

APPRAISAL OF:  
350 S. Fifth Avenue  
0.80 Acres - S. Fifth Avenue  
and E. William Street  
City of Ann Arbor  
Washtenaw County, Michigan

---

As of August 14, 2017  
For Fifth Fourth, LLC

**GERALD ALCOCK COMPANY LLC**

Real Estate Counseling and Appraising  
315 East Eisenhower Parkway, Suite 5  
Ann Arbor, Michigan 48108  
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# GERALD ALCOCK COMPANY, L.L.C.

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September 8, 2017

Fifth Fourth, LLC  
Mr. Steven Zarnowitz  
Corporate Counsel  
300 S. Thayer Street  
Ann Arbor, MI 48104

Re: 350 S. Fifth Avenue (0.80 Acre Parcel), Located at S. Fifth Avenue, and E.  
William Street, Ann Arbor, Washtenaw County, Michigan

Mr. Zarnowitz:

As requested, we have made an appraisal of the above referenced property, the findings of which are submitted in this report. The purpose of this appraisal is to express an opinion of the 'as-is' market value of the fee simple title interest in the above noted real estate.

This appraisal cannot be completely understood without reading the "General Assumptions and Limitations of Appraisal" and "Extraordinary Assumptions" and "Hypothetical Conditions," sections of this report. Any reader of this report is advised to thoroughly read and understand said sections before relying on any information, analyses, or conclusions presented herein.

The appraisers prepared this report and the value estimate herein in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Standards Board of the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute.

This is an Appraisal Report. The "Required Statements" section of this report offers a description of this term. In brief, the appraisers may consider, with due cause and explanation, omitting certain approaches from the analysis, in accordance with USPAP. We remind the reader that the level of presentation in many parts of the report is limited to summary rather than detailed descriptions.

It is our opinion that the current 'as-is' market value of the fee simple title interest in 350 S. Fifth Avenue, an 0.80-acre parcel of land, as of August 14, 2017, is:

**Six Million One Hundred Thousand ( \$ 6,100,000).**

September 8, 2017  
Fifth Fourth, LLC  
Mr. Steven Zarnowitz

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The preceding value estimate is made subject to the “General Assumptions and Limitations of Appraisal” of this report and to the following “Extraordinary Assumptions,” and “Hypothetical Conditions.”

***Extraordinary Assumptions:***

- The market value herein presumes that there are no contaminants, toxins, or underground tanks on the subject site. Otherwise, the market value, as determined herein, may be impacted.
- We have not been provided with professional soil boring analysis for the subject parcel. The market value presumes that the subject’s soils are suitable for commercial-type construction similar to that found on surrounding parcels. Otherwise, the market value, as determined herein, may be impacted.
- We are aware that sub-grade building improvements of the former YMCA building are buried on site. It is an assumption of this appraisal that removal of these building components may be accomplished with reasonable expense and that they, or their removal thereof, do not preclude development of the site in tandem with the underlying zoning designation. Otherwise, the market value, as determined herein, may be impacted.

***Hypothetical Conditions:***

- The market value herein is made under the Hypothetical Condition that the Reversion and Permitted Encumbrances, as outlined under Exhibit B of the Warranty Deed dated April 2, 2014 and recorded in Liber 5030 P547 of Washtenaw County Register of Deeds, and set forth herein, between The City of Ann Arbor and Fifth Fourth, LLC, are null and void.
- In order to facilitate development interest of the subject, this analysis is made subject to removal or to reasonable recalculation of the “Reversion Time Limit,” set forth under the cited deed, referenced in the preceding condition.

September 8, 2017  
Fifth Fourth, LLC  
Mr. Steven Zarnowitz

Page Three

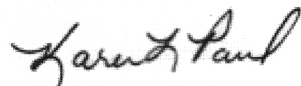
The use of this appraisal is to assist the client with asset management and financial planning.  
The intended user is Fifth Fourth, LLC.

The attached report, comprising 10 sections and one exhibit, is an explanation of the method of valuation. This letter and following report must not be separated, because together they provide the necessary detail and analysis for explaining and supporting the value opinion stated herein.

Respectfully submitted,  
Gerald Alcock Company, L.L.C.



Michael T. Williams, MAI  
Certified General Appraiser  
License No. 1201004033



Karen L. Paul  
Certified General Appraiser  
License No. 1201004585






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## EXECUTIVE SUMMARY

**Location:** The subject property is found between S. Fourth Avenue and S. Fifth Avenue, and along the north side of E. William Street, in the city of Ann Arbor, Washtenaw County, Michigan.

**Mailing Address:** Vacant, but identified within municipal records as:  
350 S. Fifth Avenue, Ann Arbor, MI 48104

**Property Owner:** Fifth Fourth, LLC

**Type of Report:** Appraisal Report

**Site:** The appraisal property is 0.80 acres, or 34,848 square feet. It has 132 feet of frontage along each of S. Fourth Avenue and S. Fifth Avenue. It also has 264 feet of frontage along the north side of E. William Street. Topography is level and at road grade.

The property had long been improved with a YMCA building which was demolished in 2008. It was subsequently improved with a public parking lot (Y lot) and utilized by the City until such a time that the parcel was transferred to Fifth Fourth, LLC. Thus, current improvements include asphalt and concrete paving for 86 parking spots, site lighting, metal bumper guards and peripheral landscaping. Utility service boxes are located along the northern property line. There are curb cuts along S. Fourth Street and E. William Street.

**Assessments:**

2017 Taxable Value	\$ 1,243,300
2017 Assessed Value	\$ 1,243,300

**Utilities:** Utilities to the site include municipal sanitary sewer and water, electrical, natural gas and telephone services.

**Zoning:** D1, Downtown Core District

**Use & Occupancy:** Improved parking lot, but currently not utilized as improved.

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Highest and Best Use: For development to a mixed use development in tandem with its underlying zoning designation.

Interest Appraised: Fee simple

#### Estimated Market

Value of Property:	Valuation <u>Condition</u>	Valuation <u>Date</u>	Market <u>Value</u>
	As Is	08/14/17	\$ 6,100,000

General Assumptions: The preceding value estimate is made subject to the “General Assumptions and Limitations of Appraisal,” noted at the eponymously titled section of this report.

#### Extraordinary

##### Assumptions:

- The market value herein presumes that there are no contaminants, toxins, or underground tanks on the subject site. Otherwise, the market value, as determined herein, may be impacted.
- We have not been provided with professional soil boring analysis for the subject parcel. The market value presumes that the subject’s soils are suitable for commercial-type construction similar to that found on surrounding parcels. Otherwise, the market value, as determined herein, may be impacted.
- We are aware that sub-grade building improvements of the former YMCA building are buried on site. It is an assumption of this appraisal that removal of these building components may be accomplished with reasonable expense and that they, or their removal thereof, do not preclude development of the site in tandem with the underlying zoning designation. Otherwise, the market value, as determined herein, may be impacted.

#### Hypothetical

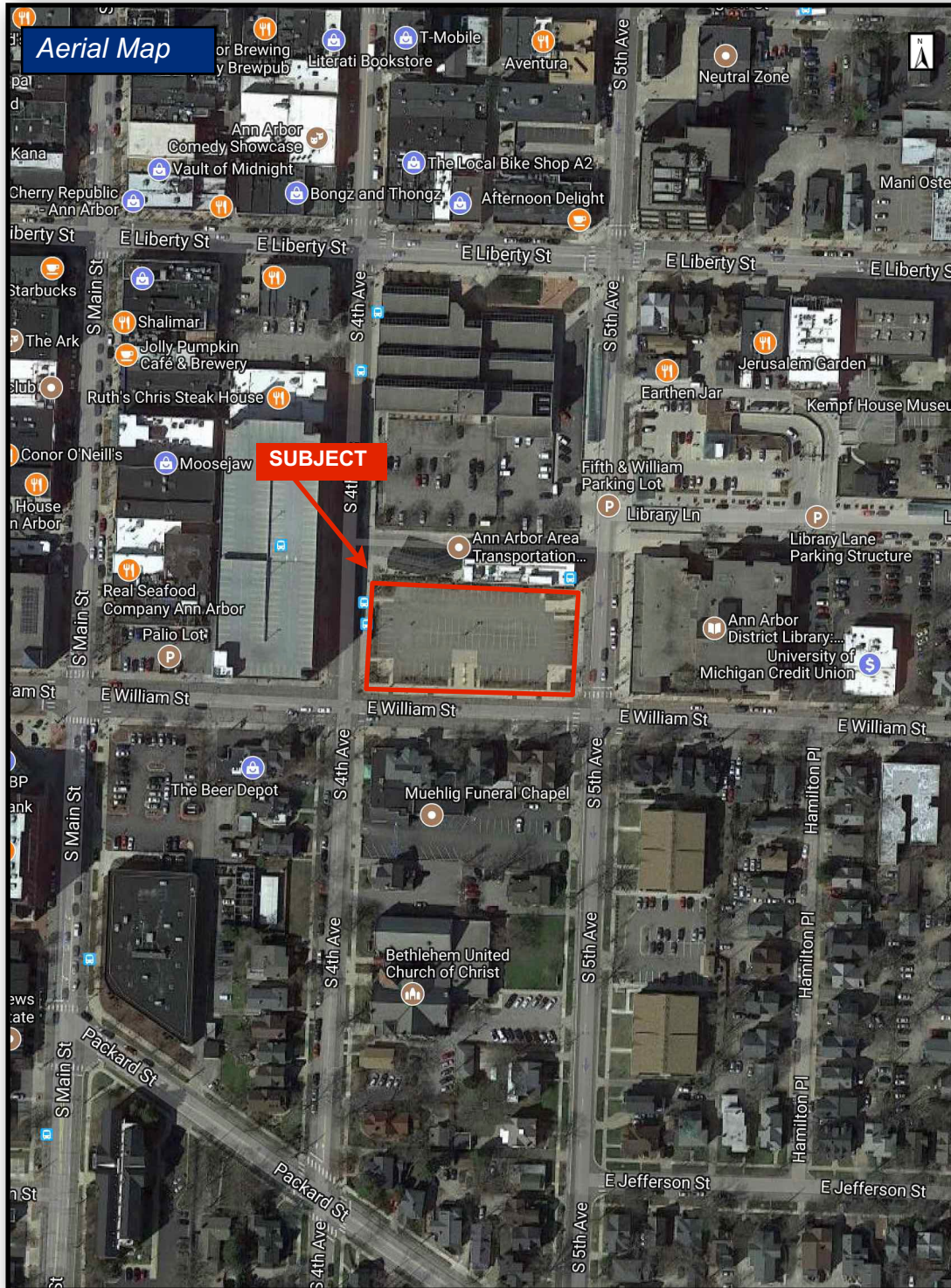
##### Condition:

- The market value herein is made under the Hypothetical Condition that the Reversion and Permitted Encumbrances, as outlined under Exhibit B of the Warranty Deed dated April 2,



2014 and recorded in Liber 5030 P547 of Washtenaw County Register of Deeds, and set forth herein, between The City of Ann Arbor and Fifth Fourth, LLC, are null and void.

- In order to facilitate development interest of the subject, this analysis is made subject to removal or to reasonable recalculation of the “Reversion Time Limit,” set forth under the cited deed, referenced in the preceding condition.

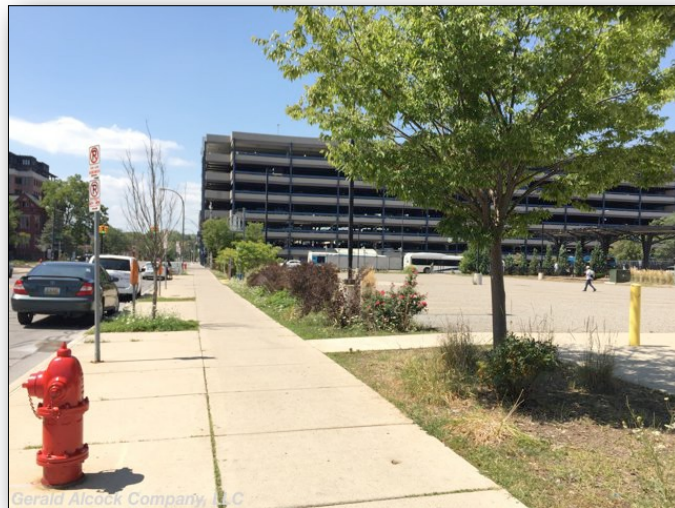






View from Southwest Corner at 5th  
Avenue and William Street

View Along William Street



View Along 4th Street



Looking Across Parcel from 4th Avenue



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## IDENTIFICATION OF PROPERTY

### **Real Property**

#### **Address**

The parcel is vacant but is identified with an address of 350 S. Fifth Avenue, Ann Arbor, MI 48104.

#### **Tax Identification Numbers and Legal Descriptions**

09-09-29-404-001

Lots 3, 4, 5 & 6 T3S R5E Original Plat of Ann Arbor

### **Personal Property, Fixtures, and Intangibles**

The subject of personal property or intangible assets are considered in this analysis.

### **Leases and Title Interest Appraised**

To the best of our knowledge, no portion of the subject property is secured by lease agreement. Because of this, the ownership interest appraised is considered to be fee simple as opposed to leased fee.

### **Client**

The appraisers were engaged by Steven Steven Zarnowitz on behalf of Fifth Fourth, LLC, to prepare this appraisal report.

### **Property Owner**

According to municipal records and the Warranty Deed included at exhibit B, the subject is owned by Fifth Fourth, LLC.

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### **Occupancy and Use**

The subject parking lot improvements stem from its ownership and use as a municipal parking lot. As of the date of this appraisal, however, the site remains idle and to the best of our knowledge, not subject to lease.



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## PURPOSE, DEFINITION OF MARKET VALUE, USE AND INTENDED USERS OF REPORT, AND SCOPE OF APPRAISAL

### Purpose

The purpose of this appraisal is to estimate the current as-is market value, as of the effective date of valuation, of the fee simple title to the appraisal property, identified in the foregoing section of this report, subject to the conditions and limitations stated in this report.

**Fee simple title.** 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.<sup>1</sup>

### Definition of Market Value

As used herein, Fair Market Value is defined by the Internal Revenue Service as:

"The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate."<sup>2</sup>

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<sup>1</sup> *The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010, p. 78.*

<sup>2</sup> *IRS Regulation §20.2031-1.*

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## **Use and Intended User(s) of Report**

The use of this appraisal is to assist the client with asset management and financial planning.

The intended user is Fifth Fourth, LLC.

## **Appraisal Development and Report Process (Scope)**

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

### **Physical Data**

The property was inspected on the date noted at the “Narrated Dates” subsection of this report. The appraisers secured current assessment, special assessment, and zoning data pertinent to the subject property. The following are additional sources, which were used to provide information pertaining to the subject property:

- City of Ann Arbor Municipal Offices
- Washtenaw County GIS
- Federal Emergency Management Agency (FEMA)
- USDA Soil Conservation Service
- Google / BING Maps

### **Area and Neighborhood Data**

The appraisers conducted a physical inspection of the area within which the subject is located to obtain area and neighborhood data. Additionally, governmental sources were contacted in order to obtain information pertaining to such things as adequacy of infrastructure; availability of utilities; employment statistics; zoning; flood hazards; environmental hazards; and anticipated development trends. The owner, government officials, and real estate brokers conducting business in the area of the subject were contacted regarding supply, demand, and market trends.

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### **Market Data Sources**

Physical data for each comparable sale is detailed within the “Analysis of Value,” section of this report. The sources of this data are cited within the same section. Each comparable was (at a minimum) inspected from the exterior. Real estate brokers conducting business in the area of the subject were interviewed regarding recent real estate activity in the area. Other sources include:

- Data files of GeraldAlcock Company, LLC
- Various real estate brokers
- CoStar Comps
- Municipal sources

The steps the appraisers used to develop the value estimates stated herein proceed from the Highest and Best Use analysis set forth at the “Analysis of Value” section of this report.

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



## DESCRIPTION OF PROPERTY

### Washtenaw County and Ann Arbor Area Data



The subject property is located in an area of Michigan that is demographically known as the Detroit Consolidated Metropolitan Statistical Area, or CMSA. This area consists of the Detroit Primary Metropolitan Statistical Area, or PMSA, the Ann Arbor PMSA (subject), and the Flint PMSA, which together comprise ten counties: Lapeer, Macomb, Monroe, Oakland, St. Clair, Wayne, Lenawee, Livingston, Washtenaw, and Genesee.

These 10 counties are sited in Southeastern Michigan, at the western edge of Lake Huron and Lake Erie. The Detroit CMSA is the fifth-largest metropolitan area in the country, exceeded only by the New York, Los Angeles, Chicago, and Philadelphia CMSAs.



Ann Arbor is the county seat of Washtenaw County and is Michigan's seventh-largest city, as well as being home to the University of Michigan. Its economy is dominated by education, high-tech and biotechnology, and the medical services industry. Its workforce is predominantly white collar, with unemployment rates well below the State average. In contrast, average home prices and property taxes are well above State and national medians. Ann Arbor is known for its wide range of cultural offerings, as well as a tremendous variety of restaurants and entertainment venues. Recreational offerings include biking, hiking, and water sports, not to mention University of Michigan's "Big Ten" football, basketball, and hockey.

Selected demographic information is presented on the following pages. Coincidentally, the Ann Arbor MSA—because it encompasses areas only within the boundaries of Washtenaw County—has the same statistical data as the County. Therefore, for purposes of simplification, only County statistics will be cited in the following tables.

#### Population and Households

As shown, Ann Arbor had a population of 113,934 in 2010 which increased to 121,651 by 2017. From 2017 to 2022, the population in the City is anticipated to grow 0.80%. The forecast for the city of Ann Arbor and the County are similar.

<b>Population &amp; Household Trends</b>					
	<u>2010</u>	<u>2017</u>	<u>2022</u>	<u>Compound Annual Change</u>	
<b>Population</b>				<u>2010-2017</u>	<u>2017-2022</u>
Ann Arbor	113,960	121,651	126,604	0.9%	0.8%
Washtenaw County	344,791	367,238	381,366	0.9%	0.8%
<b>Households</b>					
Ann Arbor	47,071	50,406	52,557	1.0%	0.8%
Washtenaw County	137,193	145,222	150,630	0.8%	0.7%

Source: ESRI

Household growth generally mirrors the population growth. Though household growth increased at a faster rate than population in some areas over the last 15 to 20 years, this fact is at least partially explained by the declining trend in household size, as opposed to a mere increase in the number of households moving into the area. This phenomenon is duplicated at the national level as well.



### Median Household Income

Median household income levels for the City of Ann Arbor and Washtenaw County are illustrated below. The reader should note that the figures cited in the table are expressed in current dollars.

<i>Median Household Income</i>			
	<u>2017</u>	<u>2022</u>	Compound <u>Annual Change</u> <u>2017-2022</u>
Ann Arbor	\$54,530	\$60,282	2.0%
Washtenaw County	\$62,797	\$70,686	2.4%

Source: ESRI

Modest increases are expected over the next five years for both study areas.

### Employment and Industry

The employment base of Washtenaw County is centered around health care, education, and automotive high technology. Economic stability is provided to a great extent by the University of Michigan in Ann Arbor and Eastern Michigan University, located in neighboring Ypsilanti. These facilities are major employers that are not as economically sensitive to the fluctuations of Michigan's automotive industry.

The top employers are highlighted at the following Table, "Major Employers in Washtenaw County." Data is as of July 2016.




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**Major Employers in Washtenaw County**


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<i>Washtenaw County</i>			July 2016
<u>Employer</u>	<u>Nature of Activity</u>		<u>Employment</u>
1 University of Michigan	Public University		30,835
2 Trinity Health	Healthcare		7,169
3 US Government	Government		3,172
4 Ann Arbor Public Schools	Education		1,907
5 Faurecia North America	Auto Supplier		1,850
6 Eastern Michigan University	Public University		1,617
7 State of Michigan	Government		1,377
8 IHA Health Services Corp.	Healthcare		1,268
9 Washtenaw County	Government		1,260
10 Thomas Reuters	IT/Software		1,100
11 Truven Health Analytics	Healthcare		780
12 Domino's Pizza Inc.	Food/Restaurant		734
13 City of Ann Arbor	Government		729
14 Ford Motor Co.	Automotive		720
15 NSF International	Government		578
16 Washtenaw Community College	Education		565
17 ProQuest	Data/Information		539
18 Ypsilanti Public School	Education		527
19 FCA US LLC	Automotive		486
20 DTE Energy Co.	Utilities		472
21 US Postal Service	Government		440
22 Edwards Brothers Malloy Inc.	Publishing		362
23 General Motors Co.	Automotive		320
			<b>58,807</b>

Source: *Crain's Detroit Business* (December 26, 2016)

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While not shown within the table above, area unemployment rates peaked in 2010 and have gradually declined over the following years. We note that current unemployment rates for the entities, as well as a number of communities within the state, have reached unprecedented lows - rivaling that found in the early 2000's.

As illustrated, the public sector accounts for a substantial percentage of total industry employment in Washtenaw County, primarily because of the presence of the University of Michigan and the University of Michigan Medical Center.

### Employment

Although unemployment rates dropped to recent lows in 2000, the overall, county rates remained below the state average. Slowed growth in the national and regional economies had recently pushed unemployment rates higher and slowed employment growth throughout the County and the State of Michigan.

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According to local State of Michigan officials, the closest annual unemployment rates and employment growth rates for the subject's area are defined by all of Washtenaw County and the City of Ann Arbor. They are summarized in table below.

<b>Area Unemployment Rates</b>								
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Change 2010-2016</u>
<b>City of Ann Arbor</b>								
Labor Force	60,634	60,112	60,689	61,496	62,305	62,780	63,359	4.49%
Employed	56,555	56,700	57,689	58,500	59,840	60,943	61,571	8.87%
Unemployment Rate	6.7%	5.7%	4.9%	4.9%	4.0%	2.9%	2.8%	-58.05%
<b>Washtenaw County</b>								
Labor Force	182,801	180,826	181,818	184,722	186,775	187,765	191,860	4.96%
Employed	167,969	168,414	170,928	173,822	177,805	181,082	185,274	10.30%
Unemployment Rate	8.1%	6.9%	6.0%	5.9%	4.8%	3.6%	3.4%	-57.69%
<b>State of Michigan</b>	12.6%	10.4%	9.1%	8.9%	7.3%	5.4%	4.7%	-62.70%

Source: MI Department of Energy, Labor and Economic Growth

The most recent average rate for the City of Ann Arbor was 2.8%, compared to 5.7% in 2011 and 6.7% in 2010. The average rate for Washtenaw County is 3.4%, which is an improvement over 6.9% in 2011 and 8.1% in 2010. A steady recovery is evident.

### Conclusion

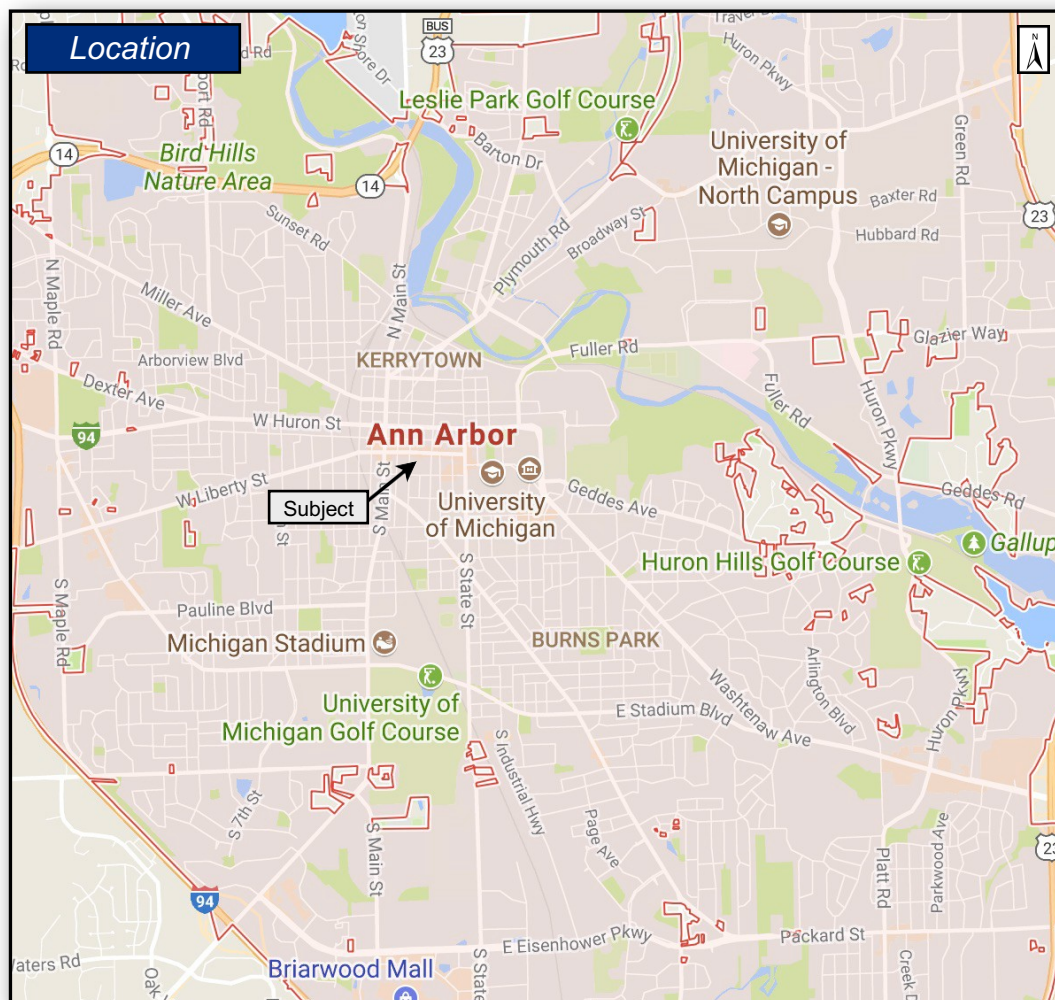
Growth in Washtenaw County/Ann Arbor MSA is projected to continue at a modest rate for the next several years. Though not as dramatic as the growth that occurred between 1990 and 2000, it is nevertheless reflective of a positive economy. The rebound in the Washtenaw economy has been supported by an expanding U.S. economy that includes a resurgent auto sector, a recovering local housing sector, and the stabilizing influence of its two large universities.

### Location and Neighborhood

As shown in the following map, the subject property is located near central within the city, and at the southern cusp of the Central Business District. It is one block east of South Main Street, the CBD's main thoroughfare. The University of Michigan Central Campus and the South State Street Campus Commercial District is a few blocks to the northeast. Directly



east is the City of Ann Arbor library. Adjacent north is the Blake Transit Center, and to the west is a municipal parking garage. Heading south, the landscape dilutes with established residential neighborhoods.



Within the Ann Arbor CBD and Campus District, there are several developments for student housing, parking and retail/office uses that are progressing. Given strength of the D1 zoning designation, these ventures are multi-story. A few of the closer developments are described as follows.

At the northeast corner of Huron and Division Streets, at the site of the former Papa John's Pizza restaurant, is Foundry Lofts, a 14-story apartment high-rise building, recently completed and now open. The \$65 million mixed use project has 329,307 square feet with a total of 210 apartments with 512 bedrooms and 4,000 square feet of ground floor retail that are expected to appeal to University of Michigan students and working professionals.



Just east of the Foundry Lofts, adjacent to Sloan Plaza, Core Spaces, an Illinois-based real estate firm specializing in residential, hospitality and student housing projects, bought slightly more than a half-acre of land from developer Dennis Dahlmann and is building a 12-story, 124 unit apartment building on the site. The apartments will be open to anyone including graduate students or young professionals.

Core Spaces is also in negotiation with the city of Ann Arbor for acquisition of the nearby downtown Library Lot. The Chicago-based development group proposes a 180-foot-tall hotel/apartment high-rise with a public plaza on the city-owned parking lot next to the downtown library on Fifth Avenue. Core Spaces is offering the city \$10 million for the development rights to the Library Lot, the parking lot above the Library Lane underground garage. The 352,496-square-foot building, as currently proposed, would include 34 apartments, 131 hotel rooms, 3,353 square feet of retail/restaurant space, and 20,198 square feet of office space.

The developer/owner of the vacant site on the west side of Glen Avenue between Catherine and Ann Streets has plans for a nine-story mixed-use hotel and retail project called The Glen. The site plans for a nine-story mixed use hotel and retail development on Glen Avenue between Catherine and Ann are under review by the City of Ann Arbor Historic District Commission. The 194-room hotel would include a number of suites and extended stay rooms for guests, along with meeting spaces for conferences and receptions, according to documents submitted to the city. The extended stay rooms would be a key part of the development because of its proximity to the University of Michigan Hospital. Four stories of underground parking would also be built as part of the plans.

The city just recently approved a 13-story student apartment high-rise at 622 East University Ave. Collegiate Development Group will develop a 133,805 square-foot building containing 90 apartments. The mid-block development will span the full width of the block from East University to Church Street. The site is made up of several parcels totaling 0.44 acres.

Plans have also been submitted by Hughes Properties for a 10-story mixed use development on the north side of South University Avenue. The building would include ground floor commercial space with 40 student apartments above.

The aforementioned developments are all in addition to seven student housing developments in the area since 2009.

As noted above, the subject neighborhood is fully developed, and is considered to be urban in nature, with the institutional 'backdrop' of the University of Michigan. The subject location,

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characterized as commercial, identifies with the city of Ann Arbor's CBD and its myriad offerings inclusive of area education, employment, and shopping facilities.

### Site Description

The appraisal property is 0.80 acres, or 34,848 square feet. It has 132 feet of frontage along each of S. Fourth Avenue and S. Fifth Avenue. It also has 264 feet of frontage along the north side of E. William Street. Topography is level and at road grade.



The property had long been improved with a YMCA building which was demolished in 2008. It was subsequently improved with a public parking lot (Y lot) and utilized by the City until such a time that the parcel was transferred to Fifth Fourth, LLC. Thus, current improvements include asphalt and concrete paving to support 86 parking spots, site lighting, metal bumper guards and peripheral landscaping. Utility service boxes are located along the northern property line. There are curb cuts along S. Fourth Street and E. William Street. However, as of the date of this appraisal, the site is prohibited from use for public parking as it is outside municipal ownership.





Metered parking sites along William Street have been ‘bagged’ and are currently not offered for use as the stretch of roadway is being utilized for unloading of out-of-town buses in conjunction with the Blake Transit Center. Staging is also found along Fourth and Fifth Avenue.

Customary utilities to the site include municipal sanitary sewer and water, electric, natural gas and telephone services.

### Site Improvements

The property had long been improved with a YMCA building which was demolished in 2008. It was subsequently improved with a public parking lot (Y lot) and utilized by the City until such a time that the parcel was transferred to Fifth Fourth, LLC.

It is our understanding that the basement foundation and flooring of the former YMCA building is contained below grade. Thus, we assume that these improvements may be removed without inordinate expense and not inhibiting toward development.

### Flood Hazard

The Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map, indicates that the subject is in an ‘area of minimal flood hazard.’





### **Easements and Deed Restrictions**

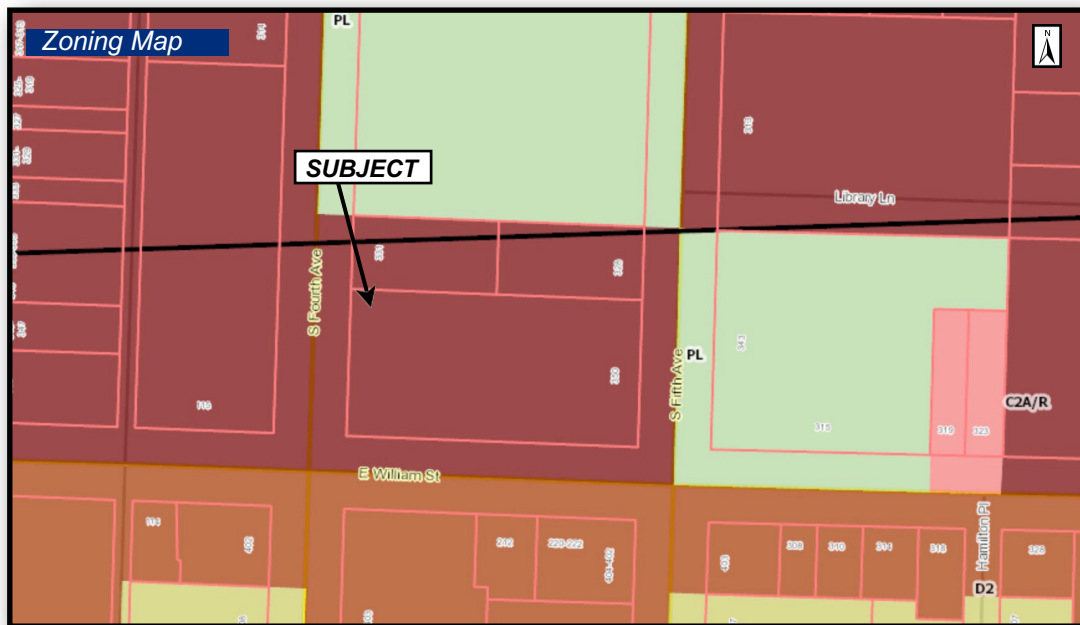
Because we do not have the benefit of any recent title work performed for the subject site, we are unable to comment as to the presence of any easements or other restrictions on the parcel that would adversely affect the subject's market value or in any way create an exception to clear title. We note that there appears to be a utility easement at the northern edge of the property and is not deemed to affect larger development of the site. For the purposes of this appraisal, it is presumed that any easements or restrictions to clear title will have no influence on the subject's market value.

### **Environmental Hazards**

The appraisers didn't detect the presence of obvious signs of contamination on the site as a result of our physical inspection. Secondary sources indicate that the previous YMCA building contained asbestos which was mitigated prior to demolition of the improvements. Subsequent use as a parking lot posed potential of environmental risk, although to the best of our knowledge, there has been no indication of contamination. Notwithstanding the foregoing statement, we specifically note that the recognition, detection or measurement of contamination is outside the scope of this appraisal assignment and our professional expertise. Consequently, the value opinion expressed herein is predicated on the absence of toxic or otherwise hazardous substances or materials from the property. If contaminants now affect the appraisal site, or will do so in the future, their presence may adversely affect the marketability and/or value of the property as expressed herein.

### **Zoning**

As shown in the following zoning map excerpt, the subject is zoned D1, Downtown Core District.



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

Permitted Uses within the District include, but may not be limited to, single and multiple family dwellings, fraternity, sorority or student cooperative, convalescent or nursing home, hotels, religious, government and educational occupancy, daycare center, community center or social club, general, financial or medical office uses, retail sales, restaurant, personal service, transit center or station, and broadcasting facility.

Special Exception Uses include parking structure or lot, manufacturing use, conference center, drive-through facility, fueling station, vehicle sales and repair and car wash.

The maximum usable floor area (FAR) is 400%. However, with premiums this may range up to 700%. The inclusion of affordable housing may buoy the FAR to 900%. The minimum story height is 24 feet, or two stories.

As part of the sale to Fifth Fourth, LLC, development requirements by the City included the construction of a mixed-use development rising at least five stories. With an envisioned transfer by Fifth Fourth, The Habitat Company, LLC, was proposing a high rise with 233 apartments, office space, ground floor retail and landscaped areas with a fountain. A certain number of the apartments would be considered 'affordable housing.' On going negotiations between the City and developer, in order to ease certain restrictions, eventually stalled with



Habitat rescinding its interest in acquisition. In addition, it is our understanding that access and reliance to a southern extension of the underground Library Lot provided lure to the envisioned project. However, the lack of construction of this extension precludes the subject from accessing any existing underground parking and must provide it's own on site accommodation.

### Assessed Valuation and Taxes

According to General Property Tax Law for the state of Michigan, real property tax liability is calculated by multiplying the municipal millage rate by the Taxable Value of the property. The concept of Taxable Value was historically implemented to limit the amount of property tax increase in a given year to 5.0 percent or the rate of inflation, whichever is less.

In the following table is the 2017 Taxable Values and Assessed Values for the subject.

<i>Current Tax Liability</i>			
Tax ID	2017 Taxable Value (\$)	2017 State Equalized Value (\$)	True Cash Value
09-09-29-404-001	1,242,600	1,242,600	\$2,485,200
Non-Homestead Millage Rate	0.0616554	0.0616554	
<b>Base Tax; Non-Homestead</b>	<b>\$76,613</b>	<b>\$76,613</b>	
1% Administration Fee:	<b>\$766</b>	<b>\$766</b>	
<b>Total Estimated Tax:</b>	<b>\$77,379</b>	<b>\$77,379</b>	

The property has a total Taxable Value of \$1,242,600, which provides a current tax liability of \$77,379 per year. In the year following a transfer of ownership, the Taxable Value would be 'uncapped,' thus, reverting to the State Equalized Value (SEV). In this instance, the values are similar, and the tax liability would be unchanged.

Annually, the Assessor reviews the State Equalized Value (SEV) in order to provide an equitable value that represents 50 percent of the property's True Cash Value (TCV). The total SEV is \$1,242,600, which provides a TCV of \$2,485,200, or \$71.32 per square foot, which is below the estimated market value herein. We note that within the Assessor's





valuation is \$83,600 in site improvements pertaining to the paving. Removing this component, and the TCV reduces slightly to \$2,401,600, or \$68.92 per square foot.

According to the Ann Arbor Treasurer's Office, the taxes are current to the extent they are owing. To this, we note that the market value herein is predicated upon a property that is free and clear of financial encumbrance. Hence, we suggest a thorough title search with an outstanding obligations potentially considered a direct offset to the market value herein.



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## ANALYSIS OF VALUE

### Current Market Conditions and Trends

According to the most recent University of Michigan's Research Seminar in Quantitative Economics, the April 2016, "Michigan is in its seventh year of economic recovery, having created 445,000 jobs from the previous recession's low point in the summer of 2009 to the closing quarter of 2015, averaging 71,200 job additions per year. The payroll job count softened from an above-average net increase of 82,100 during 2013 to 70,400 in 2014, before posting an addition of 69,800 jobs during 2015—aided by a sharp acceleration in job growth in the fourth quarter to an annual rate of 3 percent. We see at least two more growth years. "

More highlights within the November released RSQE forecast are reported as "Local inflation is measured by the growth rate of the Detroit CPI. The local price index declined by 1.4 percent in calendar-year 2015, reflecting the sharp drop in energy prices that began in late 2014, coupled with—unlike the U.S. CPI—little to no increase in core prices (that is, excluding food and energy). Going forward, local inflation is forecast to move up to 0.7 percent in 2016 and then pick up further to 2.1 percent in 2017, similar to the national rate then as energy prices rise slowly.

Personal income growth remains relatively steady throughout the forecast period, notching down from 4.3 percent in 2015 to 3.9 percent in 2016 and then ticking up to 4 percent in 2017. This pattern follows the movements in most of the major components of nonwage income. "

The RSQE reports "The top job producers over the next two years are: professional and business services (with the largest contribution coming from the professional, scientific, and technical subgroup); construction; trade, transportation, and utilities (especially the retail trade subgroup); and leisure and hospitality."

### Status of Local Market

While this section typically discusses current national, regional, and local trends for the type of property we are appraising, the subject is a parcel of land improved with a surface parking lot, best suited to demolition of the current improvements in order to make way for more intense development on site. Not surprisingly, there are no national or regional trends for such properties.

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During the economic downturn, the larger Ann Arbor office market suffered with its highest office vacancy rate in decades. This owed in large part to the departure of Google, as well as the Honigman law firm. However, these spaces were soon snapped up by Duo Security, Llamasoft and TD Ameritrade. Currently, the downtown office vacancy rate is holding steady at 2.1% This is in contrast to peripheral city locations that denote vacancy rates ranging from 3.1 to 16.6%.

The following table, derived from CoStar, summarizes office/retail trend statistics within a one-mile radius of the subject.

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**Office/Retail Market Summary (One-Mile Radius)**


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	<b>Total Office/Retail Market</b>
<b>Office &amp; Retail Buildings</b>	513
<b>Rentable Building Area</b>	4,673,215
<b>Vacancy</b>	
Current	2.1%
2Q2016	2.1%
2Q2015	2.0%
2Q2014	4.5%
2Q2013	5.9%
<b>Net Absorbtion</b>	
Current Quarter	(8,052)
2Q2016	(25,347)
2Q2015	15,683
2Q2014	9,083
2Q2013	21,527
<b>Typical Office Asking Rent</b>	<b>FS Gross</b>
Current	\$30.12
2Q2016	\$27.15
2Q2015	\$20.98
2Q2014	\$22.60
2Q2013	\$22.09
<b>Typical Non-Office Asking Rent</b>	<b>NNN</b>
Current	\$40.29
2Q2016	\$31.83
2Q2015	\$33.27
2Q2014	\$26.19
2Q2013	\$23.62

Source: CoStar

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As shown, the current office/retail market vacancy rate is estimated to be 2.1%, with an average asking office lease rate of \$30.12 per square foot, full service gross, and an asking non-office lease rate of \$40.29 per square foot, triple net.

The larger Downtown market is comprised of two retail areas: the Campus Commercial (CCD) and Downtown Central Business (CBD) Districts. Both areas, having been fully developed for decades. The main problem experienced by both of these districts is lack of available parking: parcels are too small to afford on-site parking; off-street parking is minimal; and parking structures are often overburdened. This tends to be somewhat less of a problem for the Campus Commercial District because its customer base is more pedestrian- oriented.

### **Highest and Best Use of Property**

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, and financially feasible and that results in the highest value.’<sup>3</sup>

The use to which land can be put and the intensity to which it can be developed have a direct bearing on its value. The purpose of the highest and best use analysis, therefore, is to identify the most probable and profitable use of the property so that a value may be estimated predicated on that use.

This definition reflects the importance of determining the subject property’s most productive use as it relates to value. Certain criteria - physically possible, legally permissible, financially feasible, and maximally productive - are considered in order to determine its highest and best use.

#### **Physically Possible**

The subject contains 0.80 acres. It has extended frontage and good visibility along three arteries and curb cuts along two of them. Topography is generally level. Current site improvements reflect past development for a historically owned municipal parking lot. Given historical vertical buildout, we assume soils are suitable for development. We

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<sup>3</sup> *The Appraisal of Real Estate*, Twelfth Edition, The Appraisal Institute, Chicago, Illinois, page 305.

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acknowledge the presence of below grade site improvements from a previous use. We assume these will not deter normal development of the site and there is no site contamination. All municipal utility services are immediately available to the subject. Given site characteristics, the subject may be suitable for a number of the uses under the ordinance and to the best of our knowledge, here are no other physical characteristics of the site that would interfere with, preclude, or enhance normal development.

### **Legally Permissible**

The site is a D1, Downtown Core District zoning designation that allows for high density, mixed use development. These types of projects reflect office, retail and personal services, along with hotel lodging, apartment and single family uses. We are not aware of any legal restraints prohibiting development to any of the legally permissible uses, although, under the current sales agreement there are stipulations as to hold development to a mixed-use with grade level retail, second floor office and upper floor apartment occupancy. Our analysis is made under a Hypothetical Condition that the Reversion and Permitted Encumbrances to the subject property is null and void. Given this, and to the best of our knowledge, there are no legal encumbrances to any of the permissible uses under the D1 District.

### **Financially Feasible**

A property use is determined to be financially feasible if it will produce an income which will satisfy operating expenses and provide a fair return on and of equity and debt capital investment. Of the permitted uses to the property, all would likely produce income greater than that needed to satisfy operating expenses in a healthy market, although it is difficult to determine with certainty lacking benefit of plans, specifications, or costs for a proposed project. The site is improved with 86 parking spaces and it is of our opinion that leasing these spaces for private parking, or use by the adjacent Blake Transit Center, may serve an interim use until such a time that redevelopment occurs. This use would more than serve to offset demolition expense of the above ground improvements. Within the current market, vacancies have reduced, rental rates have increased and fresh development is well established. Demand for apartment and condominium use is evidenced given current buildout as well as that for quality commercial space. Based upon this, we consider that the development under the ordinance may provide a positive net return to the land and thus a testament to financial feasibility.

### **Maximally Productive**

Based on the foregoing discussion, we consider the highest and best use of the subject to be for a mixed use in tandem with the underlying D1, Downtown Core District ordinance.

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## **Methods of Valuation and Dates of Report**

There are three generally recognized approaches to valuing real property. They are the cost approach, the sales comparison approach and the income approach. The three approaches, and their appropriateness in this valuation, are separately discussed below and on the following pages.

### **Discussion of the Income Approach and its Appropriateness in this Analysis**

The income capitalization approach assumes that the value of the property arises from its potential for producing income to an investor. First, gross income, operating expenses and net operating income before allowances for depreciation charges and debt service are estimated. The resultant estimated net operating income (NOI or  $I_0$ ) is then capitalized into an indication of value using a market related overall capitalization rate.

The income approach is not considered an appropriate indicator of value for most types of vacant land and will not be utilized in the following analysis of value.

### **Discussion of the Cost Approach and its Appropriateness in this Analysis**

In the cost approach, the cost of replacement or reproduction of the buildings and all other improvements to the land are estimated. Depreciation, if any, from all causes is then estimated and deducted from reproduction or replacement cost to give net depreciated reproduction or replacement cost of improvements. To this is added land value to give an indication of total property value by the cost approach.

This approach is most useful for valuing property with new or proposed improvements that utilizes a site to its most intense use. Valuation by the cost approach is not considered appropriate in the instant analysis because it's not an accepted method for estimating the value of vacant land.

### **Discussion of the Sales Comparison Approach and its Appropriateness in this Analysis**

The sales comparison approach, is defined as 'A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of



comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.<sup>4</sup>

The sales comparison approach is the predominant technique in valuing vacant land such as the subject, when there is an adequate amount of reliable sale information for comparable properties. Thus, the sales comparison approach will be used within the analysis.

### **Summary**

In the 'as-is' valuation of the subject property, the appraisers will use the sales comparison approach to value.

### **Dates of Valuation**

The date of the appraisal report is September 8, 2017.

The property was inspected on August 14, 2017.

## **As Is Market Value of Subject Property**

The sales comparison, or market approach, has greatest probity in appraisal situations involving land or improved properties within a particular area, having common elements and similar amenities. In the absence of sales with sufficient similarity to allow direct comparison, other reasonably similar improved properties are considered, in order to provide a range of unit prices within which the current real estate market is operating, and within which the appraised property would be expected to sell.

Several units of comparison can be used within the sales comparison approach depending upon the type of property that is being appraised. The predominant unit of comparison recognized in the market for vacant parcels of development land is the price-per-square-foot indicator, which is used in the following analysis.

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<sup>4</sup>The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, IL, 1993, page 318.

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The appraisers have documented several sales from the immediate market. On the following pages is a location map and detailed write-ups of the comparables, along with a sales grid. The significant transaction and physical items of comparison are as follows:

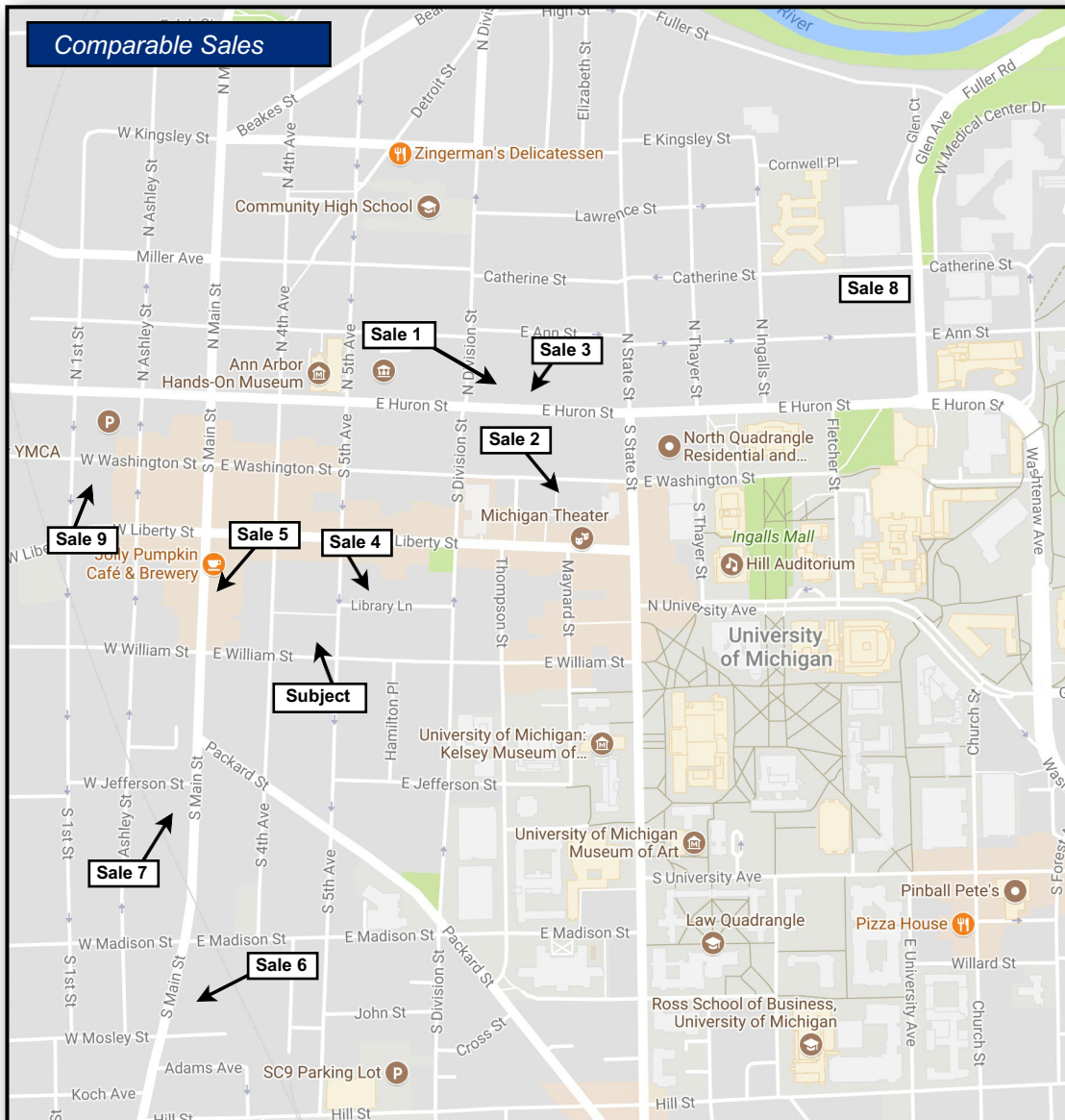
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<b>Transaction Items</b>	<b>Physical Items</b>
Buyer Expenditures	Site Size
Property Rights	Location
Financing Terms	Zoning
Market Conditions	Site Characteristics
Conditions of Sale	Views / Encroachments
	Utility Structure

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The analysis is set forth at the Table, "Vacant Land Analysis." Where an element of comparison was considered superior to the subject, the comparable sale price was adjusted downward; where an element of comparison was considered inferior to the subject, the sale price was adjusted upward.







### Land Sale 1

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Common Name: The Foundry Lofts

Location: 413 E. Huron St., E of N. Division St., Ann Arbor, Washtenaw County, Michigan

Sale Date: May 2012

Sale Price: \$6,000,000 Terms unavailable

Purchaser: Ann Arbor Green Property Owner, LLC

Seller: Thompson Family Trust and Marilyn A. Zahn Family Trust

Site: The subject site is irregular in shape, with 249.48 feet of frontage on East Huron and 124.2 feet on North Division St. and a total area of approximately .87 acres or 37,897 sf. Topography is generally level and at street grade. The site was improved with four one story contiguous buildings totaling 13,024 sf. Land to building ratio was 2.91 to one.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-106-082 (old 09-09-29-106-005 & 09-09-29-106-004)

Occupancy: Vacant

Comments: The main parcel was purchased in May 2012 for \$4,500,000 and the corner was purchased in October 2012 for \$1,500,000. Total acquisition was \$6,000,000. The site was improved with 13,024 sf of buildings which were demolished in June, 2013. Estimated cost to demolish the buildings is \$40,000.

The Foundry is a 14-story luxury student housing project with 4,829 SF of grade level retail. The apartment segment contains 263,783 SF with 210 apartments. Studio units are 533 SF and larger 4Bed/4B units contain 1,336 SF. Rents range from \$900 to \$1,795 per month. Two levels of underground parking are to accommodate 139 vehicles.

Source: City of Ann Arbor Municipal Records

Indicators: \$ 158 per square foot

\$ 6,896,552 per acre

\$159.38 after demo costs



## Land Sale 2

### MARKET DATA

#### Vacant General Commercial Sale



Photograph Date:

Location: 600, 602, 604 & 606 E. Washington St., Ann Arbor, Washtenaw County, MI

Sale Date: November 2015

Sale Price: \$4,100,000 Cash to mortgage

Purchaser: Cerca Trova, LLC

Seller: D. Pampreen & Charles and Cen-oi Hsieh

Site: The total site is irregular in shape, comprising 0.33 acre or 14,375 SF, with 155.26 feet of frontage on the south side of East Washington Street, just west of State Street. The depth varies. Topography is generally level. Each parcel is improved with a two-story rental dwelling dating to 1900. Total square footage is 9,267 sf. Interim income is considered to be offsetting the eventual demolition costs.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-108-030, -029, -013 & -012

Occupancy: 100% Occupied

Comments: The purchase was made in two transactions:

600, 602 & 604 for \$2,900,000 in 7/15 from Daniel Pampreen (\$277 psf)

606 for \$1,200,000 in 11/15 from Charles and Cen-oi Hsieh (\$306 psf)

The purchaser combined the properties for eventual redevelopment, but does not have immediate plans.

Source: Ryan Stanton, M-Live, City assessment records.

Indicator: \$ 285 per square foot



### Land Sale 3

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Common Name: The Calvin

Location: 603 and 513 East Huron Street, Ann Arbor, Washtenaw County, MI

Sale Date: September 2015

Sale Price: \$7,050,000 Cash to mortgage

Purchaser: Core Ann Arbor, LLC

Seller: Dahlmann Apartments, Ltd

Site: Two contiguous sites together comprise 0.59 acre with about 139.72 feet of frontage on the north side of East Huron Street, just west of North State Street, with irregular depth. Topography is generally level. The property at 513 East Huron is improved with a 1,023-square-foot storage garage, built in 1967. Remainder lands are in surface parking use.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-106-025 and -007

Occupancy: Vacant

Comments: The purchaser, an Illinois-based real estate firm specializing residential, hospitality and student housing projects, is seeking to construct a 12-story student and young professional housing building of 131,239 square feet, with 310 beds and 124 units, yielding a price per proposed building area of \$53.72 per square foot. Units range from efficiencies to four-bedroom, with 350 to 1,250 square feet. There will be 85 parking spaces in a two-level, below grade garage and 23 surface spaces that will be made available to the adjacent hotel.

Source: Ryan Stanton, M-Live/ Ann Arbor Assessor, (734) 994-2663

Indicator: \$ 274 per square foot



### Land Sale 4

#### MARKET DATA

Vacant General Commercial Offer



Photograph Date:

Common Name: Library Lot

Location: 319 South Fifth Avenue and 326 N. Division Street, Ann Arbor, Washtenaw County,

Offering Date: March 2017

Offering Price: \$10,000,000 Cash or Equivalent

Purchaser: Core Space

Seller: City of Ann Arbor

Site: Two contiguous sites, together comprise 1.55 gross acres, with 198 feet of frontage on the east side of South Fifth Avenue, between East Liberty street and East William Street and 66 feet of frontage on the west side of North Division Street. The secondary site, comprising 0.35 acre, with frontage on N. Division is meant to function as an access site, without building improvements; the primary site, comprising 1.20 acre, is improved with an underground City parking lot and plaza with Library Lane at ground level. The property is under negotiation for sale to a Chicago-based developer for a proposed 17-story, 353,057-square-foot mixed-use project, known as "The Collective on Fifth," with a project cost of \$80 to \$100 million. The project would incorporate existing improvements at grade in the form of a plaza with hotel and residential lobbies and common area; offices on level two; 131 hotel rooms on levels 3 through 6; and 360 apartments of levels 7 through 17.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-403-012 and -006

Occupancy: Owner Occupied

Comments: City Council is in negotiation with the developer, who has put forth considerable planning effort in order for city council members to better judge the proposed development. Council members are expected to make a decision as to whether to sell in April 2017.

Source: MLive Ann Arbor News/ Ann Arbor Planning Department, (734) 794-6265

Indicators: \$ 148 per square foot

\$28.32 per square foot of proposed building area



### Land Sale 5

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Location: 313 S. Main, S. of E. Liberty Street, Ann Arbor, Washtenaw County, MI

Sale Date: February 2015

Sale Price: \$3,050,000 Cash to mortgage

Purchaser: 315-317 SMS, LLC

Seller: R.A.N Properties, LLC

Site: The site contains 0.19 acres, or 8,184 square feet, with 66 feet of frontage along S. Main Street. The site is level and at street grade. A one-story retail building with 7,362 square feet, will be demolished in conjunction with redevelopment.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-406-008

Occupancy: 100% Occupied

Comments: The site is being developed with a six-story building containing 32,813 square feet. There will be two at-grade retail spaces, and high-end office on floors two through six. The reported cost to construct is \$4.35 million. Total investment is \$7.4 million, or roughly \$225 per square foot of building area.

The sale was part of a portfolio acquisition with the buyer reporting an allocation of the subject's sale price to the cited municipal source.

Demolition expense is offset by interim rents.

Source: Ann Arbor Assessor

Indicators: \$ 373 per square foot

\$92.95 psf of planned GBA



### Land Sale 6

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Common Name: The Residences at 615 S. Main Street

Location: 615, 633 & 637 South Main Street, Ann Arbor, Washtenaw County, MI

Sale Date: October 2016

Sale Price: \$9,960,000 Terms unavailable

Purchaser: CCSHP Ann Arbor I, LLC

Seller: South Main Assoc., LLC, Malakeh Properties, LLC & 637 South Main, LLC

Site: The total site is irregular in shape, comprising 1.97 acres or 85,813 SF, with about 313 feet of frontage on the east side of South Main Street, between Mosely and Madison Streets. Average depth is around 288 feet. The site backs to a railroad ROW with some nominal floodplain encroachment along the easterly border. Topography is generally level.

Zoning: D2, Downtown Interface District

Utilities: All Municipal

Tax Code: 09-09-29-431-005, -011 & -012

Occupancy: 100% Occupied

Comments: The purchase was for three individual parcels:

615 S. Main (.34 ac) for \$5,010,000 in 10/16 from South Main Assoc., LLC, \$97.91 psf

633 S. Main (1.12 ac) for \$1,450,000 in 10/16 from Malakeh Properties, LLC, \$102.69 psf

637 S. Main (.51 ac) for \$3,500,000 in 10/16 from 637 South Main, LLC, \$157.54 psf

Assuming a \$165,000 demolition cost, this yields an effective land value of \$10,125,000 or \$117.99 per square foot of land area, or \$35.39 psf of gross building area.

The Collegiate Dev Group combined the three parcels, demolished the improvements and are developing the site with a 286,079 SF, mixed-use, six-story building. There will be 6,200 SF of street level retail space with 229 apartments with 588 beds. Unit sizing is 370 to 1,468 SF with rents expected between \$700 and \$3,000 per month. There will be 163 parking spots and accommodation for 229 bicycles.

Source: City assessment records.

Indicators: \$ 116 per square foot

Land Value after Demolition is \$118 per square foot.





### Land Sale 7

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Location: 504-512 South Main Street, Ann Arbor, Washtenaw County, MI

Sale Date: April 2016

Sale Price: \$3,000,000 Land Contract, terms unavailable

Purchaser: North Arbor, LLC

Seller: Michaelides Properties, LLC

Site: The appraisal property consists of two contiguous sites, together comprising 0.45 gross acre, with 132 feet of frontage on the west side of South Main Street and a maximum depth of the same. Topography slopes to the west and south. The western border of the property is adjacent to an Ann Arbor Railroad right-of-way and the underground Allen Creek. Approximately 75 percent of the southern property, at 510 South Main, lies in a floodplain; floodplain coverage for the two sites together consists of about 33 percent.

Zoning: D2, Downtown Interface District

Utilities: All Municipal

Tax Code: 09-09-29-412-010 and -009

Occupancy: 100% Occupied

Comments: The subject is comprised of two separate structures. The 504 South Main building is a two-level structure, constructed in 1987, containing 1,064 gross square feet, over 1,064-square-foot walkout lower level storage. The 510 South Main Street building is a three-level structure, constructed in 1860, with a subsequent addition in later years, comprising 3,404 gross square feet over 1,150-square-foot walkout basement with an approximate 1,000-square-foot basement apartment. Together the two structures comprise 6,682 gross square feet and approximately 5,266 square feet of finished rentable area (inclusive of basement apartment). The buyer intends to redevelop the parcel in the future and the income from the interim use would offset demolition costs.

Source: Appraiser File 16975, Assessors' records

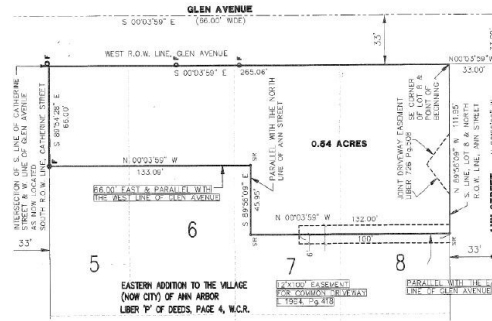
Indicator: \$ 153 per square foot





### Land Sale 8

#### MARKET DATA Vacant General Commercial Sale



Photograph Date:

Common Name: Proposed for The Glen

Location: NWC Glenn Avenue and East Ann Street, Ann Arbor, Washtenaw County, Michigan

Sale Date: March 2014

Sale Price: \$2,550,000 Cash to mortgage

Purchaser: Catherine Ann Development Company, LLC

Seller: Glen Ann Place, LLC

Site: The site has an "L" shape, with 265.06 feet of frontage on Glenn Avenue, 66 feet of frontage on Catherine Street and 111.95 feet on Ann Street for a total area of some 23,559 square feet, or 0.54 acre. Topography is level and coverage is clear as historical improvements were demolished in 2007.

Zoning: P, Parking, PUD, Planned Unit Development, C-1, Local Commercial

Utilities: All Municipal

Tax Code: 09-09-28-213-030, -031, -032, -033, -034

Occupancy: Vacant

Comments: The property historically sold in 2005 via three separate transactions for \$2,550,000, at which time multiple zoning designations were in place and the properties were improved with a small parking lot, two residential homes, a service station and a commercial building. Development faltered in the recession.

Transferring in 2014, the base plan was resurrected - although it is 16% smaller than historically envisioned. The Glen is a boutique hotel with 162 rooms and 24 penthouse apartments. The total floor area is 139,903 square feet with the first floor containing lobby, restaurant and hotel support services. The second floor will be dedicated to meeting rooms. There are four levels of underground parking comprising 191 spaces and 87,264 SF, for a total project area of 227,267 SF, inclusive of parking levels.

Source: Historical appraisal file, Co-star, Ann Arbor Assessor, 734-994-0554

Indicators: \$ 108 per square foot

\$ 4,722,222 per acre

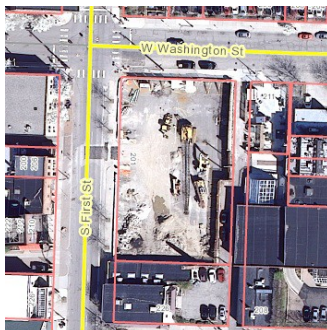
\$17.48 per SF proposed building area, net parking



### Land Sale 9

#### MARKET DATA

Vacant General Commercial Sale



Photograph Date:

Common Name: Ann Arbor City Apartments

Location: 221 W. Washington St., Ann Arbor, Washtenaw County, Michigan

Sale Date: January 2012

Sale Price: \$3,200,000 Cash

Purchaser: Ann Arbor City Apartments, LLC

Seller: City of Ann Arbor

Site: The subject site is rectangular in shape, with 124 feet of frontage on W. Washington St. and about 199 feet on S. Fifth St. with a total area of approximately 24,676 sf or .57 acres. Topography is generally level and slopes down to the south.

Zoning: PUD, Planned Unit Development

Utilities: All Municipal

Tax Code: 09-29-224-001 & 09-09-29-224-001

Occupancy: Vacant

Comments: The purchase was part of a deal with the city of Ann Arbor, whereby a four story parking garage accommodating 244 spaces will be financed by \$9 million in DDA bonds and a 156 unit apartment project will be built above the garage by Ann Arbor City Apartments, who retains ownership of the land. Subsequent to the sale the parcels were combined and then split into two condo units, one for the city and one for Ann Arbor City Apartments, LLC. Developed by Village Green for \$30 million, there are 155 'high end' units that range between 600 and 1,140 SF. Rents are \$1,435 to \$2,675 per month. Parking in the DDA owned garage is \$145/month. There are 16 affordable housing units.

Source: Tom Crawford, City of Ann Arbor CFO, liber/page 4885/66, 734-794-6900 ext. 45100

Indicators: \$ 130 per square foot

\$ 5,614,035 per acre



Vacant Land Analysis										
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	Sale 8	Sale 9
Sales Price		\$6,000,000	\$4,100,000	\$7,050,000	\$10,000,000	\$3,050,000	\$9,960,000	\$3,000,000	\$2,550,000	\$3,200,000
Site Size - Square Feet	34,848	37,897	14,375	25,700	67,518	8,184	85,813	19,602	23,559	24,676
Date of Sale		12-May	15-Nov	15-Sep	Pending	15-Feb	16-Oct	16-Apr	14-Mar	12-Jan
Buyer Expenditures		\$40,000	\$0	\$0	\$0	\$0	\$165,000	\$0	\$0	\$0
Property Rights		=	=	=	=	=	=	=	=	=
Financing Terms		=	=	=	=	=	=	=	=	=
Conditions of Sale		=	=	=	=	=	=	=	=	=
Market Conditions		25.83%	8.33%	9.17%	167%	12.08%	3.75%	3.33%	16.67%	27.50%
Adjusted Price-Per-Sq. Ft.		\$ 201	\$ 309	\$ 299	\$ 151	\$ 418	\$ 122	\$ 158	\$ 126	\$ 165
Site Size (Square Feet)	34,848	37,897	14,375	25,700	67,518	8,184	85,813	19,602	23,559	24,676
Adjustment		=	-15%	-10%	15%	-25%	20%	-10%	-10%	-10%
Use			Investment	Mixed Use	Hotel, Office, Apts	Retail, Office	Mixed Use	Redevelopment	Mixed Use	Apartments
Location	William / 5th	Huron / N Division	E Washington / State	E Huron / N State	S Fifth / Library Ln	Main / Liberty	S Main / E Mosley	S Main / Jefferson	Glenn / E Ann	W Washington / N 1st
Township / City	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor
County	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw	Washtenaw
Adjustment		-10%	-10%	-10%	=	-10%	10%	5%	=	=
Zoning	D1, Downtown Core	D1, Downtown Core	D1, Downtown Core	D1, Downtown Core	D1, Downtown Core	D1, Downtown Core	D2, Downtown Int	D2, Downtown Int	PUD, C-1 Pking	PUD
Adjustment		=	=	=	=	=	30%	30%	30%	30%
Site Characteristics	Level, clear	Level, clear	Level, clear	Level, clear	Level, clear	Level, clear	Level, clear	Level, pt flood	Level, clear	Level, clear
Adjustments		=	=	=	=	=	=	5%	=	=
Views / Encroachments	External Obso - Blake transit	None	None	None	None	None	Railroad	Railroad	None	None
Adjustments		-15%	-15%	-15%	-15%	-15%	-10%	-10%	-15%	-15%
Utility Structure	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal	Municipal
Adjustment		=	=	=	=	=	=	=	=	=
Gross Adjustments		25%	40%	35%	30%	50%	70%	60%	55%	55%
Net Adjustments		-25%	-40%	-35%	=	-50%	50%	20%	5%	5%
Final Adjusted Price Per Square Foot		\$ 151	\$ 185	\$ 194	\$ 151	\$ 209	\$ 183	\$ 190	\$ 132	\$ 173



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All Comparables	
Low	\$132
High	\$209
Median	\$183
Average	\$174

***Buyer Expenditures***

Buyer expenditures include the costs incurred by the buyers immediately following the purchase of a property. These costs may include demolition, renovation, environmental costs, or legal and zoning costs. Sales 1 and 6 are adjusted to reflect demolition of improvements. Sales 2, 5 and 7 are unadjusted as modestly sized improvements and interim use will offset eventual demolition expense to each.

***Property Rights Conveyed***

The fee simple title to the subject property is being appraised. All of the comparable sales conveyed fee simple title or with short term lease arrangements; therefore, adjustments for property rights are unnecessary.

***Conditions of Sale***

All sales appear to be arms' length transactions. Therefore, no adjustments are made.

***Terms of Sale/Financing***

All sales were purchased on the basis of cash terms to the seller or short-term land contracts, which are typical of the market. As such, no adjustments are required.

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***Market Conditions***

Market conditions within Ann Arbor have demonstrated strength of rekindling stemming from 2012 to the current term. As such, the subject and all of the comparables are adjusted upward at an annual rate of 5.0% commencing from the date of transfer through the as-is date of valuation.

***Site Size in Acres***

The subject is 34,848 square feet, while the comparables range between 8,184 and 85,813 square feet. Typically, smaller parcels sell at lower pricing per square foot than their larger counterparts. Thus, Sales 2, 3, 5, 7, 8 and 9 are warranted varying degree of downward adjustment to reflect their smaller site sizing. Sales 4 and 6 are adjusted upward to offset for larger site sizing. Sale 1 is within reasonable size range to the subject.

***Location***

Sales 1, 2, and 3 border the CBD and Central Campus and downward adjustments are warranted. Sales 4, 8 and 9 are deemed locationally similar to the subject and no adjustments are necessary. Sales 6 and 7 are located at the cusp of the Central Business District, and each are given a varying degree of upward adjustment. Sale 5 is considered locationally superior to the subject with fronting location along the primary stretch of Main Street.

***Zoning***

The subject and Sales 1 through 5 possess D1, Downtown Core zoning designations and no adjustments are warranted. Sales 6 through 9 have less intensive D2, Downtown Interface or PUD zoning designations and are adjusted upward.

***Site Characteristics***

The subject and comparables all have level and clear topographies. However, Sale 7 is partially encroached by floodplain and upward adjustment is made.

***Views / Encroachments***

The subject is located adjacent to the Blake Transit Center - a busy public transportation portal. The appraisers note significant overflow activity along the subject bounds with buses idling and unloading of passengers. We consider this to promote inferior view and encroachment to a perceived residential development, or to a grade level retail or service use that could potentially include seasonal outdoor accommodation. Sales 6 and 7 border a railroad. We consider this feature to partially offset the inferior characteristic of the subject. Sales 1 through 5, along with Sales 8 and 9, have average views and no encroachments, thus, each are given downward adjustments.

***Utilities***

The subject and all of the comparables maintain municipal utility access.

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### **Reconciliation of Market Value**

The adjusted sales range in price from \$132 to \$209, with an average of \$174, and median sales price of \$183 per square foot.

Sale 8 sets the lower end of the range. It is located at the edge of the CBD, yet with proximity to the U of M Medical Center. It is planned to be developed with a boutique hotel with penthouse apartments and underground parking. Following this are Sales 1 and 4. Sale 1 is one of the oldest transfers - having occurred in 2012. It was acquired for development to The Foundry Lofts, a 14-story student housing project. Sale 4 is a pending transfer for the 'library lot,' located diagonally east from the subject. The envisioned development will have a 17-story building with hotel, office and apartment uses. Underground parking will be available through lease from the Downtown Development Authority (DDA), of which the garage sits under the subject site. At the upper end of the range is Sale 5. It is the smallest sized parcel and represents ground-up redevelopment with a six-story building with grade level retail and upper floor office space.

Requiring the least amount of adjustment is Sale 1, followed by Sale 4. Each has an adjusted sale price of \$151 per square foot. We note that while Sale 4 is a pending offer to purchase, it is located immediately northeast of the subject, and nonetheless demonstrates a lower tier of pricing. Sale 1 is the most similar to the subject in terms of size.

Sales 1 through 5 are zoned D1 and possess an adjusted range between \$151 and \$209, with an average of \$178 per square foot. Sales 6 through 9 are zoned D2 and PUD, with less intensive development plans. The adjusted range is from \$132 to \$190, with an average of \$170 per square foot. Discounting the upper and lower end of the adjusted range of all sales, the indicators stem from \$151 to \$194, with an average of \$175 per square foot.

The subject is a mid-sized parcel - relative to those cited. It has extended frontage with existing curb cut access to Fourth Avenue and William Street. Following previous envisioned use of the site, as well as canvassing that of the immediate area, it would seem plausible to expect a mixed use development to potentially include retail, office, hotel and residential occupancies. As demonstrated by the comparables, demand for student housing is well patronized toward Central Campus, with grade level retail equally supported. At the west end of the CBD and bleeding southward along S. Main Street, away from the CBD, apartment dedication is targeted toward young professionals and empty nesters. Office dedication is fairly non-existent with exception to Sale 5 which looks to bring 'high-end' space to the main stretch of Main Street. The subject is located at the southern edge of the CBD, with lack of supporting identification for use. The transit center and post office stem north of the subject, while the municipal library is to the east. A parking garage is to the



west. Older single family homes stem south. Circulating pedestrian traffic ‘about’ the CBD tends to be flow along Main Street and within the collector streets north and east of the subject. We note that the subject was secured under purchase agreement with a contract price of \$6,000,000, or \$172 per square foot. Dated January 2016, the agreement was contingent upon rescission of certain development encumbrances placed upon the buyer by the City of Ann Arbor. Given removal of these stipulations, which would largely allow the buyer to develop the property without an office component, the purchase price may have been consummated. Consequently, the deal failed with encumbrances remaining in tact. A back up offer was also rescinded given unreasonable timing for development and stipulations of buildout. However, as stated herein, the market value is made under the Hypothetical Condition that the Seller’s encumbrances and limitations for development, are null and void. Hence, we consider that to a prospective buyer, the parcel may enjoy similar benefit of investor-derived planning leading to maximal feasibility of use.

Based upon the data, we place greatest weight upon Sales 1 through 5, yet recognize overlapping price points within Sales 6 through 9, and consider a market value of \$175 per square foot to be appropriate for application to the subject.

Thus,

$$34,848 \text{ SF} \quad @ \quad \$175 \quad = \quad \$6,100,000 \text{ (rounded)}$$

Therefore, the appraisers conclude that the current ‘as-is’ market value of the fee simple title interest in 350 S. Fifth Avenue, an 0.80-acre parcel of land, as of August 14, 2017, is:

**Six Million One Hundred Thousand ( \$ 6,100,000).**

This market value estimate is made subject to the “General Assumptions and Limitations of Appraisal” and “Extraordinary Assumptions” and “Hypothetical Conditions” of this report.

### **Extraordinary Assumptions**

- The market value herein presumes that there are no contaminants, toxins, or underground tanks on the subject site. Otherwise, the market value, as determined herein, may be impacted.
  - We have not been provided with professional soil boring analysis for the subject parcel. The market value presumes that the subject’s soils are suitable for
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commercial-type construction similar to that found on surrounding parcels. Otherwise, the market value, as determined herein, may be impacted.

- We are aware that sub-grade building improvements of the former YMCA building are buried on site. It is an assumption of this appraisal that removal of these building components may be accomplished with reasonable expense and that they, or their removal thereof, do not preclude development of the site in tandem with the underlying zoning designation. Otherwise, the market value, as determined herein, may be impacted.

### **Hypothetical Conditions**

- The market value herein is made under the Hypothetical Condition that the Reversion and Permitted Encumbrances, as outlined under Exhibit B of the Warranty Deed dated April 2, 2014 and recorded in Liber 5030 P547 of Washtenaw County Register of Deeds, and set forth herein, between The City of Ann Arbor and Fifth Fourth, LLC, are null and void.
- In order to facilitate development interest of the subject, this analysis is made subject to removal or to reasonable recalculation of the “Reversion Time Limit,” set forth under the cited deed, referenced in the preceding condition.

### **Sales History Analysis**

The subject was acquired by Fifth Fourth, LLC, from the City of Ann Arbor. The Warranty Deed is included at Exhibit B. The date of transfer is April 2, 2014, with a consideration of \$5,250,000, or \$150.65 per square foot of land area. This price reflects the inclusion of specific use restrictions as set forth within the deed at exhibit B. The estimated market value as determined herein, of \$6,100,000, equates to \$175 per square foot, which is about 16% higher than the 2014 acquisition. We note that the subject property had been under purchase agreement with The Habitat Company, LLC. Dated January 8, 2016, the purchase price was \$6,000,000, or \$172 per square foot. However, the agreement was contingent upon the rescission of certain encumbrances and requirements set forth by the City of Ann Arbor. As the parties were unable to secure said rescissions, the contract was cancelled. It is further noted that subsequent concession was made by the seller to reduce the purchase price to \$5,500,000, of which the buyer purported lack of feasibility stemming from said restrictions.

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Market conditions within the city of Ann Arbor have demonstrated unprecedented increase in price points for CBD parcels. This upswing in pricing may owe in large part to the city's introduction of the D1 and D2 zoning designations in the later 2000's, which allow for expanded vertical development opportunity. As such, a number of 'low' and 'high' rise projects have been developed or are in various stages of planning by local and national investors. Given the presence of a number of sales herein, as well as a signed purchase agreement for the subject from January 2016, and notation of upward pressure on market conditions, we consider the market value as determined herein, to be reasonably supported under the Hypothetical Conditions noted within this report.

### **Estimated Reasonable Exposure Time and Marketing Period**

As used herein, the definition of exposure time is as follows.

'The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal: a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal...'

The exposure time of comparable land sales is considered by the appraisers to be an implicit indicator for exposure time for the subject. A canvass of data of file indicates exposure times of development parcels ranging from one to over five years. Given current market conditions, the appraisers consider an exposure time of nine to 12 months to be a reasonable estimate for the subject.

As used herein, the definition of marketing period is as follows.

'The time it takes an interest in a real property to sell on the market subsequent to the date of an appraisal. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal...' <sup>5</sup>

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<sup>5</sup> The Appraisal Institute. *The Dictionary of Real Estate Appraisal*, p 73.

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While exposure time is retrospective, marketing period is prospective, and thus should consider current market trends and conditions as well as historical evidence. Assuming the subject property were aggressively marketed by a competent broker at a listing price close to the estimated market value, the appraisers estimate a marketing period of nine to 12 months.



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## **ASSUMPTIONS AND LIMITATIONS OF APPRAISAL**

This appraisal is for no purpose other than property valuation, and the appraiser(s) is neither qualified nor attempting to go beyond that narrow scope. The reader should be aware that there are also inherent limitations to the accuracy of the information and analysis contained in this appraisal. Before making any decision based on the information and analysis contained in this report, it is critically important to read this entire section to understand these limitations.

### **APPRAISAL IS NOT A SURVEY**

It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted in this appraisal report.

No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Any maps, plats, surveys, or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships or location. Sizes and dimensions should not be scaled from them. The reliability of the information contained on any such map or drawing is assumed by the appraiser and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments, or other survey matters.

The legal description given to the appraiser is presumed to be correct, but it has not been confirmed by a survey.

### **APPRAISAL IS NOT A LEGAL OPINION**

No responsibility is assumed for matters of a legal nature that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances, or encroachments. We are not usually provided an abstract of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered



in this appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in the appraisal report. Information and analysis shown in this report concerning these items is based only on a rudimentary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimated contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items since we have not made a comprehensive examination of laws and regulations affecting the subject property.

#### **APPRAISAL IS NOT AN ENGINEERING OR PROPERTY INSPECTION REPORT**

This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based on a casual inspection only and no detailed inspection was made. For instance, we are not experts on heating systems and no attempt was made to inspect the interior of the furnace. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in this report.

Some items such as conditions behind walls, above ceilings, behind locked doors, or under the ground are not exposed to casual view and therefore were not inspected. The existence of insulation, if any is mentioned, was found by conversation with others and/or circumstantial evidence. Since it is not exposed to view, the accuracy of any statements about insulation cannot be guaranteed.



It is assumed that there are no hidden or unapparent conditions of the property, sub-soil, or structures that would render it more or less valuable. No responsibility is assumed for such conditions, or for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

Wells, septic systems, and utility lines, if any, are assumed to be in good working condition and of sufficient size and capacity for the stated highest and best use.

The age of any improvements to the subject property mentioned in this report should be considered a rough estimate. We are not sufficiently skilled in the construction trades to be able to reliably estimate the age of improvements by observation. We therefore rely on circumstantial evidence which may come into our possession (such as dates on architectural plans) or conversations with those who might be somewhat familiar with the history of the property such as property owners, on-site personnel, public records, or others. Parties interested in knowing the exact age of improvements on the land should contact us to ascertain the source of our data and then make a decision as to whether they wish to pursue additional investigation.

The appraiser(s) has observed those parts of the mechanical equipment and systems that constitute an integral part of the property and that are generally visible. From such observation, the appraiser(s) has reported any apparent conditions that the appraiser believes might bear on the conclusions of this report. The appraiser(s) has not, however, tested such mechanical equipment and systems, and thus assumes no responsibility for their operating performance (unless specifically so stated in this appraisal).

The appraiser(s) has not made a specific compliance survey and analysis of the subject to determine whether or not it is in conformity with the Americans with Disabilities Act ("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 ADA. If so, this fact could have a negative impact upon the value of the property. The appraiser has no direct evidence relating to this issue and did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any observed condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating system, air conditioning system, plumbing, electrical service,



insulation, or any other detailed construction matters. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

### **APPRAISAL IS NOT AN ENVIRONMENTAL ISSUES OR A HAZARDOUS MATERIALS REPORT**

No toxic materials or environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser(s) hereby reserves the right to alter, amend, revise or rescind any of the value opinion(s) based upon subsequent or subsequently-revealed toxic materials or environmental impact studies, research or investigations, or due to stigma associated with potential environmental hazards.

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of mold, urea-formaldehyde foam insulation, toxic waste, asbestos, radon gas, PCBs, lead-based paint, contaminants such as petroleum products, or hazardous chemicals escaping from underground storage tanks, other potentially hazardous materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature which we would believe would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraiser(s) on the subject property, and it is assumed that the air, water, ground, and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous materials or substances into the groundwater or the environment unless otherwise noted in the report.



## **APPRAISAL IS MADE UNDER CONDITIONS OF UNCERTAINTY WITH LIMITED DATA**

As can be seen from limitations presented above, this appraisal has been performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraiser(s) (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraiser(s) to view certain portions of the property, the inherent limitations of relying upon information provided by others, etc.

There is also an economic constraint, however. The appraisal budget (and the fee for this appraisal) did not contain unlimited funds for investigation. We have spent our time and effort in the investigative stage of this appraisal in those areas where we think it will do the most good, but inevitably there is a significant possibility that we do not possess all information relevant to the subject property.

Before relying on any statement made in this appraisal report, interested parties should contact us for the exact extent of our data collection on any point which they believe to be important to their decision-making. This will enable such interested parties to determine whether they think the extent of our data gathering process was adequate for their needs or whether they would like to pursue additional data gathering for a higher level of certainty.

Information (including projections of income and expenses) provided by local sources, such as government agencies, financial institutions, accountants, attorneys, and others is assumed to be true, correct, and reliable. No responsibility for the accuracy of such information is assumed by the appraiser(s).

The comparable sales data relied upon in this appraisal are believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

All values shown in the appraisal report are based on our analysis as of the effective date(s) of valuation stated in this appraisal report. (The value[s] estimated in this appraisal report may change in the future because of changing local or national economic conditions or capital money market changes.) These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances



affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

Since projected mathematical models and other projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analysis because of our incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice.

Opinions and estimates expressed herein represent our best judgment but should not be construed as advice or recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment, and the decision process should consider many factors other than just the value estimate and information given in this report.

## **RESTRICTIONS UPON DISCLOSURE AND USE OF THE APPRAISAL**

Disclosure of the contents of this appraisal report is governed by the Bylaws 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 the appraiser, or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation 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 of the appraiser.

The appraisal report may not be used for any purpose except substantiation of the value estimated without written permission from the appraiser. All valuations in this appraisal 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.

Neither the name of Gerald Alcock Company nor the name of the appraiser(s) nor this appraisal report nor any material contained in this appraisal report may be included in any prospectus, or used in any activities or transactions such as offerings or representations in connection with a real estate syndicate or syndicates, a real estate investment trust or trusts, or any securities-related exposures.





Neither this 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 the appraiser(s).

Neither the name of the Gerald Alcock Company nor the name of the appraiser(s) nor this appraisal report nor any material contained in this appraisal 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 the appraiser(s).

### **APPRAISAL REPORT LIMITATIONS**

Appraisal reports are technical documents addressed to the specific needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market. While no factors we believe to be significant but unknown to the client have been knowingly withheld, it is always possible that we have information of significance which may be important to others but which, with our limited acquaintance of the property and our limited expertise, does not seem to be important to us.

Appraisal reports made for lenders are technical documents specifically made to lender requirements. Casual readers are cautioned about their limitations and cautioned against possible misinterpretation of the information contained in these reports.

The appraiser should be contacted with any questions before this report is relied on for decision-making.



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## APPRAISERS' CERTIFICATIONS

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct; and
  2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions; and
  3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved; and
  4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; and
  5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results; and
  6. Our 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; and
  7. Our analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice; and
  8. We have performed no services as an appraiser, or in any other capacity, regarding the property that is the subject of this report, within the three-year period immediately preceding acceptance of this assignment; and
  9. We have made a personal inspection of the property that is the subject of this report; and
  10. No one provided significant real property appraisal assistance to the author of this report; and
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11. The reported analysis, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute; and
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
13. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan; and
14. As of the date of this report, Michael T. Williams has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

Handwritten signature of Michael T. Williams in cursive script.

Michael T. Williams, MAI

Handwritten signature of Karen L. Paul in cursive script.

Karen L. Paul

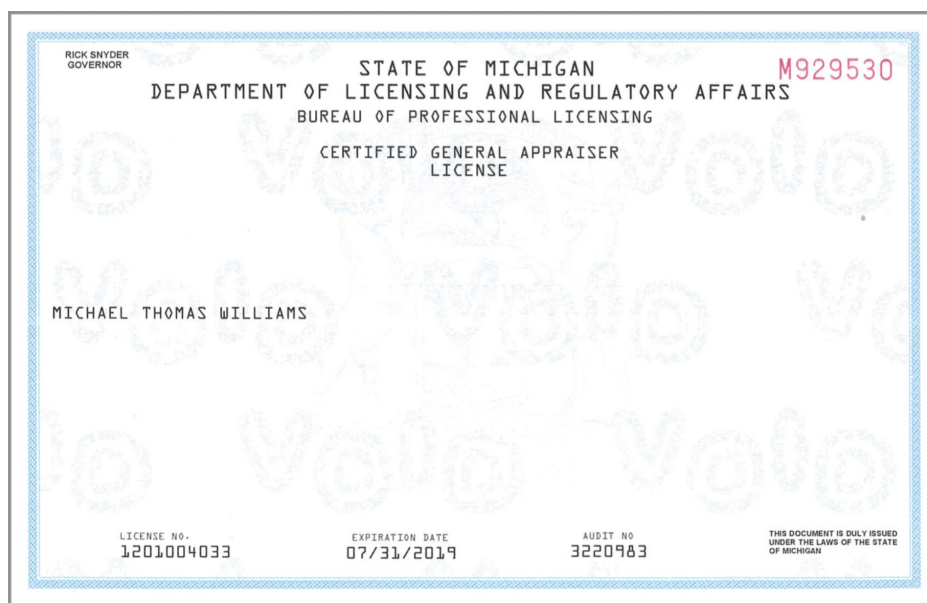


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## REQUIRED STATEMENTS

### Licensure

Appraisers are required to be licensed, and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing Michigan 48909. The appraiser(s) are currently and properly licensed. Copies of these licenses are set forth below.





## **Appraisal Report**

This report is classified as an Appraisal Report under the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, Standards Rule 2-2(a). Broadly defined, an Appraisal Report gives the contents of the report in a summary form and connotes a concise level of detail in the presentation of information.

## **USPAP Competency Provision**

This appraisal complies with the Competency Provision of the USPAP.

## **Narrated Dates**

### Date of Appraisal Report

The date of this appraisal report is September 8, 2017.

### Effective Date(s) of Value

The effective date of the retrospective as-is market value is August 14, 2017.

### Date(s) of Inspection and Inspector(s)

The property was inspected by Michael T. Williams and Karen L. Paul on August 14, 2017.

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## PROFESSIONAL QUALIFICATIONS

### **MICHAEL T. WILLIAMS, MAI**

Principal and President with the Gerald Alcock Company, LLC since 2003 and an associate since 1995 preparing and managing valuation and consulting assignments.

Valuations have been performed on various properties including, but not limited to, retail shopping centers, net leased retailers, general commercial properties, single and multi-tenant industrial buildings, high-tech office properties, professional and medical office buildings, mixed-use facilities, residential subdivisions, apartments, and vacant land for a variety of uses. Assignments for special purpose properties include public and private golf courses and country clubs, tennis and health clubs, gas station and convenience stores, car washes, bowling alleys, hotels, self-storage facilities, churches, schools, day care facilities, specialty- medical properties, and assisted living facilities.

Consulting assignments include appraisal reviews, lease recommendations, market studies, ground lease consultations, and buy-sell negotiations.

Assignments have been performed for financing, disposition and acquisition, estate planning, federal estate tax filing, tax appeal, condemnation, internal corporate planning, and foreclosure due diligence. Valuations and market studies have been completed for proposed, partially completed, renovated, and existing structures.

Clients served include commercial banks, life insurance companies, mortgage bankers, law firms, accountants, investment firms, developers, as well as private and public agencies.

### **EDUCATION:**

#### **UNIVERSITY OF MICHIGAN**

School of Business Administration

Bachelor of Business Administration, 1993

Concentration in Finance and Real Estate

#### **WALSH COLLEGE**

Master of Science in Finance, 2002

Magna Cum Laude

Course work in Business Valuation, Real Estate Finance, and Lease Finance

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## **APPRAISAL INSTITUTE**

### **Courses Completed:**

- Standards of Professional Practice, Part A, 1993
- Standards of Professional Practice, Part B, 1994
- Standards of Professional Practice, Part C, 1999
- Appraisal Principles, 1994
- Appraisal Procedures, 1993
- Basic Income Capitalization, 1993
- General Applications, 1994
- Advanced Income Capitalization, 1994
- Highest & Best Use/Market Analysis, 1994
- Advanced Sales Comparison & Cost Approach, 1996
- Report Writing & Valuation Analysis, 1996
- Advanced Applications, 1997
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets, 2012

### **Seminars Completed:**

- Building Construction In Michigan, 1995
- Small Hotel/Motel Valuation, 1997
- Non-Residential Demonstration Report Writing, 1998
- Appraisal Office Management, 1999
- Attacking and Defending an Appraisal for Litigation, 1999
- Appraisal Review – General, 2001
- Effective Report Writing, 2002
- The Road Less Traveled: Special Purpose Properties, 2003
- Rates and Ratios, 2003
- Regression Analysis, 2003
- Uniform Standards For Federal Land Acquisitions, 2003
- National USPAP Update, 2004
- Michigan Appraiser Licensing Law & Rules, 2004
- Appraisal of Local Retail Properties, 2004
- Appraisals and Real Estate Lending, 2004
- Appraising Convenience Stores, 2005
- Business Practice and Ethics, 2005
- Mortgage Fraud, 2006
- Reappraising, Readdressing, Reassigning, 2007
- Analyzing Distressed Real Estate, 2007

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National USPAP Update, 2007  
Appraisal Issues In Publicly-Funded Land Transactions, 2007  
Effective Bank - Appraiser Communication, 2007  
Appraisal Issues in Publicly Funded Land Transaction, 2007  
Capstone Realty Sources: Land Conservation Marketplace I, 2009  
Appraisal Curriculum Overview (Two-Day General), 2009  
Spotlight on USPAP: Common Errors and Issues, 2009  
Michigan Economy, 2009  
Online McKissock: Michigan Law, 2009  
Online McKissock: 2008-09 National USPAP Update, 2009  
Spotlight on USPAP: Confidentiality, 2010  
Business Practice and Ethics, 2010  
Data Verification Methods, 2010  
Spotlight on USPAP: Appraisal Review, 2011  
Michigan Economy, 2011  
Online McKissock: Michigan Law, 2011  
Online Analyzing Distressed Real Estate, 2011  
National USPAP Equivalent Course 2010-2011, 2011  
Spotlight on USPAP: Agreement For Services-Instructions, 2011  
Preparing Valuation Disclosures, Entire MI Tax Tribunal, 2011  
Supervising Appraisers, A Mentoring Process, 2012  
Michigan Economy, 2012  
National USPAP Equivalent Course 2012-2013, 2012  
Michigan Laws and Rules, 2012  
Contemporary Topics For Appraisers Involving the MI Tax Tribunal, 2013  
Michigan Economics, 2013  
Great Lakes Chapter Economic Summit, 2013  
Online Subdivision Valuation, 2013  
Contemporary Topics For Appraisers Involving the MI Tax Tribunal, 2014  
Great Lakes Chapter Economic Summit, 2014  
Michigan Economics, 2014  
Appraising Airports and Airplane Hangars, 2014  
National USPAP Equivalent Course 2014-2015, 2014  
Michigan Economics, 2015  
Online McKissock: Michigan Law, 2015  
Government and The Housing Market, 2015  
Great Lakes Chapter Economic Summit, 2015

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**PROFESSIONAL AND TRADE AFFILIATIONS:**

Michigan State Certified General Appraiser #1201004033

Ohio State Certified General Appraiser #2011002568

Member, Appraisal Institute (MAI), Certificate No. 11570

Leadership Ann Arbor Program, Ann Arbor Chamber of Commerce, 2006-2007

Treasurer, Southeast Michigan Subchapter of the Great Lakes Chapter of Appraisal Institute, 2001-2003

Board of Directors, Great Lakes Chapter of Appraisal Institute, 2007-2011

Chairperson, Membership Development, Retention and Development, Great Lakes Chapter of Appraisal Institute, 2007-2012

Assistant Regional Ethics Administrator For Region III, Appraisal Institute, 2004-2007

Regional Member Ethics Administrator For Region III, Appraisal Institute, 2008-2009

Chair, Ethics Administration Division, Appraisal Institute, 2010-2011

Chair, Ethics Appeals Panel, Appraisal Institute, 2012

Member, Professional Standards and Guidance Committee, 2013

Secretary, Great Lakes Chapter of Appraisal Institute, 2013

Treasurer, Great Lakes Chapter of Appraisal Institute, 2014

Vice President, Great Lakes Chapter of Appraisal Institute, 2015

President, Great Lakes Chapter of Appraisal Institute, 2016

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## **KAREN L. PAUL**

An associate of the Gerald Alcock Company since 1998 preparing and managing valuation and consulting assignments.

Valuations have been performed on various properties including, but not limited to subdivision analysis, general commercial properties, multiple family properties, industrial buildings, professional and medical office buildings, manufactured housing communities, and vacant land for a variety of uses.

Consulting assignments include market studies and feasibility analysis.

Assignments have been performed for financing, disposition and acquisition, estate planning, tax appeal, condemnation, internal corporate planning, foreclosure due diligence, and litigation support. Valuations and market studies have been completed for proposed, partially completed, renovated, and existing structures.

Subdivision analysis includes detached single family, attached condominium and mixed use neighborhoods.

Clients served include commercial banks, mortgage bankers, law firms, accountants, developers, as well as private and public agencies.

### **EDUCATION:**

#### **UNIVERSITY OF MICHIGAN**

Bachelor of Science, Management and Communications 1991

#### **APPRAISAL INSTITUTE**

Courses Completed:

Income Approach - Part B

Advanced Sales Comparison and Cost Approaches

Seminars Completed:

Subdivision Analysis

Testing DCF Valuation Models

Eminent Domain and Condemnation

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Analyzing Distressed Real Estate  
Appraising from Blueprints and Specifications

### **INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS**

#### **Courses Completed:**

Fundamentals of Real Property Appraisal  
Appraisal of Land  
Mass Appraisal of Residential Property  
Income Approach to Valuation

### **MICHIGAN ASSESSOR'S ASSOCIATION**

#### **Courses Completed:**

Legal Descriptions  
Public Finance  
Industrial Appraisal  
Demonstration Appraisal Report

### **MCKISSOCK**

#### **Courses Completed:**

Construction Details and Trends  
Introduction to Expert Witness Testimony  
Current Issues in Appraising  
Michigan Law  
Introduction to Green Building

### **PROFESSIONAL ACCREDITATIONS**

Michigan State Certified General Appraiser #1201004585

Retired, Certified Level III, Michigan State Assessor's Board

### **BUSINESS EXPERIENCE**

1998 to present: Gerald Alcock Company; Fee Appraiser

1983 to 1998: City of Livonia; Department of Assessment  
Appraisal Supervisor – Residential, Commercial and Industrial

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## **Zoning Ordinance**

**5:10.19. - D1 and D2 downtown districts.**

- (1) *Intent.* 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.
- (2) *Uses of land.*
- (a) *Uses in the D1 and D2 districts are allowed in accordance with Table 5:10.19A - Schedule of Uses.* The following key is to be used with the Schedule of Uses:
1. *Permitted uses.* In accordance with section 5:6, these uses are permitted by right in the district. These uses may be mixed within a building, unless otherwise specified in this chapter. Permitted uses are identified with a "P".
  2. *Special exception uses.* In accordance with sections 5:6 and 5:104, these uses may be allowed in a district subject to review and approval by the Planning Commission. Special exception uses are identified with an "S."
  3. *Prohibited uses.* These uses are not permitted in the district. Prohibited uses are identified with an "X."
  4. *Related zoning regulations.* The Schedule of Uses lists additional related zoning regulations that apply to specific uses. This list is not comprehensive and all uses must comply with all applicable laws and regulations.

<b>Table 5:10.19A - Schedule of Uses: D1 and D2 Downtown Districts</b>
<b>P=Permitted S=Special Exception X=Prohibited A=Active</b>

Use	D1 Downtown Core	D2 Downtown Interface	Related Zoning Regulations
<b>RESIDENTIAL</b>			
Single- or 2-family dwelling	P	P	
Multiple-family dwelling	P	P	
Fraternity, sorority or student cooperative	P	P	
Rooming or boardinghouse	P	P	
Emergency shelter	P	P	
Convalescent or nursing home	P	P	
<b>LODGING</b>			
Hotel	P	P	
Bed & breakfast	P	P	
<b>CIVIC AND INSTITUTIONAL</b>			
Religious assembly	P	P	
Educational services	P	P	
Day care center	P	P	
Community center	P	P	

Social or service club	P	P	
Library	P	P	
Government office	P	P	
Courthouse	P	P	
Park or plaza	P	P	
Museum	P	P	
<b>OFFICE</b>			
Office—General or business	P	P	
Office—Medical or dental	P	P	
Office—Veterinary	P	P	
Medical Laboratory	P	P	
<b>COMMERCIAL</b>			
Bank, credit union or financial services	P	P	
Retail sales	P	P	
Restaurant or bar	P	P	
Personal or business services	P	P	

Outdoor sales, permanent	P	P	<u>Section 5:10.15(2)e</u>
Outdoor sales, temporary	P	P or S	Sections <u>5:10.15(2) f, g and h</u> ; <u>section 5:104</u>
Conference center	S	X	<u>Section 5:104</u>
Theater	P	P	
Entertainment—General	P	S	<u>Section 5:104</u>
Entertainment—Adult	X	X	<u>Section 5: 50</u>
Funeral services	P	P	
Drive-through facility	S	S	<u>Section 5:104</u>
Vehicle fueling station	S	S	<u>Section 5:104</u>
Vehicle sales or rental	S	S	<u>Section 5:104</u>
Vehicle repair or storage	S	S	<u>Section 5:104</u>
Vehicle wash	S	S	<u>Section 5:104</u>
<b>INDUSTRIAL &amp; TRANSPORTATION</b>			
Warehouse	X	P	



Building materialswholesale	X	P	
Construction/trade contractors	X	P	
Fabrication—Metal & canvas	X	P	Performance standards of <u>Section 5:10.24(f)</u>
Assembly or manufacturing	S	S	Performance standards of <u>section 5:10.24(f)</u> ; <u>section 5:104</u>
Printing or publishing	P	S	<u>Section 5:104</u>
Parking structure	S	S	<u>Section 5:104</u>
Parkinglot—Principal use	S	S	<u>Section 5:104</u>
Transitcenter or station	P	P	
Wireless communications facility	S	S	<u>Section 5:6</u> ; <u>section 5:82</u> ; <u>section 5:104</u>
Broadcasting facility	P	S	<u>Section 5:104</u>
Utility substation	P	P	
Railroad	P	P	

(3) *Area, height and coverage requirements.*

- (a) Except as otherwise provided in this chapter, regulations governing area, height, coverage and open space in the D1 and D2 downtown districts shall comply with the requirements in Table 5:10.19B.

<b>Table 5:10.19B. Schedule of Area, Height, Open Space and Coverage Requirements: D1 and D2 Downtown Districts</b>								
<b>Zoning District</b>	<b>Maximum Usable Floor Area in Percentage of Lot Area (FAR)</b>		<b>Minimum Height</b>		<b>Max. Building Height</b>	<b>Max. Building Coverage</b>	<b>Min. Open Space</b>	<b>Min. Gross Lot Size</b>
	<b>Normal (without Premiums)</b>	<b>With Premiums (Sections 5:64—5:65)</b>	<b>In Feet</b>	<b>In Stories</b>				
D1	400% of lot area	700% of lot area 900% of lot area with affordable housing premiums	24	2		None	None	None
			(1) The minimum		See Character			

			<p>height requirement shall apply only to new principal use buildings constructed after the effective date of this ordinance (December 26, 2009); otherwise none.</p> <p>(2) The usable floor area of the second story must be a minimum of 75% of the first story usable floor area.</p>		<p>Overlay Zoning District Massing Standards (Table 5:10.20A)</p>			
D2	200% of lot area	400% of lot area	24	2	See Character Overlay Zoning	80% of lot area	10% of lot area	None

					District Massing Standards (Table 5:10.20A)			
			(1) The minimum height requirement shall apply only to new principal use buildings constructed after the effective date of this ordinance (December 26, 2009); otherwise none. (2) The usable floor area of the second story must be a minimum of 75% of the					

			first story usable floor area.				
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- (b) *Relationship to downtown character overlay zoning districts.* The D1 and D2 downtown zoning districts shall be further regulated by the downtown character overlay zoning districts. Unless otherwise specified in this chapter, regulations identified for both the downtown district and the applicable downtown character overlay zoning district shall apply.

(4) *Parking structures.*

- (a) In the D1 district, an off-street parking structure is not permitted at the level of the adjacent street unless separated from the street by a portion of the building that is occupied by a permitted use or uses, with the exception of the portion of a parking structure that provides vehicular or pedestrian access to the street. The permitted use(s) shall be located within the building and have a minimum depth of 25 feet from the exterior of the front wall.

1. On corner lots, this requirement shall apply to lot frontages on primary streets, as defined in section 5:10.20(4). If none of the street frontages is a primary street, an off-street parking structure must be separated from at least 1 street frontage by a portion of the building that is occupied by a permitted use, with the exception of the portion of a parking structure that provides access to the street.

- (b) In the D2 district, an off-street parking structure shall be located a minimum of 10 feet from the front lot line at the level of the adjacent street and provide a landscape buffer or screening wall between the building and the front property line.

- (c) In the D1 and D2 districts, any wall of an off-street parking structure that abuts a residential zoning district shall contain no openings or be separated from the lot line by a building occupied by a permitted use or uses.

(Ord. No. 6-84, 4-9-84; Ord. No. 23-92, § 1, 5-18-92; Ord. No. 2-96, § 1, 2-20-96; Ord. No. 09-28, § 6, 11-16-09)



## **Warranty Deed**



WARRANTY DEED

M104452

On April 2, 2014, The City of Ann Arbor, a Michigan municipal corporation, whose address is 301 E. Huron St., Ann Arbor, Michigan 48104 (Grantor) conveys and warrants to Fifth Fourth, LLC, a Michigan limited liability company, whose address is 300 South Thayer St., Ann Arbor, Michigan 48104 (Grantee) the real property commonly known as 350 S. Fifth Ave., Ann Arbor, Michigan 48104, in the City of Ann Arbor, Washtenaw County, Michigan, more particularly described on Exhibit A (the Premises).

For the sum of Five Million Two Hundred Fifty Thousand and no/100 dollars (\$5,250,000.00).

Subject to easements of record and the reversion and permitted encumbrances shown on Exhibit B.

Grantor grants to Grantee the right to make zero land divisions under Section 108 of the Land Division Act, being Act No. 288 of the Public Acts of 1967.

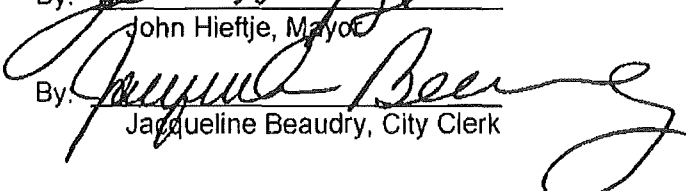
CITY OF ANN ARBOR, a Michigan  
municipal corporation

Dated: April 2, 2014

By:

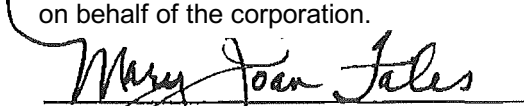
  
John Hieftje, Mayor

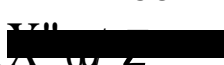
By:

  
Jacqueline Beaudry, City Clerk

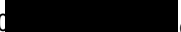
STATE OF MICHIGAN  
WASHTENAW COUNTY

The foregoing instrument was acknowledged before me this April 2, 2014 by John Hieftje, Mayor and Jacqueline Beaudry, Clerk of the City of Ann Arbor, a Michigan municipal corporation on behalf of the corporation.

  
Mary Joan Fales, Notary Public  
State of Michigan, County of Monroe  
Acting in the County of Washtenaw  
My Commission expires October 7, 2015

WASHTENAW COUNTY. TREASURE  
TAX CERTIFICATE NO. 

Time ted t e cord

Date - 20  o fr

Drafted by:  
Mary Joan Fales (P37142)  
Ann Arbor City Attorney's Office  
301 E. Huron St.  
Ann Arbor, MI 48104

and when recorded return to:  
Steven Zarnowitz  
300 S. Thayer St.  
Ann Arbor, MI 48104

**MloUJ-ISZ-**  
send subsequent tax bills to: Grantee

Tax 1.D. No. 09-09-29-404-001

Transfer Tax: Exempt from State Transfer Tax under MCL 207.526(h)(i)  
Exempt from County Transfer Tax under MCL 207.505(h)(i)



EXHIBIT A  
Legal Description

Land located in the City of Ann Arbor, County of Washtenaw, State of Michigan, and described as follows:

PARCEL 1:

Lots 3 and 4 in Block 3 South of Huron Street, Range 5 East, Original Plat of Village (now City) of Ann Arbor, as recorded in Transcripts, Page(s) 152, Washtenaw county Records.

PARCEL 2:

Lot 5, Block 3 South of Huron Street, Range 5 East, Original Plat of Village (now City) of Ann Arbor, as recorded in Transcripts, Page(s) 152, Washtenaw County Records.

PARCEL 3:

The South 30 feet of Lot 6, and the North 36 feet of Lot 6, Block 3 South of Huron Street, Range 5 East, Original Plat of Village (now City) of Ann Arbor, as recorded in Transcripts, Page(s) 152, Washtenaw County Records.

Commonly known as: 350 S. Fifth Ave., Ann Arbor, MI 48104.

OIC  
RD  
4-3-14

EXHIBIT B  
Reversion and Permitted Encumbrances

Grantor's Right of Reversion. Time Limits, and Conditions on Exercise

This conveyance is subject to the Reversion Time Limits stated herein below and title shall revert to Grantor or Grantor's successors ("Right of Reversion") if Grantee fails to (a) obtain a final certificate of occupancy for a building consistent with covenants stated below in Exhibit B prior to January 1, 2018 ("Reversion Time Limit"). The Premises and any and all appurtenant fixtures and improvements thereon, as of the date of reversion, shall revert to Grantor, free of any lien or encumbrance upon (i) payment by Grantor to Grantee of lesser of \$4,200,000 (the "Asking Price") or (ii) the appraised value of the Premises on January 1, 2018, or the extension date ((if applicable). An extension of time will be made by Grantor of the Reversion Time limit under the following circumstances: (A) when work is delayed on account of conditions which could not have been foreseen, or which were beyond the control of Grantee and which were not the result of its fault or negligence; or (B) delays due to acts of God. Grantee shall be required to notify the Grantor within sixty (60) days of an occurrence or conditions which in the Grantee's opinion entitles it to an extension of time. The notice shall be in writing and shall allow for a full investigation and evaluation of the Grantee's claim. In situations where an extension of time is deemed appropriate by Grantor, Grantee understands and agrees that the only available remedy for events that cause any delays in completion shall be extension of the required time for issuance of a final certificate of occupancy for the building and the date of reversion in favor of Grantor, (b) complete all construction activities and obtain certificates of occupancy within the term of the required permits for construction, as such permits may be renewed or extended.

Notwithstanding anything to the contrary, the Right of Reversion is subject to the following term:

1. Grantor agrees not to unreasonably withhold, condition or delay the approval or issuance of any permit, application or other administrative action related to the construction and development of the Premises. Notwithstanding the above, Grantor shall not be required to act in any manner that violates applicable laws, rules, ordinance or regulations.

Grantor's Right of First Refusal. Conditions on Exercise

This conveyance is subject the reservation of a right of first refusal by Grantor to purchase, assign, or otherwise receive the Premises at the lesser of the sale, assignment or transfer price offered and agreed upon by any 3rd party. In the event Grantee receives an acceptable bona fide 3rd party offer to purchase, assign or otherwise receive the Premises, Grantee shall provide a copy of said offer to Grantor and Grantor shall have no more than sixty (60) days from the date of receipt of the offer to exercise its right of first refusal. Said right of first refusal shall expire upon the issuance of a final certificate of occupancy for the building.

Covenants and Restrictions

1. Grantee covenants that is shall develop and improve the Premises consistent with the terms and conditions set forth in the Rider to the Purchase and Sales Agreement by and between the Parties dated November 19, 2013 (referred to in the document as "Dahlmann's Promised Uses") and restated herebelow:

- (i) a building with a minimum of 400% Maximum Usable Floor Area in Percentage of Lot

Area (FAR), as defined by Ann Arbor City Code.

(ii) a building that includes, without limitation, destination retail/restaurant space on the first floor, large plate office space on the second floor, and residential apartments on the remaining upper floors. (with no residential apartment to exceed 3 bedrooms).

(iii) a substantial landscaped open space, as defined by Ann Arbor City Code that has a minimum area often percent (10%) of the total square footage of the Property, including a grand fountain of similar size to the existing fountain located in front of the Campus Inn located at E. Huron and State St.

(iv) a building constructed and site plan that will adopt and be bound by the recommendations of the City's Design Review Board;

(v) parking provided on-site, in accordance with City ordinance requirements, with access to such parking effected via an existing unobstructed City below-grade interconnection with the City's library Lane Parking Structure.

(vi) a building and site plan that will be based on the best available standards for energy efficiency as defined by Ann Arbor City Code.

2. Grantee covenants and agrees to engage in discuss with Ann Arbor Area Transportation Authority ("the AAATA") in good faith to determine whether Grantee can help facilitate AAATA's goal of limiting on-street bus transit and/or storage on Fifth and Williams within the immediate area of Blake Transit Center.

3. Grantee covenants and agrees, if requested by Grantor, to allow Grantor the use of the Premises to mount an antenna for the purposes of wireless voice and data access (i.e. transmission and reception) which antenna may not interfere with the building's operations or with any commitments to other antenna or vendor agreements in place at the time of Grantor's request.

4. Each of these covenants and restrictions shall run with the land from the date of this conveyance. Each of these covenants and restrictions shall be extinguished, automatically and without need for further filing, at such time as the respective conditions associated with each covenant and restriction are fully satisfied. Grantor or Grantor's assigns agree to provide such additional documentation that Grantee or Grantee's successors and assigns may reasonably require to evidence that such covenants and restrictions have been extinguished. Whenever any of the parties hereto is referred to, such reference shall be deemed to include and apply to the successors and assigns of such party.