

## **APPRAISAL OF**

0.80 Acres S. Fifth Avenue  
a.k.a 350 S. Fifth Avenue  
City of Ann Arbor, Washtenaw County, MI 48104

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As-Is Date of Valuation: November 4, 2022

For:  
Ann Arbor Housing Development Corporation



## **GERALD ALCOCK COMPANY, LLC**

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December 7, 2022

Ms. Jennifer Hall  
Secretary / Treasurer  
Ann Arbor Housing Development Corporation  
2000 South Industrial Highway  
Ann Arbor, Michigan 48104

Re: Appraisal of 0.80 acres (350 S. Fifth Street), Ann Arbor, Washtenaw County,  
MI 48104

Dear Ms. Hall:

As requested, we have completed an appraisal of the above-mentioned property and the findings are submitted in this report. The purpose of this appraisal is to express an opinion of the current a's-is' market value of the fee simple title interest in the above referenced real property.

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

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

This is an appraisal presented in an Appraisal Report; the "Required Statements" section of this report offers descriptions of these terms. The appraisers may consider, with due cause and explanation, omitting certain approaches from the appraisal in accordance with USPAP.

*On March 13, 2020, the United States Government declared a "National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak", which was in effect on the Effective Date of this Appraisal Report. In addition, on March 23, 2020, the State of Michigan Government declared a "State Shutdown", which had been lifted as of the Effective Date of this Appraisal Report although some restrictions remained. At the time, the effect of COVID-19 on the future value of the Subject Property or the value of the real estate market in the area of the Subject Property is unknown and not possible to predict. The client may consider having the property re-appraised once market conditions have stabilized and the current levels of uncertainty have abated.*

December 7, 2022  
Ms. Jennifer Hall  
Ann Arbor Housing Development Corporation

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It is our opinion that the current 'as-is' market value of the fee simple title in the subject property, as of November 4, 2022, is:

**Six Million Two Hundred Thousand ( \$6,200,000 ) Dollars.**

This market value estimate is made subject to the "General Assumptions and Limitations of Appraisal," and the following "Extraordinary Assumptions." There are no "Hypothetical Conditions" to this report.

- 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.
- Our analysis herein relies upon factors of development indicated by the underlying Planned Unit Development designation for the subject, as well as a conceptual plan devised by SmithGroup, which is dated November 9, 2022. A development scenario significantly deviating from that outlined herein may impact the subject's market value.

The use of this appraisal is for asset management and financial planning.

The intended user(s) is the Ann Arbor Housing Development Corporation and the City of Ann Arbor.

The appraisers have not identified any other party as an intended user of this appraisal. Receipt of a copy of this appraisal by such a party or any other third party does not mean that the party is an intended user of this appraisal. Such parties are advised to obtain an appraisal from an appraiser of their own choosing if they require an appraisal for their own use.

This letter of transmittal is not an appraisal report, however, it is part of the following appraisal, which reveals the data used and methods applied in estimating the value. This letter and report must not be separated because together they provide the necessary detail and analysis for explaining and supporting the value opinion for the subject property.

December 7, 2022  
Ms. Jennifer Hall  
Ann Arbor Housing Development Corporation

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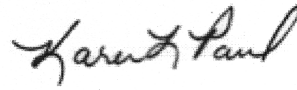
The attached report, comprising 10 sections and no exhibits, is an explanation of the method of valuation.

Respectfully submitted,

Gerald Alcock Company, LLC

Handwritten signature of Michael T. Williams in black ink.

Michael T. Williams, MAI  
Certified General Appraiser  
Michigan License No. 1205004033

Handwritten signature of Karen L. Paul in black ink.

Karen L. Paul  
Certified General Appraiser  
Michigan License No. 1205004585



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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: According to municipal records, the subject is owned by the City of Ann Arbor.
- Tax Identification: 09-09-29-404-001
- Type of Report: This is an Appraisal Report.
- Occupancy: Improved parking lot
- 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.
- Site improvements include asphalt paved parking for 86 vehicles, site lighting, parking bollards and light peripheral landscaping. Utility service boxes are located along the northern property line. There is a curb cut along E. William Street.
- Utilities: The subject site is serviced by all customary municipal utilities.
- Zoning: Planned Unit Development (PUD) with underlying D-1, Downtown Core District
- Highest & Best Use: For development to a mixed use development in tandem with its underlying PUD / D1 zoning designation
- Potential Development: In tandem with the PUD and D1 zoning designation, the subject is envisioned with an 18-story, 310,000 square foot, mixed use development that combines grade level commercial use with upper floor apartment occupancy. Within the residential component, the PUD outlines the number of dwelling units to be dedicated to 'affordable housing,' while reserving the balance for 'at market' rental. Thus, following a conceptual plan by SmithGroup, dated November 9, 2022, there will be 296 residential units with 136 units, or 46% of the total, dedicated to



affordable housing. There will be 160 'at-market' units. The mix will be one- and two-bedroom configuration. Grade level commercial space will comprise about 5,450 square feet. Amenities to the project include below grade tenant storage areas, bike storage, community and fitness areas and outdoor public spaces. There will be no on site parking.

The PUD further stipulates that along the northern boundary an area of land being a minimum width of 30-feet, and 25 feet in height - running the full course between E. Fourth Street and E. Fifth Street, be dedicated to the Blake Transit Center for development of a bus lane.

Construction will be steel frame with contemporary architectural appeal with exterior building materials that may include precast concrete, brick and glass panels.

Interest Appraised: Fee simple estate

Estimated  
Market Value:

Current, As Is	11/04/2022	\$6,200,000
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General

Assumptions: The preceding market value estimates are 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.
- Our analysis herein relies upon factors of development indicated by the underlying Planned Unit Development designation for the subject, as well as a conceptual plan devised by Smith Group, which is dated November 9, 2022. A development scenario

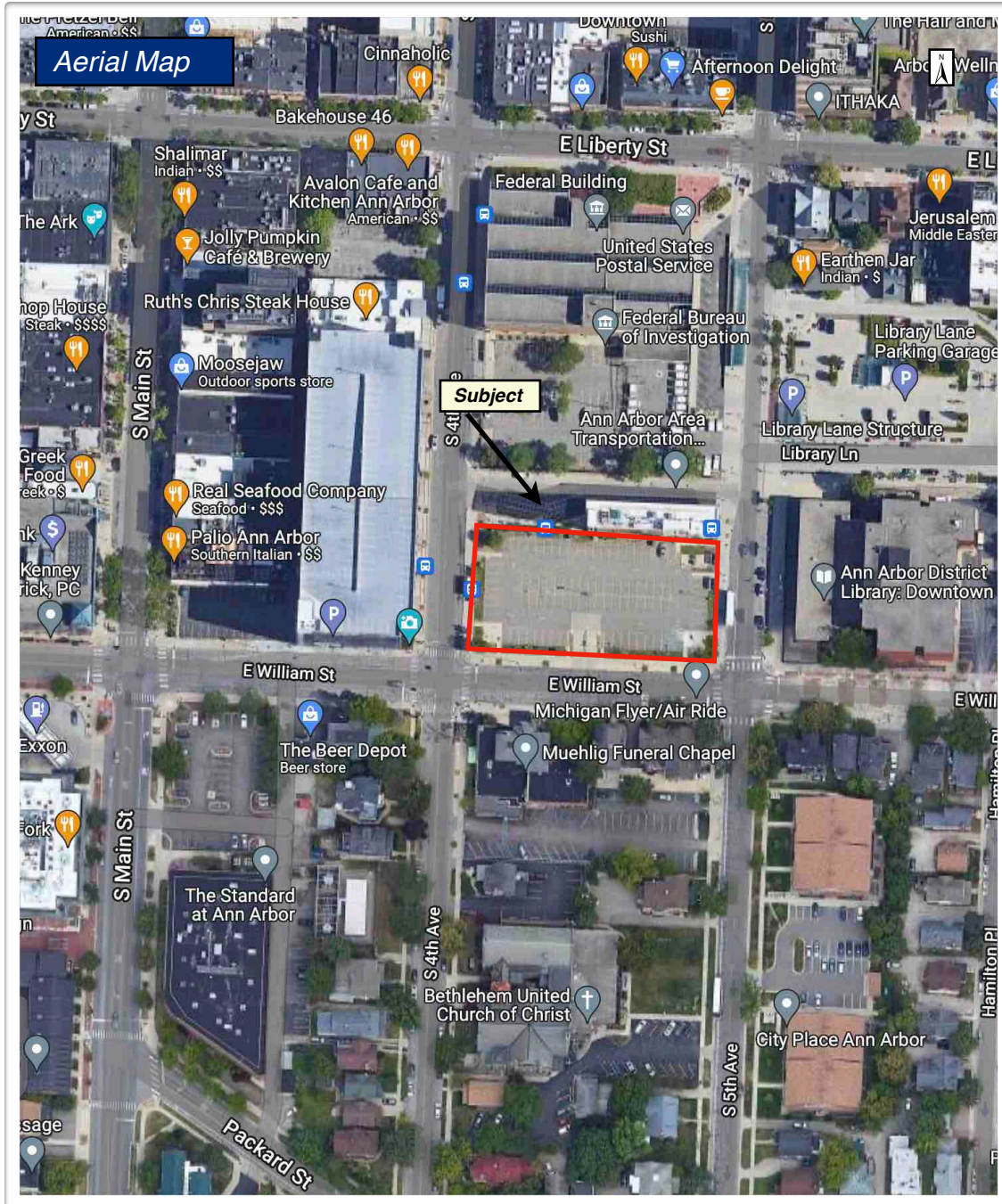


significantly deviating from that outlined herein may impact the subject's market value.

Hypothetical  
Condition:

- None



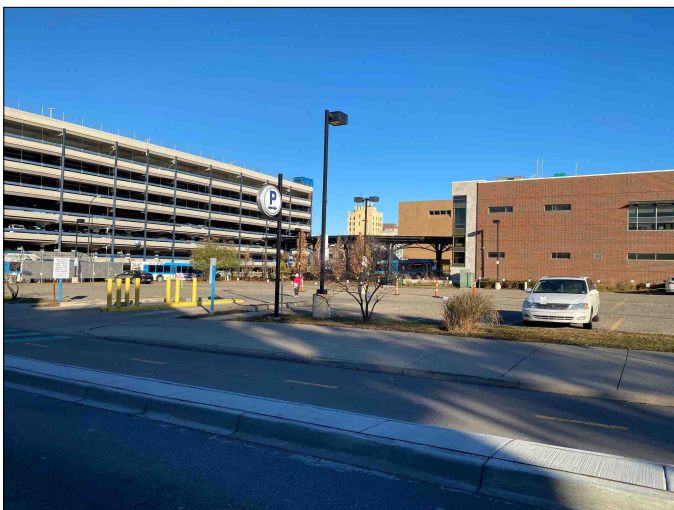




Looking North Across Central Region of the Site from E. William Street



Looking Northeast Across the Subject from E. William Street



Looking Northwest Across the Subject from E. William Street



Looking West Across the Subject from S. Fifth 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 Number and Legal Description

09-09-29-404-001

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

### Client

The appraisers were engaged by the Ann Arbor Housing Development Corporation to prepare this appraisal report.

### Property Owner

According to municipal records, the property is owned by the City of Ann Arbor.

### Occupancy

The subject parking lot improvements stem from its ownership and use as a municipal parking lot.

### Title Interest

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.



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

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



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## **Purpose, Definition of Market Value, Intended Use and User, and Scope of Work**

### **Purpose**

The purpose of this appraisal is to estimate the current 'as-is' market value of the fee simple title interest of the subject property as of the effective date, based on its highest and best use and subject to the conditions and limitations stated in this report.

### **Fee Simple Estate (Interest)**

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, the definition of market value is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and by the passing of title from seller to buyer under conditions whereby:

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

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<sup>1</sup>The Dictionary of Real Estate Appraisal, 6th Edition, Appraisal Institute, Chicago, IL, 2015, p. 90

<sup>2</sup>As defined in the Board of Governors of the Federal Reserve System, in accordance with Title XI of FIRREA (1989).



## **Intended Use and User**

The use of this appraisal is for asset management and financial planning.

The intended user(s) is the Ann Arbor Housing Development Corporation and the City of Ann Arbor.

## **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. In addition, the appraisers used the following sources to provide information pertaining to the subject property such as current assessment, special assessment, and zoning data pertinent to the subject property.

- City of Ann Arbor Municipal Offices
- Washtenaw County GIS
- Federal Emergency Management Agency (FEMA)
- Google 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. Government officials, and real estate brokers conducting business in the area of the subject were contacted regarding supply, demand, and market trends.

### Market Data Sources

Physical data for each individual comparable sale is detailed at within the "Sales Comparison Approach," subsection of this report. The sources of this data are cited at this section. Real estate brokers conducting business in the area of the subject were



interviewed regarding recent real estate activity in the area. Sources of additional general market data are listed as follows:

- Data files of the Gerald Alcock Company, LLC
- City of Ann Arbor
- Various Area Brokers
- Costar

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.





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## DESCRIPTION OF PROPERTY

### Regional and Local Data

As shown below, the appraisal property is found in the city of Ann Arbor, Washtenaw County, Southeastern Michigan.



The following discussion will provide an overview of the major demographic and economic characteristics of Washtenaw County and Ann Arbor, as reported by ESRI, a national demographic and marketing firm.



### Population and Households

The city of Ann Arbor had an annual change of 0.6% per year over the 2-year period from 2020 to 2022. From 2022 to 2027, the population in the community is anticipated to grow by 0.1%, annually. Washtenaw County shows similar increases.

<b>Population &amp; Household Trends</b>					
	2020	2022	2027	Compound Annual Change	
				2020-2022	2022-2027
<b>Population</b>					
Ann Arbor	123,851	125,260	126,152	0.6%	0.1%
Washtenaw County	372,258	376,078	378,065	0.5%	0.1%
<b>Households</b>					
Ann Arbor	49,948	50,622	51,109	0.7%	0.2%
Washtenaw County	147,847	149,601	150,654	0.6%	0.1%

Source: ESRI

The growth in households generally mirrors the population trends.

### Median Household Income

Median household income is one indicator by which area incomes may be measured and compared. Median household income is used over average household income because the latter tends to be misleading, particularly in areas where there is a disproportionate share of college, military, or other institutional-style populations housed in-group quarters. Median household income levels are illustrated at the Table next. The reader should note that the figures cited in the Table below are expressed in current dollars.

<b>Median Household Income</b>			
	2022	2027	Compound Annual Change
			2022-2027
Ann Arbor	\$78,661	\$93,297	3.5%
Washtenaw County	\$83,526	\$98,750	3.4%

Source: ESRI

Median household incomes are expected to increase at a modest rate for both study areas over the next five years.



## Employment

Important factors in determining present and potential commercial and industrial growth include total employment, the distribution of employment among industry segments and trends in distribution. Important factors in determining present and potential commercial and industrial growth include total employment and the distribution of employment among industry segments. The top employers in Washtenaw County are shown in the table next.

### Top Employers in Washtenaw County

	<u>Employer</u>	<u>Nature of Activity</u>	<u>July 2021 Employment</u>
1	University of Michigan	Education/Health System	34,353
2	Trinity Health	Healthcare	5,166
3	US Government	Government	3,522
4	Ann Arbor Public Schools	Education	2,582
5	IHA Health Services Corp.	Healthcare	1,660
6	Eastern Michigan University	Education	1,370
7	State of Michigan	Government	1,338
8	Faurecia North America	Manufacturing (Auto Supplier)	1,293
9	Domino's Pizza Inc.	Restaurant Franchisor	1,100
10	Thomas Reuters	IT/Software	1,004
11	City of Ann Arbor	Government	785
12	Truck Hero Inc.	Manufacturing (Auto Supplier)	768
13	Ford Motor Co.	Automobile Manufacturer	680
14	Stellantis NV (Formerly FCA USA LLC)	Automobile Manufacturer	653
15	Ypsilanti Community Schools	Education	604
16	U.S. Postal Service	Government (Postal Service)	600
17	DTE Energy Co.	Energy Company	546
	Source: Crain's 2022 Book of Lists		58,024

As shown, the employment base of Washtenaw County is centered around education and health care. The region's largest employer, The University of Michigan, is the largest university in the state of Michigan. Eastern Michigan is another large public university in the state. The University of Michigan's medical focus brings numerous employees to the area at the University of Michigan Hospital. As shown, the government and manufacturing fields have a significant presence in the County's top employers, as well.

## Unemployment

Annual unemployment rates and employment growth rates for the subject's area are summarized next.



### Unemployment Trends

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average	Sept. Average
<b>Ann Arbor</b>										
Labor Force	61,495	62,305	62,780	64,747	64,874	65,149	66,000	62,901	62,930	64,735
Employment	58,500	59,840	60,943	63,227	62,954	63,519	64,400	60,696	61,271	62,953
Unemployment	2,995	2,465	1,837	1,520	1,920	1,630	1,600	2,205	1,659	1,782
Rate	4.9%	4.0%	2.9%	2.3%	3.0%	2.5%	2.4%	3.5%	2.6%	2.8%
<b>Washtenaw County</b>										
Labor Force	184,722	186,775	187,765	193,605	193,566	194,621	200,300	193,659	190,379	196,437
Employment	173,822	177,805	181,082	188,068	186,598	188,693	196,100	181,294	184,269	189,858
Unemployment	10,900	8,970	6,683	5,537	6,968	5,928	4,200	12,365	6,110	6,579
Rate	5.9%	4.8%	3.6%	2.9%	3.6%	3.0%	2.1%	6.4%	3.2%	3.3%
<b>State of Michigan</b>										
Labor Force	4,729,624	4,754,282	4,750,628	4,806,888	4,884,000	4,902,000	4,937,000	4,841,000	4,773,000	4,861,000
Employment	4,311,262	4,408,144	4,492,989	4,563,473	4,657,000	4,699,000	4,736,000	4,363,000	4,563,000	4,688,000
Unemployment	418,362	346,138	257,639	243,415	227,000	203,000	201,000	478,000	210,000	173,000
Rate	8.8%	7.3%	5.4%	5.1%	4.6%	4.1%	4.1%	9.9%	4.4%	3.6%

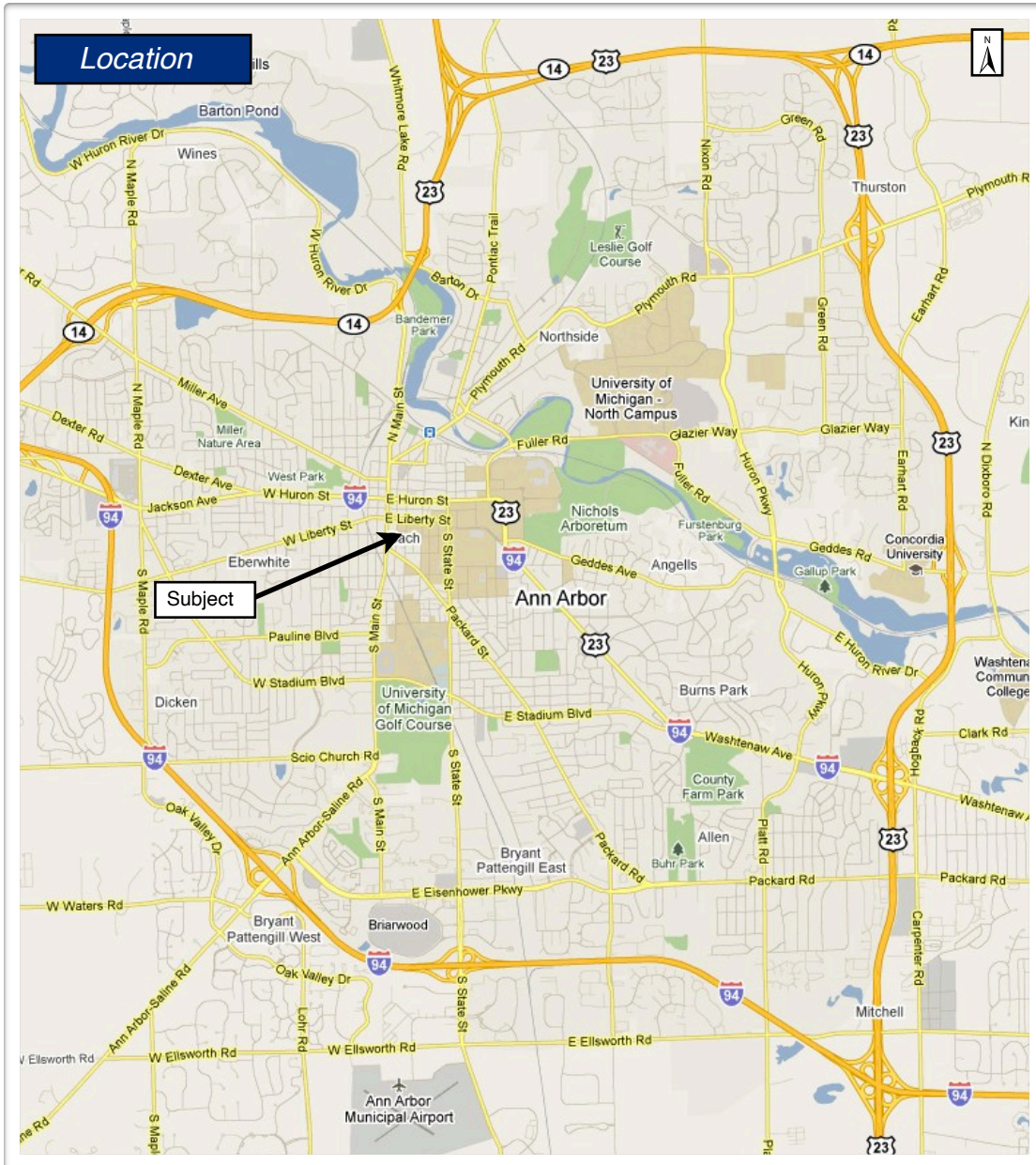
Source: Michigan Department of Technology, Management & budget

As of September 2022, the non-seasonally adjusted unemployment rates for Ann Arbor, Washtenaw County and the State of Michigan are 2.8%, 3.3% and 3.6%, respectively. In 2020, and following the onset of the COVID-19 pandemic, unemployment rates increased into the double-digit range before easing through year-end. Historically, Washtenaw County's unemployment had consistently remained below the state average, with diversity of employment stemming from healthcare, education, manufacturing and tech-based businesses.

In summary, the overall region of Washtenaw County is a relatively stable market, with good access to all commercial, educational, health, and employment facilities, as well as local highways and expressways. Area unemployment rates continue to improve locally and nationally.

### Location and Neighborhood

The subject property is located in the city of Ann Arbor, Michigan.



The city is bordered to the south by Pittsfield Township, at the west by Scio Township, Ann Arbor Township to the north and by Superior, Ypsilanti and Pittsfield Townships along the eastern boundary.

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. Adjacently north is the Blake Transit Center, and to the west is a municipal parking



garage. Heading south, the landscape dilutes with established residential neighborhoods and light commercial use.

Within the Ann Arbor CBD and Campus District, there are several developments that have been brought on line. Given strength of demand, and notably with the D1 zoning designation, these ventures are multi-story. A few of the most predominant 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. 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 appeals to University of Michigan students and working professionals.

The Catherine Ann Development Company has broke ground on a mixed use development located on the west side of Glen Avenue between Catherine and Ann Streets. The nine-story building will have 164 hotel rooms (as part of the Marriott's Autograph collection - addressing the communities unique spirit and history), 24 apartments suites, restaurant, retail, 12,000 square feet of event space and 241 parking spots.

Immediately southwest of the subject is the relatively newer developed student housing project, The Standard. Located along Main Street, there are 235 apartments catering to the growing demand for contemporary student housing. Southward, the Hoover + Greene apartment development continues to capitalize on student housing needs with added amenities of a fitness room, coffee bar, outdoor terrace and gathering areas, media lounge and other conveniences.

At the edge of the CBD infill attached condominium development continues with The Gallery, 309 S. Ashley, and The Garnet offering soft loft appeal, combined with high end finishes, enclosed parking and elevators.

As the subject neighborhood is fully developed, it is considered to be urban in nature, with the institutional 'backdrop' of the University of Michigan. The subject location, 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. Thus, current improvements include asphalt parking to support 86 parking spots, site lighting, parking bollards, and peripheral landscaping. Utility service boxes are located along the northern property line. There is a single curb cut along E. William Street.

Along Fifth Avenue are two glass shelters and service lane for parking of the adjacent Blake Transit Center, while a partially covered 'service' map board and staging area is located along E. Fourth Avenue. Relatively more recent improvements along E. Williams Street include a bike lane and bike racks.

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

### **Easements & Deed Restrictions**

The appraisers were not provided with title work and as such cannot express an opinion as to the existence of current easements or other restrictions on the subject property that would adversely affect the subject's market value or in any way create an exception to clear title. That said, we suggest full title work that would divulge any recorded encumbrances against the land. We note that the subject maintains municipal restrictions of use, outlined within the



Planned Unit Development overlay, approved in early 2022, and discussed within the 'Zoning' section of this report.

## Flood Hazard

According to the Federal Emergency Management Agency (FEMA), the subject property is located outside of a flood plain. An excerpt of the flood map is shown below.



## 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 may pose 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.



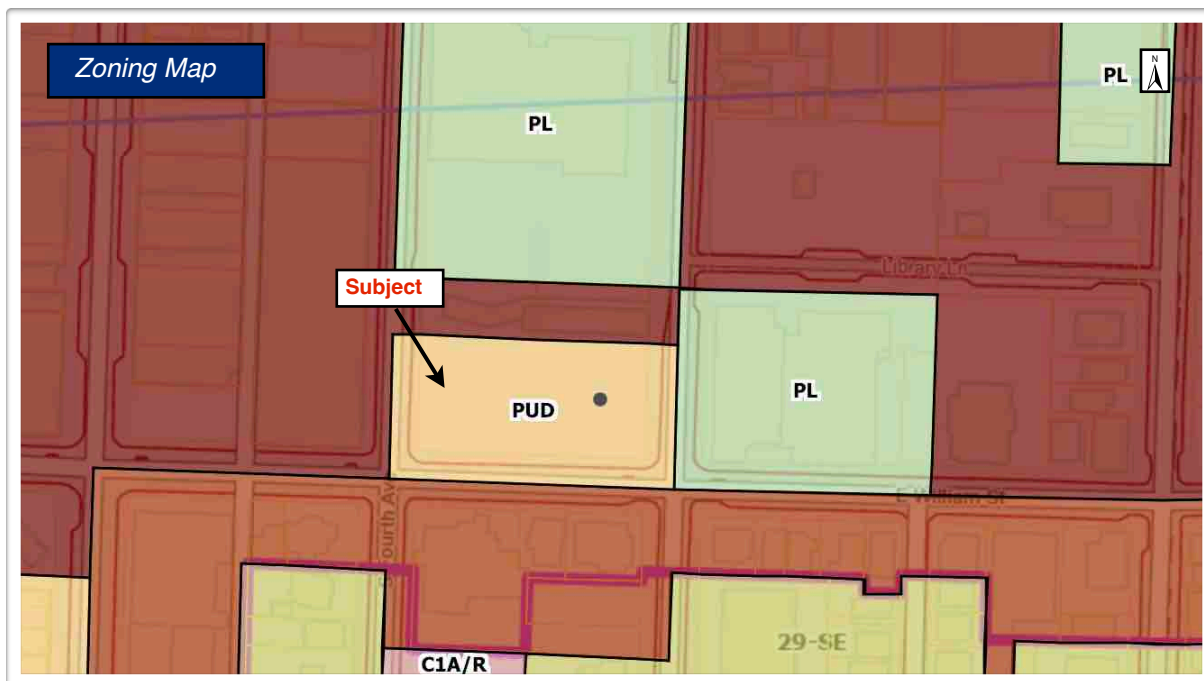


## Assessed Valuation and Taxes

According to the City of Ann Arbor Assessor, the subject is tax exempt. Upon transfer of ownership, the property would be re-evaluated and placed upon the assessment rolls for future tax years. However, with future ownership by a qualifying tax exempt institution, it would be the entity's responsibility to apply for independent tax exempt status with the City.

## Zoning

As shown below, the subject property is zoned PUD, Planned Unit Development District.<sup>3</sup>



The PUD designation allows for the “unique arrangement of development not permitted in any conventional established zoning district...”. The two components of the District is The Affordable Phase, and the Mixed-Income Phase.

Within these two Phases, the following applies to the development of Affordable Housing:

- 100% of the dwelling units within the Affordable Housing phase shall be Affordable Housing Dwelling Units as defined under the United Development Code.

<sup>3</sup> Ann Arbor City Council - Revised and Approved April 4, 2022



- In the Mixed-Income Phase, a minimum of 20% of dwelling units shall be Affordable Housing Dwelling Units as defined under the Unified Development Code.
- The entire PUD District shall provide a minimum of 100 Affordable Dwelling Units and a minimum of 40% of the total number of dwelling units as Affordable Dwelling Units as defined by the Unified Development Code.
- Ongoing compliance with Affordable Housing requirements will be required with monitoring established by the City of Ann Arbor.

The District maintains Sustainability requirements as follows:

- All buildings will be 'fully electric' with all affordable housing being 'net zero' by 2030. Natural gas will be for emergency generator backup only.
- All buildings shall meet or exceed the City's Target Energy Use Intensity (EUI) for each building type consistent with 2030 Zero-Carbon Goals of the City.
- All buildings shall meet or exceed the 2021 International Energy Conservation Code (IECC), inclusive of the Zero Code Appendix.
- All buildings shall meet or exceed the Enterprise Green Communities (EGS), National Green Building Standard (NGBS), or an equivalent national green building standard.

Principal uses of the PUD include those found under the D1 District, which include single and multiple family dwellings, financial and medical offices, retail sales, restaurants and personal service entities. Uses strictly prohibited include fueling station, automobile, truck or construction equipment repair, or vehicle wash.

The maximum usable Floor Area Ratio (FAR) within the D1 District 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 with a maximum height allowance of 180 feet.

Site development regulations of the D1 District apply to the subject with the following exceptions:

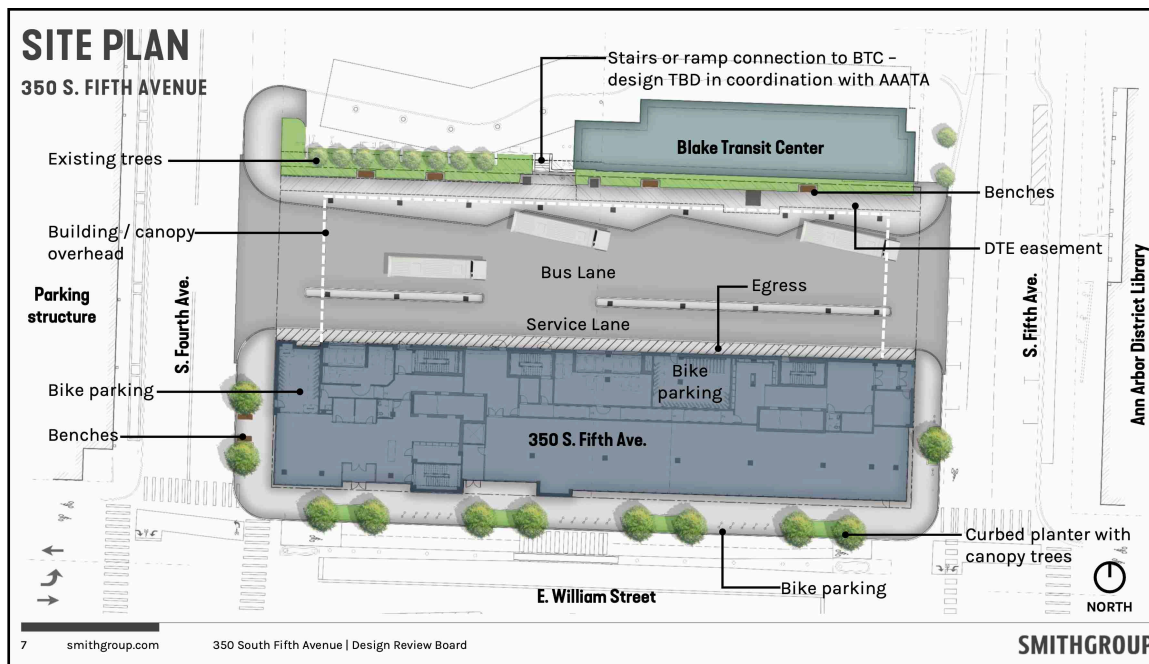
- 50% of the property frontage along Fourth Avenue and Fifth Avenue may exceed the required setbacks.
- Front setback along William Street will be between 0 - 20 feet
- The maximum height of the building(s) shall be 275 feet
- No vehicular parking is required



- An area of 30 feet in depth and 25 feet in height - extending fully between Fourth and Fifty Avenue, shall be provided to the Ann Arbor Area Transportation Authority, for the purpose of expanding or improving public transit access to the Blake Transit Center.
- There are no limitations on the number or width of driveways from Fourth Avenue and Fifth Avenue. No driveways are allowed along William Street.

### Vertical Development

Ultimate development of the subject is uncertain, although given aspects of the Planned Unit Development, a mixed use, anchored by a strong affordable housing presence, is solidly prescribed. From this, we reference a development plan as set forth by the Ann Arbor Housing Commission, and dated November 9, 2022. Formulated by SmithGroup, a potential envisioned development provides for approximately 310,000 square feet of gross building area, set over 18 stories, and containing 296 apartment units and a modest degree of grade level commercial use. With a building height of 228.80 feet, and buoyed by development bonuses related to inclusion of affordable housing and Leadership in Energy and Environmental Design (LEED) building standards, the maximum floor area ratio (FAR) of 900% is achieved. A site plan indicating division of use of the grade level is shown below, followed by architectural renderings and floor layout.



As illustrated, grade level use is heavily influenced by dedication of a bus lane along the northern region for the Blake Transit Center. The lane is required to be a minimum 30 feet in width, 25 feet in height and stretching between S. Fourth Avenue and S. Fifth Avenue. The



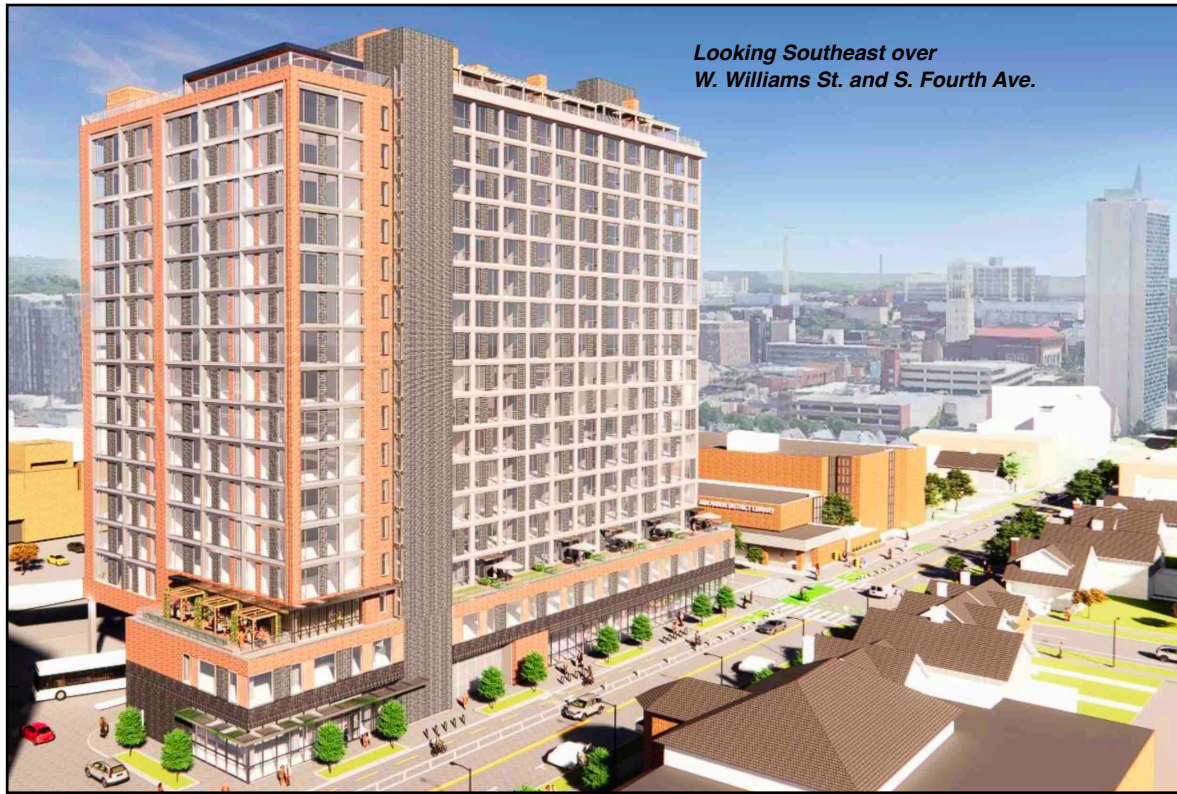
minimum dedicated use is 7,920 square feet, or 0.18 acres, and comprising 23% of total site area.

The following elevation renderings show two towers with grade level retail and bike parking, while upper floors are dedicated to, and visually indivisible, between affordable housing and market rate housing, along with community spaces.

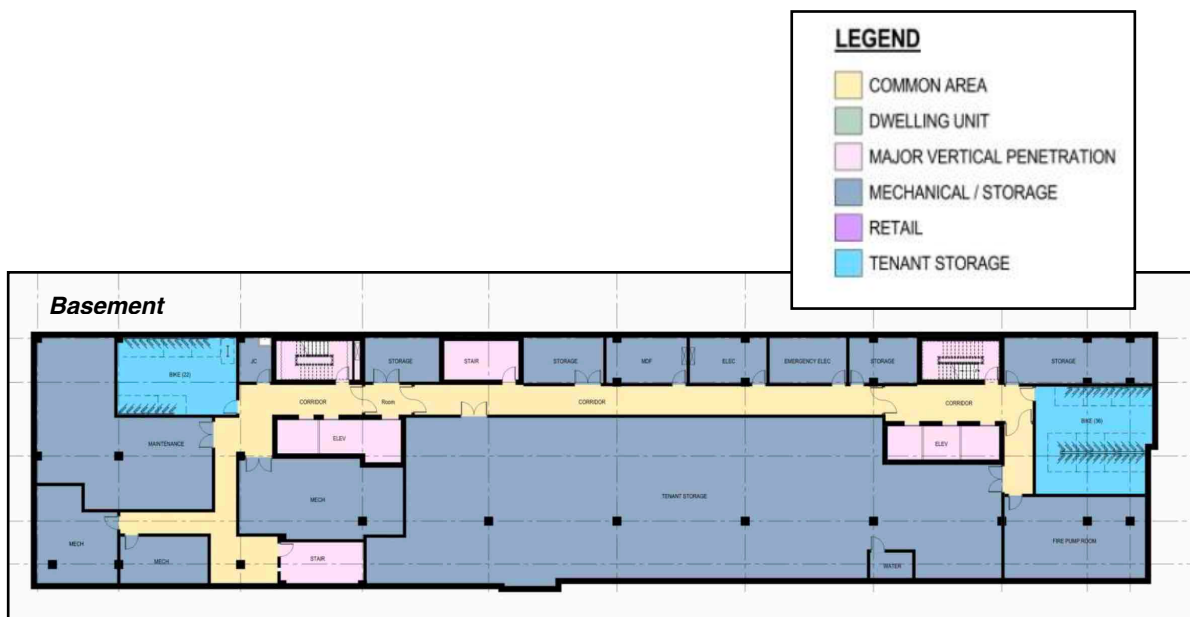


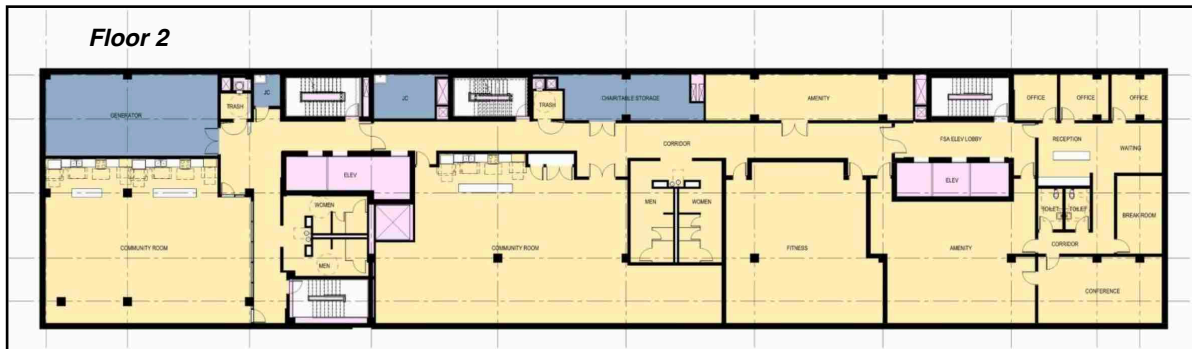
Construction will be steel frame with contemporary architectural appeal that may include precast concrete panels, brick and glass panels.





The following floor plans are equally guided by the 'legend,' which designates division of use.

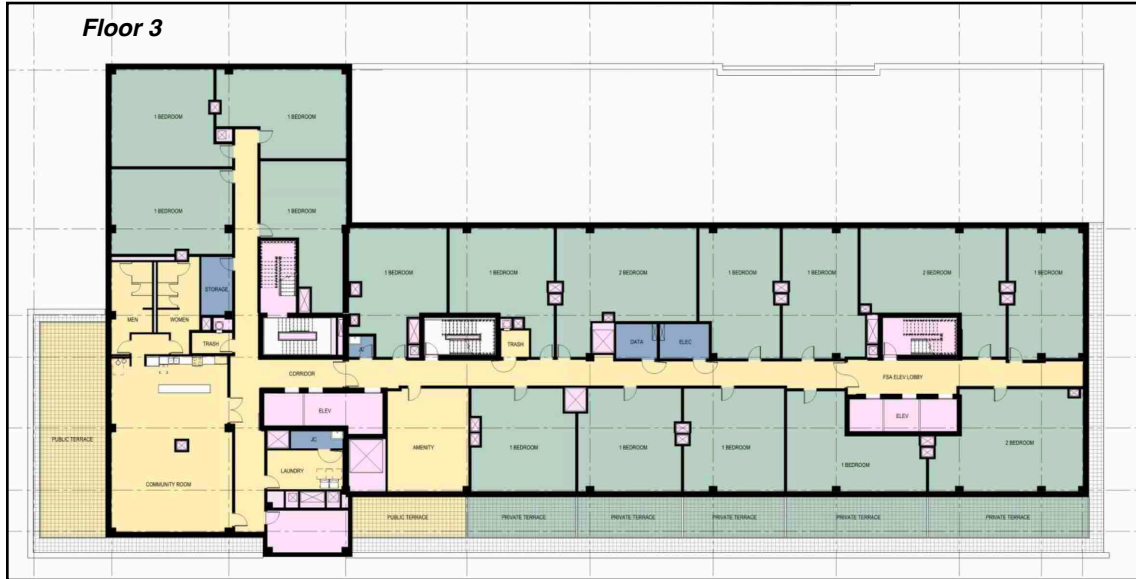




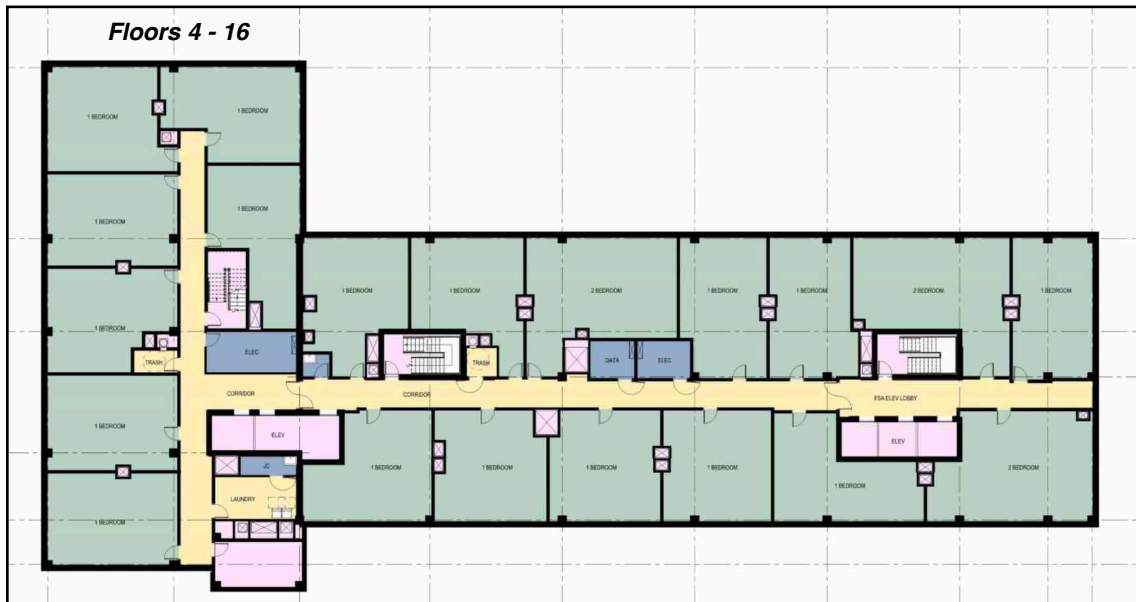
We note open space over the second level that includes community and fitness rooms, flex space, conference and office areas.



The third floor also has an indoor community area, as well as outdoor patio.



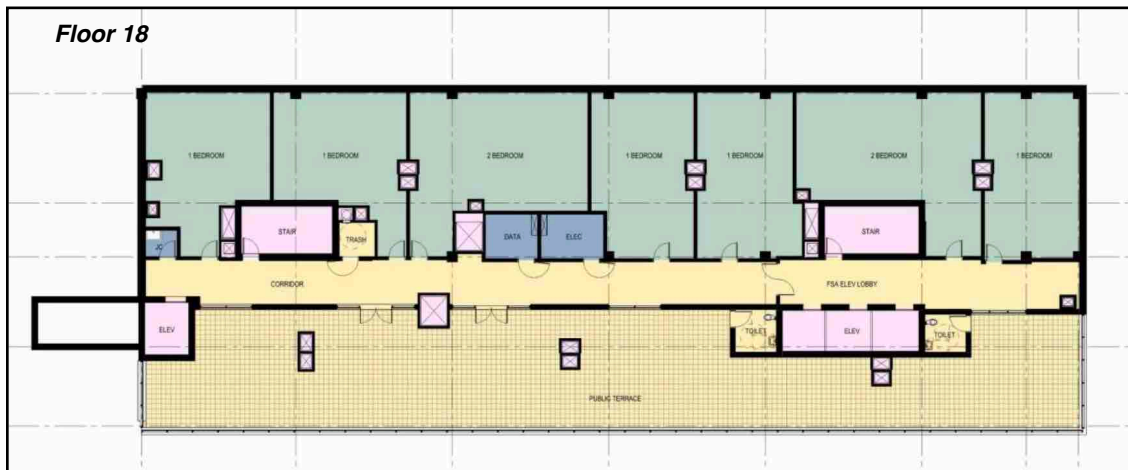
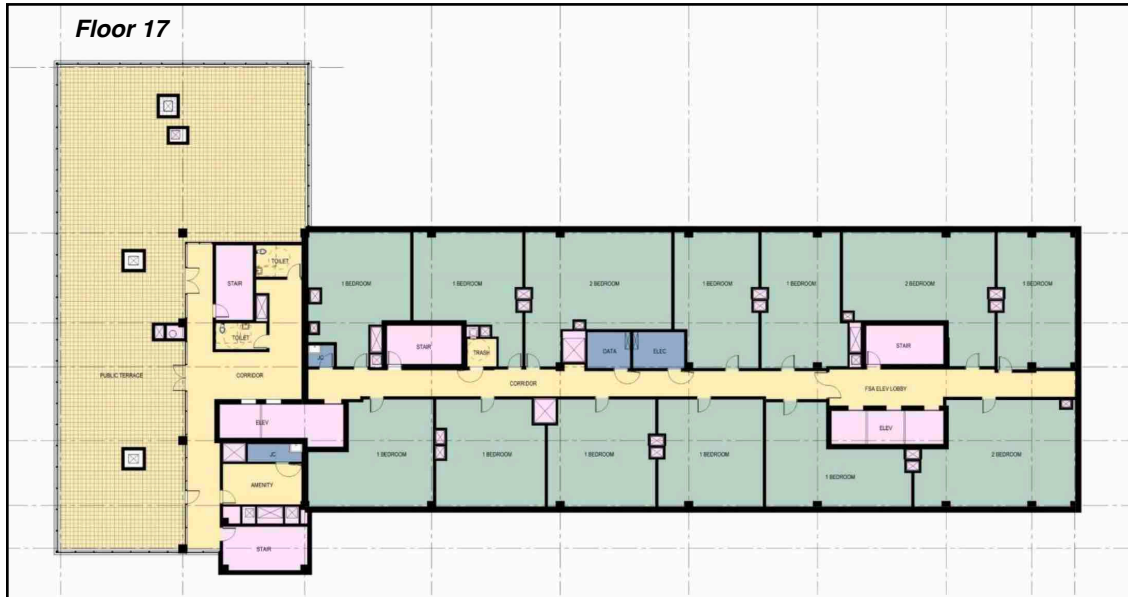
Floors 4 - 16 are dedicated to tenant spaces.







Floors 17 and 18 denote tenant spaces as well as a community terrace.



Based upon this plan, the unit configuration is as follows:

<b>Unit Delineation</b>	
<b>Unit Type</b>	<b>Number of Units</b>
Affordable Housing	
One-Bedroom	121
Two-Bedroom	15
Market Rate	
One-Bedroom	128
Two-Bedroom	32
<b>Total Number of Units:</b>	<b>296</b>



Amenities to the project include tenant storage areas, community and fitness rooms, outdoor gathering spaces, shared laundry rooms and bike parking.

The current 2022 Ann Arbor Rent limits, as calculated at 60% of the Area Median Income (AMI), are indicated below.

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<b>Affordable Housing Rental Rates - City of Ann Arbor</b>	
<b>Unit Type</b>	<b>Rental Rate</b>
Studio	\$1,237
One-Bedroom	\$1,326
Two-Bedroom	\$1,591
Three-Bedroom	\$1,838

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Market rents may ultimately vary depending upon the perceived development reflecting differentials of size, bedroom count, unit amenity, etc. An area survey by CoStar estimates current average market rental rate for all-aged one bedroom units is \$2,250 and \$3,250 for two bedroom units. While approximate, the rents suggest a 40% to 50% deviation between affordable housing rents and market rents.

Grade level retail will encompass about 5,450 square feet. Abutting the retail component to the north is accommodation of the Blake Transit Center bus lane- stretching between S. Fourth Avenue and S. Fifth Avenue.



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## ANALYSIS OF VALUE

### Current Market Conditions and Trends

*On March 11, 2020, the World Health Organization (WHO) officially declared the global outbreak of a “novel coronavirus,” known as Covid-19, a pandemic. In addition, on March 23, 2020, the State of Michigan Government declared a “State Shutdown,” which was in effect until June 1, 2020. As of the effective date of this appraisal report, all businesses had been allowed to slowly re-open.*

#### National<sup>4</sup>

According to the most recent University of Michigan’s Research Seminar in Quantitative Economics, for the U.S. Economic Outlook, dated August 2022, “The first half of 2022 registered two consecutive quarters of negative real GDP growth, prompting some news outlets to declare a recession. We follow business cycle dates as called by the National Bureau of Economic Research. In our view, recent values of the series the NBER panel uses to call recessions are not consistent with the current business cycle having peaked during 2022H1.

Looking beyond the always-volatile growth contributions of net exports and inventory investment, final sales of domestic purchases—real GDP growth less contributions of these two components—added only 0.35 percentage points to GDP growth in 2022Q2, down from 2 percentage points in 2022Q1. Many expected an overshoot in consumption of services above the pre-pandemic trend as virus fears waned. High headline inflation and the gasoline price spike, in particular, likely killed the overshoot. Without it, the economy will struggle to weather global headwinds, the drag from housing, and the ongoing rotation back toward pre-pandemic patterns of goods consumption. As a result, we expect a mild contraction driven by falling consumption.

For now, momentum in the labor market remains strong. In July, payroll employment posted a surprisingly strong gain of 528,000 jobs. However, the upward trajectory in weekly initial unemployment claims, together with the tepid household employment survey data, suggest that peak labor market tightness is behind us.

Year-over-year headline and core CPI inflation may now have peaked, at 9.0 and 6.4 percent, respectively. Despite some relief at the gasoline pump in July and early August, both measures are likely to remain quite high in the near term. There are signs that price inflation is slowing at least for some goods as demand wanes—year-over-year CPI inflation for commodities less food and energy has gradually cooled off from 12.4 percent in February to 6.9 percent in July. Food price inflation has been relentless. Since September 2021, the annualized pace of monthly food inflation has dipped below 10.0 percent just once, and it averaged a whopping 16.5 percent from February to July. In recent weeks, however, most of the early-2022

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<sup>4</sup> University of Michigan, RSQE, August 22, 2022



agricultural commodity price spikes have dissipated. Still, it will likely take some time before market forces manage to slow the momentum of food price inflation.

Russia's invasion of Ukraine has had a large impact on global energy prices, and it continues to reformat the global energy landscape. So far, sanctions on Russian oil have resulted in the redirection of flows away from Europe toward major developing economies. This caused only a temporary spike in the price of oil earlier this year. Further sanctions, with potentially more bite, are looming this winter.

The disruption to the natural gas market has been much more severe. European spot natural gas prices are up tenfold relative to normal levels. The complete shutoff of the Russian pipeline gas flow to Europe this winter looks increasingly likely. A shutoff could severely disrupt European industry, with serious ripple effects on the U.S. economy. One potential silver lining, however, is that Europe's now-insatiable demand for LNG imports has led to a new domestic gas and oil exploration boom and has supercharged U.S. LNG terminal construction efforts. The United States is now the world's largest LNG exporter.

Many indicators point to a swift slowdown in demand for housing in recent months, the result of the affordability crisis unleashed by rising mortgage rates and the past two years of brisk home price appreciation. Combined new and existing single-family home sales fell from about 6.6 million in January to 5.2 million in June. Pending home sales and mortgage applications received from prospective homebuyers continued to fall sharply in recent months and weeks. The National Association of Home Builders' Housing Market Index has been on a downward trajectory since December, falling to well below pre-pandemic levels by August.

For now, the forward guidance is gone from FOMC statements. Moreover, at the July post-FOMC press conference, Chair Powell refrained from offering any specifics about how much the Fed would react to different scenarios, effectively ending the era of clear forward guidance. It is understandable that in a world with so much uncertainty, the Fed would like to keep its policy options open.

Chair Powell recently emphasized that the Fed interprets its target for real activity as concerning the labor market. Hence, as inflation remains elevated, we expect the Fed to keep raising rates until the unemployment rate increases substantially. Given our outlook, we expect the effective fed funds rate to top 4 percent in 2023Q1 and stay there until the Fed begins to lower rates again late in 2023.

In August, the Democrats stitched together several large parts of their agenda related to healthcare, climate, and renewable energy policy and passed them via reconciliation. The bill reshuffles a few hundred billion dollars of taxes over ten years, and limits federal drug spending growth.



A divided government for 2023–24 remains our base outlook, although it no longer looks as inevitable as it did two months ago. We do not expect much fiscal action ahead, notwithstanding the potential for a contentious standoff over the debt ceiling late next year.”<sup>5</sup>

### **RSQE 2022-2024 Outlook<sup>6</sup>**

“We are projecting a modest growth rebound in 2022Q3, but by 2022Q4, service consumption growth is no longer sufficient to compensate for falling spending on goods and the drag from housing. As a result, we are projecting a very mild decline in real GDP over 2022Q4–2023Q2, with a cumulative fall of just over a quarter of a percentage point. Annual growth registers 1.5 percent this year, before slowing to just 0.1 percent in 2023. In 2024, the Fed eases up, and growth rebounds to 1.9 percent.

Core CPI inflation moderates gradually in 2022H2. As overall consumer demand weakens, inflation normalizes more quickly in 2023, allowing the Fed to pause and then reverse rate hikes. On a calendar-year basis, core CPI inflation registers 6.1 percent in 2022, 4.1 percent in 2023, and 2.4 percent in 2024. PCE deflator inflation, the Fed's preferred measure, runs above 2 percent even late in 2024.

The pace of monthly payroll job gains decelerates from 388,000 jobs in 2022Q3 to 88,000 jobs in 2023Q1. Payroll employment declines by 364,000 jobs over the rest of 2023, but the annual average level in 2023 still exceeds that of 2022. Modest job growth resumes in 2024.

After more than a year of severely handicapped production holding sales back, we think there is considerable pent-up demand for vehicles. We expect the auto industry to weather the economic turbulence ahead with no further decline in sales. Annual light vehicle sales total only 13.9 million units in 2022, but increase to 15.7 million by 2024.

We expect total housing starts to soften in 2022H2, reflecting a steep falloff in demand for single-family housing. Housing starts bottom in 2023 at a level that still exceeds their 2019 total. The single-family construction recovery starts in 2024, nudging total housing starts up.”<sup>7</sup>

### **Michigan<sup>8</sup>**

According to the recent University of Michigan's Research Seminar in Quantitative Economics, for August 2022, “Michigan added only 7,100 jobs in the second quarter as April and May showed puzzling job losses. Thankfully, June and July brought better news, leading us to pencil in 30,800 job gains in the third quarter. We are forecasting the pace of quarterly job gains to dip to 6,600 by the end of next year as the national economy enters a stall. Job growth then

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<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> University of Michigan, RSQE, August 31, 2022



inches up to an average of 10,800 jobs per quarter in 2024. We project Michigan to recover to its pre-pandemic employment level in the first quarter of 2024.

Michigan's blue-collar industries likely hold the key to whether the state can continue to grow over the next year and a half. The construction and manufacturing sectors, in particular, have historically been sensitive to rising interest rate environments such as today's. We are hoping that backlogs of demand in those industries will cushion employment through the Fed's tightening cycle.

We nonetheless expect the state's unemployment rate to rise from 4.0 at the end of this year to 4.6 percent in early 2024 before edging back down as the Fed takes its foot off the brakes."<sup>9</sup>

### **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. Despite this, we find continuous levels of rebirth within older economic cores. Notably, the city of Detroit has prospered with billions of dollars in private and public investment toward revitalizing the aged Central Business District (CBD). The cities of Birmingham, Royal Oak, Brighton, Howell, Chelsea and Plymouth all represent continuous renewal of CBD properties. Demand for new, or refreshed retail, entertainment, and restaurant space is supplemented by vertical improvement for apartment and condominium units. Office space remains less in demand largely owing to already existing supply within the cores.

To be considered, the fallout of the COVID-19 pandemic continues to exert pressure on even the best recovery efforts. Vacancies, notably those within office properties remain elevated. According to Moody's Analytics the national office vacancy rate as of First Quarter 2022 stands at 18.1%, a slight improvement from the height of the pandemic which registered at 18.5%. It also signifies the first annual decline in five years. Large metropolitan areas such as Chicago, Los Angeles, New York City, Boston and Washington, D.C., are reported as 'top gainers.' While CBRE's Spring 2022 U.S. Office Occupier Sentiment Survey indicates that office occupancy levels will increase through 2022, there remains opposing forces that suggest alternative workspaces - whether at home, through hybrid arrangement, or within contemporary offsite abodes such as WeWork, many companies are finding the efficiencies of such arrangements compelling enough to rethink space demands beyond their current terms. Indeed, CBRE indicates that 53% of companies are leaving the decision to employees as to work arrangement, while only 31% are following prescriptive timelines for return to office.

The following CoStar market statistics encapsulate an area of the Central Business District, defined within the map excerpt.

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<sup>9</sup> Ibid



Office and Retail Market

CoStar reports the following vacancy and rental data for retail and office properties within the study area.




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**Market Summary - Central Business District**

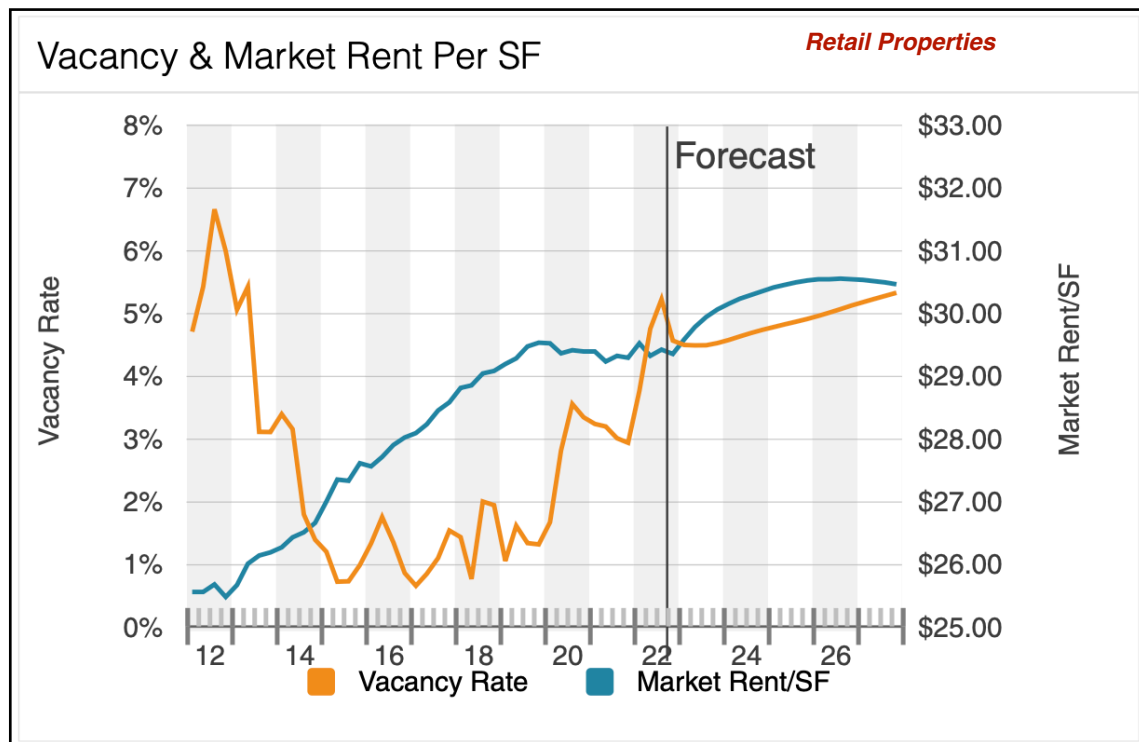
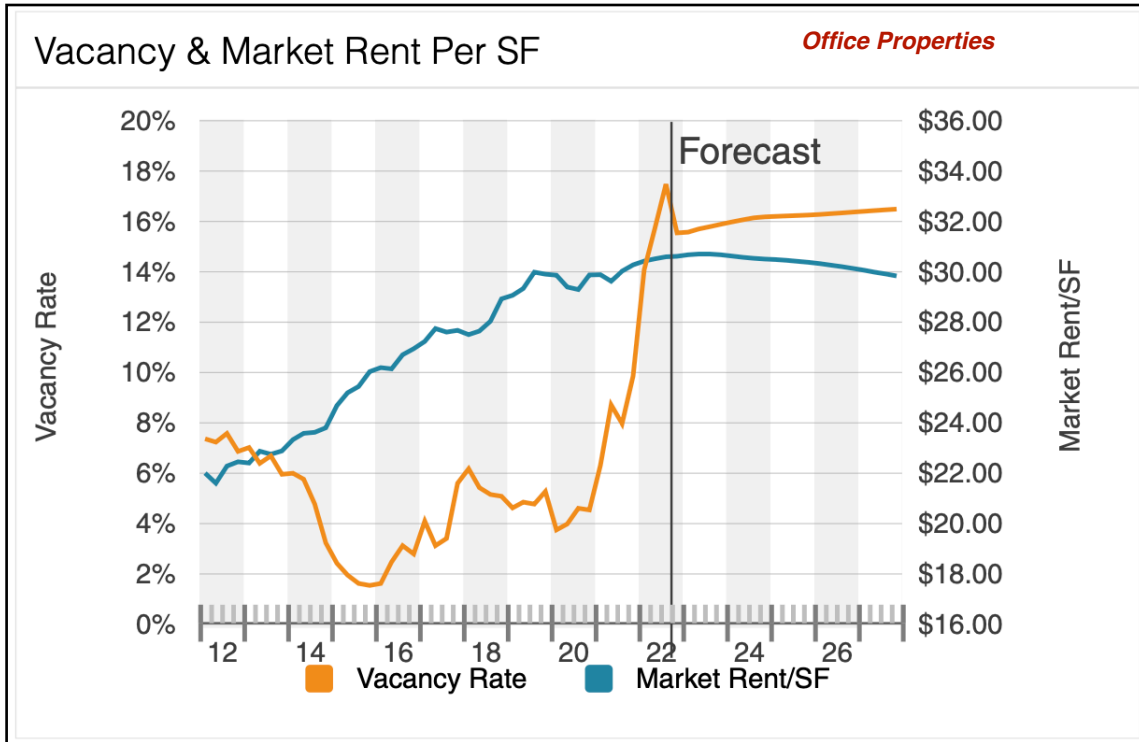
	<u>Office Market</u>	<u>Retail Market</u>
<b>Total Buildings</b>	114	189
<b>Rentable Building Area (SF)</b>	2,016,186	1,230,218
<b>Vacancy</b>		
Current	14.2%	4.3%
4Q2021	8.2%	2.6%
4Q2020	4.0%	3.3%
4Q2019	5.1%	1.1%
<b>Net Absorption</b>		
YTD	(120,897)	(20,185)
2021 Net	(86,264)	8,299
2020 Net	23,921	(26,648)
2019 Net	23,130	5,129
<b>Typical Asking Rent</b>	<b><u>FS Gross</u></b>	<b><u>Triple Net (NNN)</u></b>
Current	\$34.16	\$38.65
2Q2021	\$33.35	\$43.33
2Q2020	\$30.71	\$40.28
2Q2019	\$31.77	\$34.35

Source: CoStar

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CoStar's history and forecast of vacancies and rental rates are shown in the following graphs.







The office vacancy rate was just above 4.0% as of year-end 2020, with swift and continued upward pressure through the current term. The current vacancy rate is 14.2%. CoStar forecasts the rate to slightly increase through 2026 - with the fallout of demand largely behind us. The average overall asking rent has increased 7.4% since 2019, and is currently estimated at \$34.16 per square foot, with gross terms. Demographers estimate market rent will hold steady over the immediate term, with slight recession through 2026.

Retail vacancies have increased since 2019, with lingering economic uncertainty. The current rate is 4.3%, with demographers foreseeing moderate upward climb through 2026 - and a rate just above 5.0%. The triple net asking retail rental rate has wavered and is currently estimated at \$38.65 per square foot. Rents will remain fairly stable over the next few years.

### Multifamily Market

There are 94 multifamily properties, encompassing 2,620 units, within the immediate cited area of the CBD. The vacancy rate has wavered, but appears fairly stable at 5.6%. The average rental rate is \$2,996 - with an average unit size of about 700 square feet. The rental rate has increased since 2019, reflecting both demand and location.

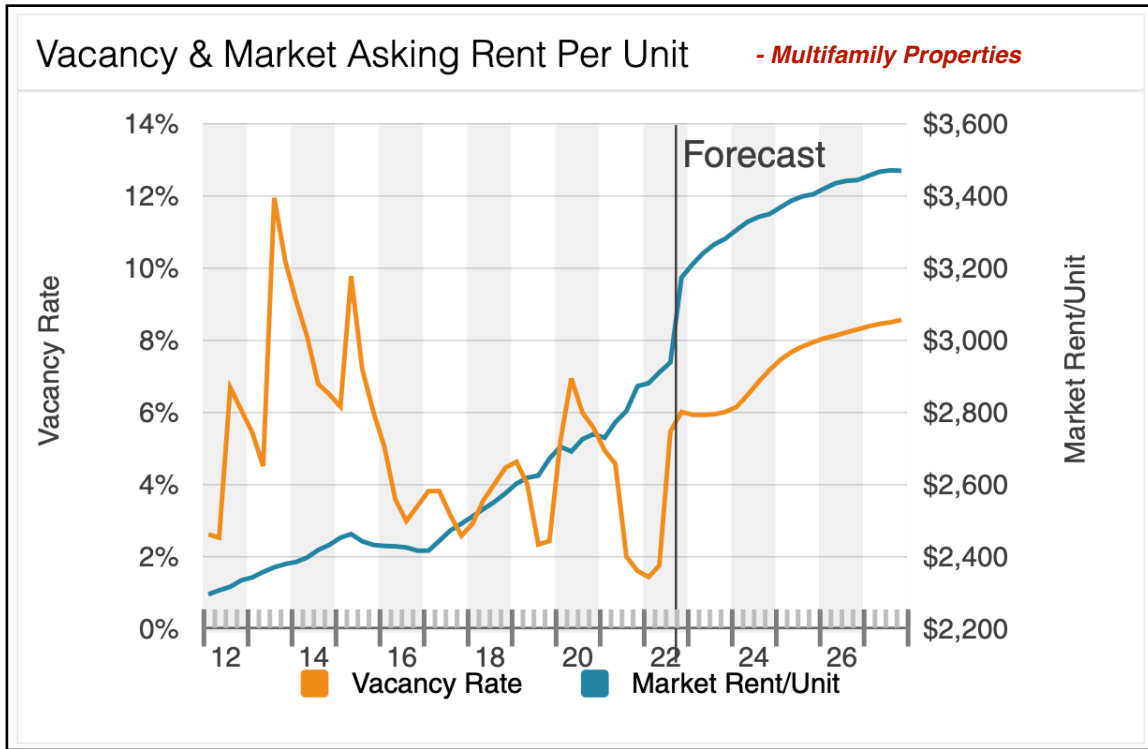
#### **Multifamily Market Summary - Central Business District**

	<b>Multifamily Market</b>
<b>Total Buildings*</b>	94
<b>Number of Units</b>	2,620
<b>Vacancy</b>	
Current	5.6%
2Q2021	5.1%
2Q2020	1.9%
2Q2019	5.4%
<b>Asking Rent per Unit</b>	<b>Average</b>
Current	\$2,996
2Q2021	\$2,870
2Q2020	\$2,737
2Q2019	\$2,669

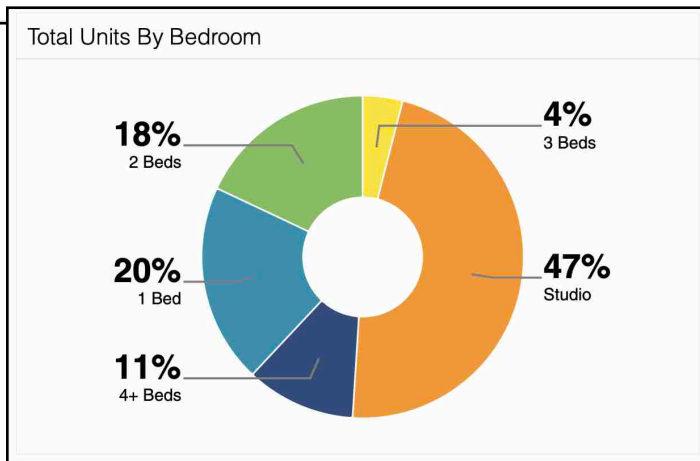
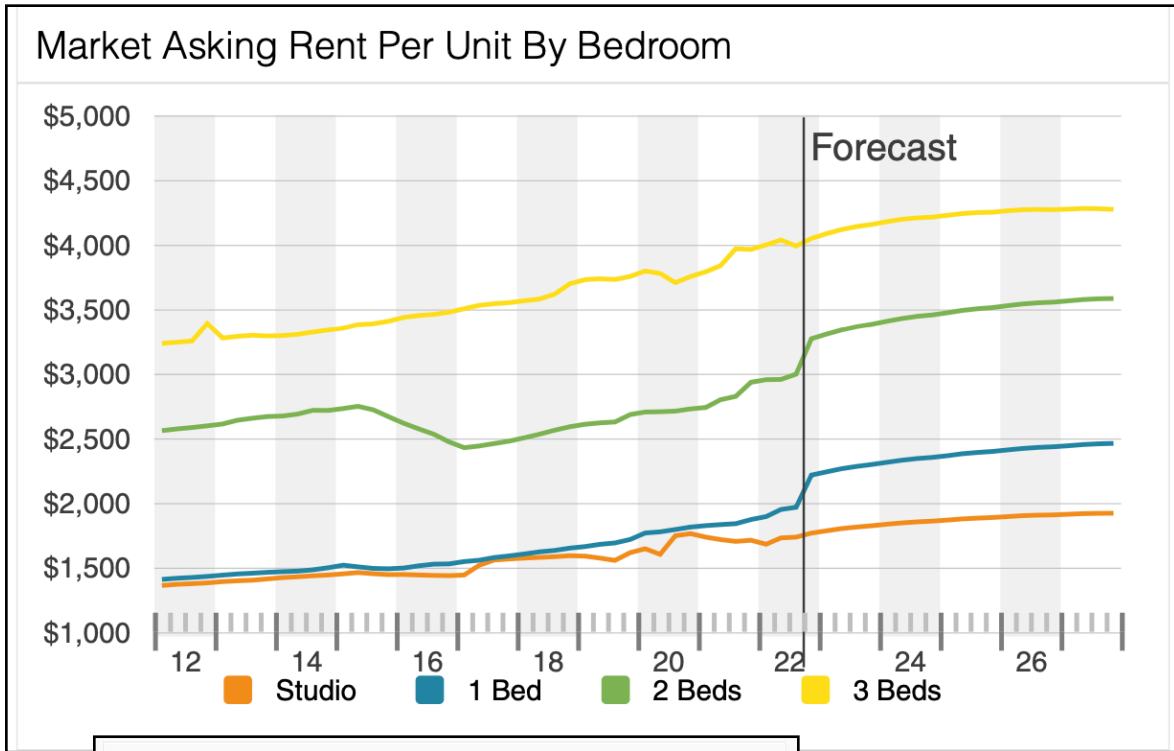
\* Includes Apartments & Student Housing

Source: CoStar

CoStar estimates the vacancy rate will increase over the nearer term - cresting 8% by 2026. As occupancy has long been upheld within the CBD, the increase likely owes to impending new supply to the market. The rental rate will also increase - reflecting contemporary supply.



Shown in the following excerpt, market rent is distributed by unit type, with studio configuration representing 47% of inventory. Conversely, three- and four-bedroom units make up only 15% of cited units. Market rent for all unit types will increase over the future term.



Affordable Housing

Realtor.com reports that as of February 2022, the median rent in the 50 largest metros reached \$1,792 per month - up 17.1% over one year prior. Renters earning the typical household income devoted 29.7% of the income to lease a typical for-rent home. According to the National Low Income Housing Coalition, there is a shortage of rental homes available to low income households - those whose incomes are at or below the poverty guideline, or 30% of



their area median income. In Michigan, there are 319,644 renter households that are extremely low income, while the shortage of rental homes is estimated at 203,130 units.

As previously discussed under the multifamily section, new and existing housing rental rates continue to push upward. As such, the City of Ann Arbor has long encouraged a mix of housing that will adapt to the needs of the market while recognizing an edge of affordability for homebuyers that maintain household income levels below the median income levels identified for the area. The current 2022 Ann Arbor rental rate limits are currently as follows:

<b>Affordable Housing Rental Rates - City of Ann Arbor</b>	
<b>Unit Type</b>	<b>Rental Rate</b>
Studio	\$1,237
One-Bedroom	\$1,326
Two-Bedroom	\$1,591
Three-Bedroom	\$1,838

This limits represent 60% of the Area Median Income (AMI) level. As to redevelopment of the subject property, rental limits may vary between 50% and 60% of the AMI.

While being progressive toward housing opportunity, the City of Ann Arbor continues to encourage 'green' building, of which a few projects have been more recently brought to fruition, including one targeting student housing that focused on incorporating LEED specifications. For Instance, The Veridian at County Farm project, located outside of the CBD, will combine both municipal initiatives and bring forth climate-friendly affordable housing - the first within the city and highly dependent upon unified cooperation, and to the extent possible, subsidization by local government. The City has also altered its course that will require developers of certain residential projects to include a prescribed level of affordable housing units within their mix - as opposed to 'paying' into an affordable housing fund, which had historically been the chosen option. Thus, while the City has long encouraged affordable housing standards, it is now making it a primary focus, along with progressive eco-friendly construction.

## **Highest & Best Use**

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

The reasonably probable use of property that results in the highest value.<sup>10</sup>

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

<sup>10</sup> The Appraisal of Real Estate, 15th Edition, Appraisal Institute, Chicago, IL, 2020 p. 318



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.

The property is first analyzed "As Though Vacant" and then "As Improved." This is done in consideration of a premise, which states "as long as the value of the property as improved is greater than the value of the site as unimproved, the highest and best use is the use of the property as improved." Because the subject property is eyed for demolition of site improvements, the "As Improved" analysis is not applicable.

### **As Though Vacant:**

#### 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 use for a municipal-owned parking lot. Given historical vertical buildout, we assume soils are suitable for development. We 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 zoned Planned Unit Development (PUD) with an underlying D1, Downtown Core District zoning designation. The PUD designation allows for a high density, mixed use development with mandatory inclusion of an affordable housing component. In addition, all buildout will meet or exceed local and national standards for green buildout.



### 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. Currently, 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.

As to future development, a rezoning of the property in April 2022 to a Planned Unit Development District (PUD) was enacted to guide future use of the property, with the underlying intent to include a component for affordable housing - as well as stipulations for local and national energy conscious 'green building' specifications. A mixed use may incorporate weighted representation of an affordable housing use, along with the balance of the project representing fee simple division of ownership (condominium), or at-market rentals toward a residential use. In addition, grade level space may be designated for commercial use - such as retail, restaurant or person service use. In the current market, vacancies for office properties remain elevated. While the retail vacancy rate has also increased, it is nonetheless dispersed with the Central Business District remaining a destination-oriented location. Current projects are moving through fruition, however, as developers report, costs to develop are increasingly lofty and subject to risk as inventory and labor remain in short supply. Coupled with increased interest rates, the margin for profit has become more uncertain. Demand for space - primarily a mixed use with grade level retail and upper floor dedicated to residential use, may continue to attract investor interest, although along with internal factors of risk and uncertainty navigating municipal requirements for development with set requirements to include affordable housing into any scenario, would certainly contribute against factors of profitability. That said, the subject is utilized as a surface parking lot, which is considered to be an underutilization of the site. Thus, over the nearer term, it may be plausible to assume continued investor interest - albeit perhaps narrowed to a select margin of developers who are adept within the field, who may navigate the current economic forces. This is especially pertinent given PUD requirements that bear weight of an affordable housing component and partial dedication of grade level land to the Blake Transit Center for a bus lane. Based upon this, we consider that the development to a mixed use under the Planned Unit Development may provide a positive net return to the land, in excess to that generated for its current flat parking lot use.



### 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 Planned Unit Development District, approved for the subject.

## **Methods and Date of Valuation**

There are three generally recognized approaches to valuing real property: The cost approach, the sales comparison approach, and the income approach. Each of the three approaches has inherent strengths. In the selection of the procedures and techniques to be used in a valuation, the appraiser must consider the strength of the valuation approach and the nature of the subject property and choose those approaches, which will produce supportable estimates of market value. Each method and its applicability in the appraisal are discussed.

### 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. In valuing income-producing properties, this approach generally sets an upper limit to value. This is based on the tenet known in appraising as the principle of substitution which, “. . . states that a prudent purchaser would pay no more for real property than the cost of acquiring or developing an equally desirable substitute. . . .”<sup>11</sup>

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 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

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<sup>11</sup> Real Estate Appraisal Terminology, The American Institute of Real Estate Appraisers and the Society of Real Estate Appraisers, 1975, Ballinger Publishing Company, Cambridge, Massachusetts, P. 201.





debt service are estimated. The resulting estimated net operating income (NOI or  $I_0$ ) is then capitalized into an indication of value using a market related 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 Sales Comparison Approach and its Appropriateness in this Analysis

The sales comparison approach, is defined as "[an] appraisal technique in which the market value estimate is predicated upon prices paid in actual market transactions (...). It is a process of correlation's and analysis of similar recently sold properties. . ." <sup>12</sup>

The sales comparison approach is typically used in valuing properties such as the subject, when there is an adequate amount of reliable sale information for comparable properties. Because there is adequate recent sales data from the local market, the sales comparison approach is considered an appropriate method for estimating market values in the analysis at hand.

#### Summary

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

#### **Effective Date of Valuation**

The 'as-is' valuation date for the subject property is November 4, 2022.

#### **As Is Market Value - Sales Comparison Approach**

The sales comparison approach is based on the principle of substitution. Market value is estimated by comparing and contrasting the appraised property to sales and listings of similar properties. To be truly comparable, a property sale must have not only a similar highest and best use, but also similar locational appeal, physical features, and condition.

The analysis will compare and adjust the sale or unit price of each comparable property sale to reflect the subject's physical, locational, and economic features. All elements of comparison have been considered and several were selected as pertinent for this valuation. The elements of comparison selected, include the following:

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<sup>12</sup> AIREA, p. 30.

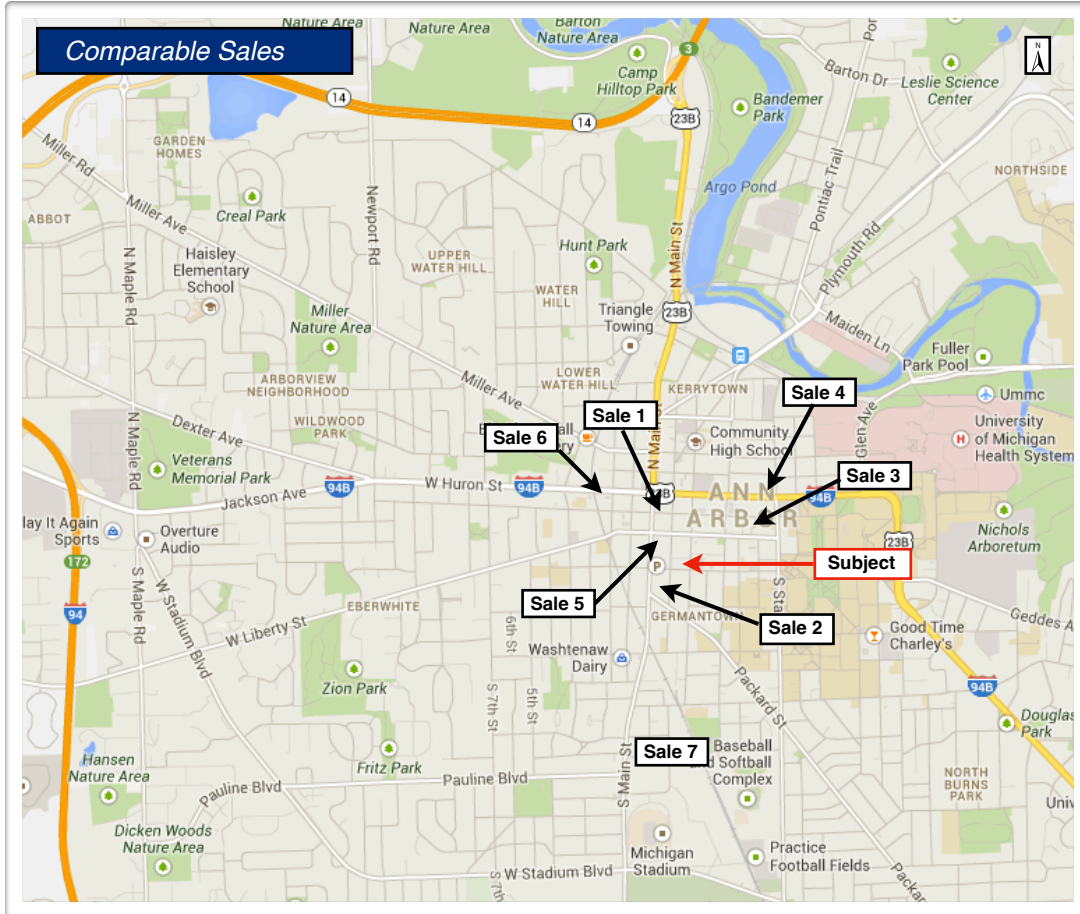


<b>Transaction Items</b>	<b>Physical Items</b>
Buyer Expenditures	Building Size
Property Rights	Location
Financing Terms	Zoning
Market Conditions	Restrictions of Use
Conditions of Sale	Views / Encroachments

Several units of comparison can be used within the sales comparison approach depending upon the type of property that is being appraised. The subject is a vacant parcel of land located within the Central Business District. With expansion of development afforded by more intense zoning designations, value of land continues to be influenced by achievement of vertical construction. Our analysis references a conceptual plan formulated by SmithGroup. Buoying the subject is its PUD designation which expands beyond its D1 zoning designation and allows for density of vertical buildout. To recognize this, and considering sales data to support, we provide analysis of the subject based upon proposed gross building area.

Any differences that have an economic influence on value between the market data and the subject are quantified through several techniques. A matched pair analysis is useful because the adjustments are market derived. Adjustments based on cost differences can be reliable if accurate cost figures are known. Ranking, graphical trend analysis, and qualitative analysis are also employed given limited site data.

A location map, along with detailed write-ups of each comparable, are presented on the next several pages, and are followed by our analysis.





## Sale 1

### MARKET DATA

#### Vacant General Commercial Sale



Photograph Date:

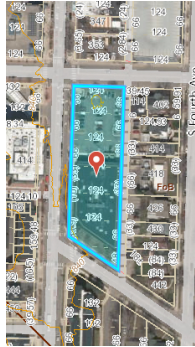
Location: 101 E. Washington Street, Ann Arbor, Washtenaw County, MI  
 Sale Date: August 2022  
 Sale Price: \$6,000,000 Cash to mortgage  
 Purchaser: REalta Capital, 125 S. Main LLC & Gratiot Partners, LLC  
 Seller: JP Morgan Chase Bank, N.A.  
 Site: The slightly irregular shaped site contains 0.281 acres, or 12,240 square feet, with 89 feet of frontage along Main Street and 124 feet of frontage along Washington Street. The width along the adjoining alley is 110.50 feet.  
 Zoning: D1, Downtown Core District\*  
 Utilities: All Municipal  
 Tax Code: 09-09-29-132-024  
 Occupancy: Owner Occupied  
 Comments: \* The site is within the Main Street zoning overlay district. The maximum building height is 180 feet. The standard Floor Area Ratio is 400% with a maximum of 900% with premiums for affordable housing and green building standards.  
 The existing 39,949 square foot building (originally constructed in the early 1900's) will be demolished. The expense is estimated at about \$200,000.  
 Source: Neal Warling, JLL, (734) 769-3201  
 Indicator: \$ 490 per square foot



## Sale 2

### MARKET DATA

Vacant Office to Mixed-Use Sale



Photograph Date:

Common Name: The Standard

Location: 425 South Main Street, Ann Arbor, Washtenaw County, MI

Sale Date: August 2020

Sale Price: \$16,865,000 Cash or Equivalent

Purchaser: The Standard at Ann Arbor, LLC

Seller: KRG Investments

Site: The site, configured to a trapezoid, comprises 1.15 gross acres, which appears to be net of road rights-of-way, with approximately 330.65 feet of frontage on the east side South Main Street, 150 feet (scaled) of frontage on the north side of Packard Street, 124 feet of frontage on the south side of East William Street, and a maximum depth of 433.75 feet at its eastern border. Topography is generally level and coverage is predominated by non-contributory impervious building and site improvements. The property is improved with a 63,150-square-foot office building, slated for demolition.

Zoning: D2, Downtown Interface District (Formerly D1)

Utilities: All Municipal

Tax Code: 09-09-29-429-018

Occupancy: Vacant

Comments: Currently zoned D2, Downtown Interface District, allowing 200% FAR, or 400% with premiums, the property was formerly zoned D1, Downtown Core District, allowing 400% FAR or 700% with premiums. For this reason, the purchaser was able to negotiate with planning officials a density level beyond the constraints of the D2 designation. The property is proposed for a 251,626-square-foot mixed-use building, yielding a 502% FAR and an indicator of \$65.57 per square foot of proposed building area before adjustment. Sale price was \$16,500,000 but an additional \$365,000 was paid for extensions through the contract period. Thus, total acquisition was \$16,865,000.

Source: City Record/ Confidential

Indicators: \$ 337 per square foot

\$ 67.02 per sf proposed



### Sale 3

#### MARKET DATA

##### Vacant Residential Mix Use Sale



Photograph Date:

Common Name: 616 E. Washington Street

Location: 616 E. Washington Street, Ann Arbor, Washtenaw County, Michigan

Sale Date: June 2019

Sale Price: \$7,642,000 Cash to mortgage

Purchaser: Cerca Trova, LLC

Seller: Various

Site: The U-shaped site is 0.567 acres, or 24,699 square feet, with 209.69 feet of frontage along the south side of E. Washington Street. Site depth is 132.68 feet along the western lot line. Along the southern boundary, the subject wraps around a 0.09-acre pad that is improved with a screening room for the Michigan Theater.

Zoning: D1, Downtown Core District

Utilities: All Municipal

Tax Code: 09-09-29-108-044

Occupancy: Vacant

Comments: Acquisition: July and Nov. 2015, 0.33 acres (09-09-29-108-012, -013, -029 and -030) for \$4.1 million. Trended by 4% annual market condition adjustment equates to \$4,742,000 as of June 2019.

June 2019 0.241 acres (part of 09-09-29-108-031) for \$2.9 million

Cerca Trova states they paid an additional \$100,000 in site cleanup prior to the sale. Total cleanup and demolition \$150,000.

Approvals reflect a 19-story mixed use building with 255,216 square feet (240 apartments of which 19 are dedicated to affordable housing, 5,438 square feet of grade level retail space, and 127 on site parking spaces). The developer will incorporate U.S. Green Building Council LEED building standards, provide 2 shared vehicles for resident use, contract for 15 spaces within the City's parking system and construct an on site private storm water management system, to be shared with 212 S. State Street. We further note that the development is based upon a 0.65-acre footprint which incorporates the screening room for the Michigan Theater. The screening room will be provided ingress/egress from the subject but is not connected to the development - other than identified as Unit 1 within the Master Deed.

Source: City of Ann Arbor Assessor, etrakit and MLive

Indicators: \$ 309 per square foot

\$29.94 per SF gross bldg. area



## Sale 4

### 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 (Combined to -084)

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

Indicators: \$274 per square foot

\$53.72 per square foot of GBA



## 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





## Sale 6

### MARKET DATA

#### Vacant General Commercial Sale



Photograph Date:

**Common Name:** Fairfield Inn

**Location:** 300 and 308 W. Huron Street and 111 North First Street, Ann Arbor, Washtenaw

**Sale Date:** October 2021

**Sale Price:** \$3,025,000 Cash or Equivalent

**Purchaser:** James Roshi Lodging, LLC

**Seller:** Eileen Bristol, Bosrob, LLC, and Vinrose Properties, LLC

**Site:** The property consists of three contiguous sites, together configured to a rectangle comprising 0.346 gross acre, or 15,072 gross square feet, which appears to be net of road rights-of-way, with 114.18 feet of frontage on the north side of West Huron Street, a gateway artery, and 132 feet of frontage on the west side of North First Street, a one-way southbound tertiary artery. Topography is level, with some slopes to the northwest. Coverage includes three building improvements comprising 4,602 square feet and miscellaneous site improvements, deemed to be non-contributory. The appraisers estimate a \$30,000 cost to raze the improvements. The property does not lie in a floodplain. Although the property lies in a historic district, the listing broker advises the property may be redeveloped.

**Zoning:** D2, Downtown Interface District (First Street Character Overlay)

**Utilities:** All Municipal

**Tax Code:** 09-09-29-214-014, -013 and -015

**Exposure Time:** 1.83 months

**Occupancy:** Vacant

**Comments:** The property had been exposed to the market for 55 days with an asking price of \$3,391,146, or \$225 per square foot of land area.

The site is proposed for development with a five-story 43,414 SF hotel with four parking spaces, and valet parking at the Ann Ashley Parking Structure. Anticipated FAR is 288% which reflects green building bonus with LEED Gold Standards.

The D2 district allows 200% FAR without premiums. The First Street character overlay is intended for infill development that preserved historic buildings' assets, support downtown activities and provide non-motorized connections through preservation of a system of public and common open spaces.

**Source:** Assessor/ Michelle Grober, Thomas Duke Company, (734) 829-7131

**Indicators:** \$ 201 per square foot

\$100.35 per square foot of potential GBA without premiums after demolition



## Sale 7

### MARKET DATA Vacant General Commercial Sale



Photograph Date:

Common Name: Hoover + Greene

Location: Block Bounded by E. Hoover, Brown, Green and E. Davis, Ann Arbor, Washtenaw

Sale Date: June 2019

Sale Price: \$6,800,000 Cash or Equivalent

Purchaser: Hoover Greene Owner, LLC

Seller: Precision Properties, LLC and others

Site: Eighteen contiguous properties together are bounded by East Hoover and East Davis Avenues and Brown and Greene Streets, forming a rectangular shape, encompassing 1.63 gross acre, which appears to be net of the road rights-of-way, with ample road frontage on all arteries. Coverage is dominated by building and site improvements.

Zoning: C2B, Business Service and R4C, Multiple-Family Dwelling District

Utilities: All Municipal

Tax Code: 09-09-32-110- multiple three-digit end numbers

Occupancy: 100% Occupied

Comments: The entire block, comprising 1.63 acres, (18 parcels) sold to Redico, a developer based in Southfield, MI for \$6,800,000, or \$95.77 per square foot of land area. A contract was signed in late 2017 and closed in June 2019. The developer plans a four-story, mixed-use, 141,720-square-foot facility budgeted for \$26 million representing 199% FAR. There will be 167 studio, one and two bedroom units with underground parking, rooftop pool, courtyard, bike storage and business center. Grade level retail space is 2,580 sf. Demolition of SF residences, warehouse / storage areas and flatwork is estimated at \$100,000.

The entire block is being rezoned to commercial, presumably C2B allowing 200% FAR. The price per planned FAR indicator is \$48 per square foot of proposed building area.

Source: Assessment Record/ Confidential

Indicators: \$95.75 per square foot

\$4,171,779 per acre

\$40,719 per planned multi-family units (net of retail feature)



**Vacant Land Analysis**

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Sales Price		\$6,000,000	\$16,865,000	\$7,642,000	\$7,050,000	\$3,050,000	\$3,025,000	\$6,800,000
Bldg Size - Sq. Ft.	310,000	82,622	251,626	255,216	131,239	32,813	43,414	141,720
Unadj. Price per Sq Ft		\$73	\$67	\$30	\$54	\$93	\$70	\$48
Date of Sale		Aug-22	Aug-20	Jun-19	Sep-15	Feb-15	Oct-21	Jun-19
Buyer Expenditures		\$200,000	\$250,000	\$150,000	\$0	\$0	\$30,000	\$100,000
Property Rights		=0	=0	=0	=0	=0	=0	=0
Financing Terms		=0	=0	=0	=0	=0	=0	=0
Conditions of Sale		=0	=0	=0	=0	=0	=0	=0
Market Conditions		0.67%	8.67%	13.33%	28.33%	30.67%	2.33%	13.33%
<b>Adj. Price-Per-Sq. Ft.</b>		<b>\$76</b>	<b>\$74</b>	<b>\$35</b>	<b>\$69</b>	<b>\$121</b>	<b>\$72</b>	<b>\$55</b>
Proposed Bldg Area	310,000	82,622	251,626	255,216	131,239	32,813	43,414	141,720
Adjustment		-35%	-10%	-10%	-25%	-40%	-40%	-25%
Use		Chase Bldg	Mixed Use	Mixed Use	Apartment	Retail, Office	Hotel	Mixed Use
Location	William / Fifth	Main/ Washington	S Main / Packard	Washington / State	Huron / State	Main / Liberty	Huron / First	Hoover / Greene
Township / City	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
Adjustment		-10%	-10%	-10%	-10%	-10%	0%	+15%
Zoning	PUD	D1	D2	D1	D1	D1	D2	C2 / R4, Mixed
Planned / Potential FAR	900%	400 - 900%	Planned 502%	898%	Planned 523%	Planned 436%	Planned 288%	Planned 198%
Adjustment		0%	0%	0%	0%	0%	0%	0%
Restrictions of Use	46% Affordable	Avg	Avg	Avg	Avg	Avg	Avg	Avg
Adjustments	Bus Lane	-25%	-25%	-25%	-25%	-25%	-25%	-25%
Views / Encroachments	Below Avg	Average	Average	Average	Average	Average	Average	Average
Adjustments		-10%	-10%	-10%	-10%	-10%	-10%	-10%
Gross Adjustments		+80%	+55%	+55%	+70%	+85%	+75%	+75%
Net Adjustments		-80%	-55%	-55%	-70%	-85%	-75%	-45%
<b>Final Adjusted Price Per Square Foot</b>		<b>\$15</b>	<b>\$33</b>	<b>\$16</b>	<b>\$21</b>	<b>\$18</b>	<b>\$18</b>	<b>\$30</b>

All Comparables	
Low	\$15
High	\$33
Median	\$18
Average	\$22

**Adjustments**

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, 2, 3, 6, and 7 are adjusted to reflect demolition of



improvements. Sale 5 is left unadjusted with existing rents offsetting cost to demo. Sale 4 did not require additional expenditure.

### **Property Rights**

The fee simple estate interest was conveyed for all of the Sales and each Sale includes real estate only. Thus, no adjustments are necessary.

### **Financing**

All of the Sales were purchased with cash to the seller or cash equivalent financing. Therefore, no adjustments are made.

### **Conditions of Sale**

All of the Sales are reported to be arm's length transactions, therefore no adjustments are necessary.

### **Market Conditions**

The overall market for real estate in the area has improved over the past several years with bullish market behavior through the later part of the 2010's and somewhat moderating through the current term. Thus, average upward adjustments are made to each Sale based on an annual appreciation rate of 4.0 percent or 0.33 percent per month to the effective date of the appraisal.

### **Size**

The subject is envisioned with 310,000 square feet of the proposed gross building area, while the comparables range between 32,813 and 255,216 square feet. We note that Sale 1, which is the most recent transfer, does not have an attached plan for development. Canvassing projects of the CBD we calculate an average achieved Floor Area Ratio (FAR) of about 675%. Applying this to Sale 1's site area of 0.281 acres, we determine potential vertical buildout of 82,622 square feet.

Within our work files we have compiled sales data of CBD properties that have transpired over the past 10 years, supporting a premise of diminished price as size of vertical improvement increases. Thus, all of the Sales were established or are planned with smaller building areas, relative to the subject. As such, each is warranted a representing downward adjustment.

### **Location**

The subject is located at the southern edge of the CBD, between Main Street and the U of M Campus, adjacent to municipal complexes. Sales 1 through 5 are variably superior to the subject with increased, and more desirable, pedestrian / traffic flows. Thus, each are adjusted downward. Sale 6 also has an edge CBD location and no adjustment is made. Sale 7 is located south of the CBD and upward adjustment is made.



## **Zoning**

The subject and Sales 1, 3, 4, and 5 possess D1, Downtown Core zoning designations, while Sales 2 and 6 are zoned D2, which typically have weaker capacity for density. Sale 7 is a mixed commercial and residential zoning, which typically demonstrates diluted density of use. Given stratification of the Sales on building size, the issue of zoning is negated, as factors of the designations are embodied within achieved buildout.

## **Restrictions of Use**

The subject has specific restrictions which provides for weighted representation of affordable housing units. Within the presented development scenario, affordable housing represents 46% of total dwelling units. In addition, approximately 23% of grade level land area - stretching between Fourth and Fifth Avenue, is dedicated to a bus corridor for the Blake Transit Center. Our adjustment takes into account the differential of rental rate between at-market apartment units and those dedicated to affordable housing. The at-market rental rates are for newer constructed units as surveyed within Costar. The affordable housing rates are taken from the City of Ann Arbor 2022 rent limit calculations. The loss of grade level buildout that is otherwise dedicated to the Blake Transit Center, is based upon average retail rental rates found within the subject's immediate area. All of the Sales were acquired with expectation that development to a residential use may entail some level of participation to support the City's affordable housing program. However, the subject's representation of use is deemed specifically weighty and embodied within the PUD. Thus, given these factors, each Sale is given a downward adjustment.

## **Views and Encroachments**

The subject is located at the edge of the CBD with mixed views. However, we consider view, traffic and sound encroachment presented by the Blake Transit Center to be offsetting to the subject. None of the Sales are similarly encroached and each given downward adjustment.

## **Summary**

The adjusted sales range in price from \$15 and \$33, with an average of \$22, and median sales price of \$18 per square foot of gross building area. The subject is a larger project, dependent upon density of development in order to offset municipal requirements for a weighted affordable housing component and accommodation of the Blake Transit Center. Given these prescriptions toward any development, it remains questionable as to feasibility of the mixed use plan as specified herein. While experienced investors to the project may receive benefit of favorable funding and certain tax incentives to offset construction costs, there remains significant risk as to reception of the at-market component with few competing amenities as may be found within other contemporary projects. Hence, in order to offset this risk and uncertainty, we reconcile to a valuation indicator of \$20 per square foot. Thus,

310,000 gross square feet @ \$20 per square foot = \$6,200,000



Concluding, It is the appraisers' opinion that the current as-is market value of the fee simple title to the subject property as of the effective date of November 4, 2022, is:

**Six Million Two Hundred Thousand ( \$ 6,200,000 ) Dollars.**

The above value estimate is subject to the "General Assumptions and Limitations of Appraisal" and "Extraordinary Assumptions" noted at the eponymously titled sections of this report. There are no "Hypothetical Conditions" to 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.
- Our analysis herein relies upon factors of development indicated by the underlying Planned Unit Development designation for the subject, as well as a conceptual plan devised by Smith Group, which is dated November 9, 2022. A development scenario significantly deviating from that outlined herein may impact the subject's market value.

### **Sales History Analysis**

Municipal records indicate the property has been owned by the City of Ann Arbor in excess of three years. The appraisers are not aware that the property is currently listed for sale or lease.

### **Estimated Marketing Period, Exposure 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...<sup>13</sup>

A discussion with area brokers and review of land sales in our company database indicates that marketing times can range from a couple months to several years depending on the age, size, location and price positioning. Given current market conditions, location of the property, and factors of development, the appraisers consider an exposure time 12 months be a reasonable estimate for the subject property.

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>14</sup>

Marketing time is prospective and takes into account current market conditions. The estimated market value in this report assumes a reasonable exposure time to the market, which is normal for properties of this type.

Given the current market conditions in the area, assuming the subject property were aggressively marketed by a competent broker at a listing price close to the estimated market value, the appraisers estimate approximately 12 months of marketing time, including exposure prior to sales contract.

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<sup>13</sup> The Dictionary of Real Estate Appraisal, Third Edition, Appraisal Institute, Chicago, IL, 1993, page 126.

<sup>14</sup> Dictionary, page 220.



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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**

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 urea-formaldehyde foam insulation, toxic waste, asbestos, radon gas, PCB's, 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 dumpsite 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 or 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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## APPRAISER'S 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 previous service, as an appraiser, and none in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to preform this assignment; and
9. Michael T. Williams has made a personal inspection of the property that is the subject of this report. Karen L. Paul did not inspect the subject property; and
10. No one provided significant real property appraisal assistance to the author of this report; and
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, MAI has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink that reads "M.T. Williams".

Michael T. Williams, MAI  
Certified General Appraiser  
Michigan License No. 1205004033

A handwritten signature in black ink that reads "Karen L. Paul".

Karen L. Paul  
Certified General Appraiser  
Michigan License No. 1205004585



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## REQUIRED STATEMENTS

### LICENSURE

In Michigan, appraisers are required to be licensed and/or certified, and are regulated by, the Michigan Department of Energy, Labor & Economic Growth, P.O. Box 30018, Lansing Michigan 48909. The appraiser(s) are (is) currently and properly licensed.

GRETCHEN WHITMER GOVERNOR		STATE OF MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS BUREAU OF PROFESSIONAL LICENSING CERTIFIED GENERAL APPRAISER LICENSE		P834584
MICHAEL THOMAS WILLIAMS				
LICENSE NO. 1205004033	EXPIRATION DATE 07/31/2023	AUDIT NO. 3474008	THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN	

GRETCHEN WHITMER GOVERNOR		STATE OF MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS BUREAU OF PROFESSIONAL LICENSING CERTIFIED GENERAL REAL ESTATE APPRAISER LICENSE		Q359239
KAREN L PAUL				
LICENSE NO. 1205004585	EXPIRATION DATE 07/31/2024	22207040713	THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN	





## **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 December 7, 2022.

### Effective Date(s) of Value

The effective 'as-is' date of valuation is November 4, 2022, the date of property inspection.

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

The property was inspected by Michael T. Williams on November 4, 2022.



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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



## 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
- 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  
Business Practices and Ethics, 2015  
LARA and the Michigan Real Estate Appraisal Profession, 2016  
Contemporary Michigan Property Tax Issues, 2016  
National USPAP Equivalent Course 2016-2017, IRWA, 2016  
Michigan Economics, 2016  
Michigan Legislative Update, 2016  
Supervisory Appraiser/Trainee Appraiser Course, 2016  
Great Lakes Chapter Economic Summit, 2016  
Natural Resources: An Economic Drive, 2017  
Contract or Effective Rent: Finding the Real Rent, 2017  
Michigan Economy, 2017  
Michigan Appraisal Law, 2017



PROFESSIONAL AND TRADE AFFILIATIONS:

Michigan State Certified General Appraiser #1205004033

Ohio State Certified General Appraiser #2011002568

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

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

Leadership Development & Advisory Council (LDAC), Appraisal Institute, 2014, 2015, & 2016

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

Past President, Great Lakes Chapter of Appraisal Institute, 2017



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

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.

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

**EDUCATION:**

UNIVERSITY of Michigan  
Bachelor of Science, with 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  
Analyzing Distressed Real Estate  
Appraising from Blueprints and Specifications

**McKISSOCK:**

Courses Completed:

Construction Details and Trends  
Introduction to Expert Witness Testimony  
Elements of Disclosures and Disclaimers  
Current Issues in Appraising



Michigan Law  
Introduction to Green Building  
Owner Occupied Commercial Properties  
Environmental Issues for Appraisers  
Environmental Contamination of Income Properties  
Appraisal of Small Apartment Properties  
Uniform Standards of Professional Appraisal Practice (USPAP)  
Uniform Standards for Federal Land Acquisitions (UASFLA)  
Marcellus Shale: Effects of Energy Resource Operations on Residential  
Property Value

INTERNATIONAL ASSOCIATION OF ASSESSING OFFICERS (IAAO):

Courses Completed:

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

PROFESSIONAL AND TRADE AFFILIATIONS

Michigan State Certified General Appraiser #1205004585

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