Fee simple
List Price/DOM: Private sales

Assembled Site Size: 14,375 net sq.ft. or 0.33 net acre
Zoning: D1; estimated 550% FAR based on similar D1 developments but could be higher
Shape/Frontage: Irregular; 136 feet on East Washington
Topography/Cover: Level with gravel parking and drives
Easements/Deed Restrictions: Typical utility
Improvements: Four century-old residences converted to student apartments
Utilities: All available.
FEMA Flood Zone: X outside of a floodway

Economic Indicator: \$51.86 per square foot of potential building area for land only (using 550% FAR assumption)
Comments: Pampreen's three contiguous houses at 600-602-604 East Washington were purchase first for \$2.9 million and Hsieh's single house at 606 East Washington was purchased for \$1,200,000. Purchase owns contiguous parcel fronting on South State Street within an historic district.

Sources: Warranty Deeds, Liber 5114, Page 497 and Liber 5127, page 750, Washtenaw County Records; Ann Arbor Assessor's records; purchaser; inspection.

Market Data
Development Land Sale Assemblage



Source: Washtenaw County & City of Ann Arbor GIS

Location: 615 South Main Street, Ann Arbor, Washtenaw County, Michigan

Tax Codes: 09-09-29-431-013

Sellers: William Kinley, Malakeh Properties, Joseph O'Neal
Purchaser: The Collegiate Development Group, St. Louis, Missouri; registered to CCSHP Ann Arbor I, LLC, a foreign limited liability company.

Sale Date: October 6, 2016

Total Sale Price/Terms: \$10,410,000, cash to sellers
Conditions/Rights: Arm's length / Fee simple
List Price/DOM: Two of the three parcels listed for a brief period.

Assembled Site Size:	86,690 net sq.ft. or 2.059 net acres
Zoning:	D2; 330% FAR
Shape/Frontage:	Irregular; 307 feet on South Main
Topography/Cover:	Level with gravel parking and drives
Easements/Deed Restrictions:	Typical utility
Improvements:	Older mixed-use buildings
Utilities:	All available.
FEMA Flood Zone:	X outside of a floodway
Economic Indicator:	\$36.39 per square foot of approved building area for land only
Comments:	The six-story 'Residences' now under construction will include 229 apartment units and 588 bedrooms. Total building area approved is 286,079 sq.ft. plus 163 underground and surface parking spaces.
Sources:	Seller William Kinley; Ann Arbor Assessor's records; Warranty Deed, Liber 5175, Pages 890, 892, and 898, Washtenaw County Records; inspection.