

APPRAISAL OF

415 West Washington Street,
City of Ann Arbor,
Washtenaw County, Michigan 48103

As of October 19, 2019
For Ann Arbor Housing Commission

GERALD ALCOCK COMPANY LLC

Real Estate Counseling and Appraising
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Founder, 1977

November 6, 2019

Ms. Jennifer Hall
Executive Director
Ann Arbor Housing Commission
2000 South Industrial Highway
Ann Arbor, Michigan 48104

Re: Appraisal of 415 West Washington Street, Ann Arbor, Washtenaw
County, Michigan 48103

Dear Ms. Hall:

As contracted by engagement document, an appraisal of the above-referenced property has been completed, the findings of which are submitted in this report. The purpose of this appraisal is to express a current opinion of market value for the noted real estate, based upon hypothetical condition that the property is vacant, ready for development and is not subject to adverse easements or restrictions beyond that cited herein. The title interest appraised is fee simple estate.

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 conclusion presented therein.

The appraisers prepared this report and the value estimates herein in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). This is an Appraisal Report. The "Required Statements" section of this report offers descriptions of these terms.

It is the appraisers' opinion that the current market value of the appraisal property, based upon hypothetical condition that the property is vacant and ready for development, pertaining to fee simple title interest, as of October 19, 2019, is:

Five Million Five Hundred Thousand (\$5,500,000) Dollars

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This value estimate is made subject to the “General Assumptions and Limitations of Appraisal” of this report and to the following “Hypothetical Condition and Extraordinary Assumptions to this Appraisal” as applicable.

Hypothetical Condition

1. At the direction of the client, the appraisal property is analyzed in accordance with a development proposal under a D2, Downtown Interface zoning scenario, consistent with the current master plan of the property, put forth within the body of the text and at exhibit B herein, hypothetically presuming the property is vacant and ready for development without environmental hazards, assuming the property is not subject to adverse easements or deed restrictions beyond that cited herein. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusion reported herein.

Extraordinary Assumptions

1. The appraisers have been directed by the client to make an exterior inspection from the street. They have relied upon a legal description, site descriptions and areas culled from municipal or proposed development documents, put forth at exhibits A and B, respectively. To aid in the analysis, the appraisers have deduced usable site area from the cited development analysis, assuming the proposed building area of 115,734 square feet represents 200 percent usable FAR, yielding an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard, topographical and county drain issues over a 2.18 gross acre underlying site. It is an assumption of this report that gross and net usable site areas, descriptive detail and condition delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusion could be impacted; and
2. The appraisers have not been provided with professional soil boring analysis for the appraisal property. Valuation is predicated upon the assumption that the presumed usable subject soils are suitable for commercial-type construction similar to that found on surrounding parcels. If such is not the case, the value conclusion could be impacted; and

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Ms. Jennifer Hall
Executive Director
Ann Arbor Housing Commission
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3. Valuation is predicated upon the assumption that the appraisal property is free and clear of any environmental hazards which would materially affect the property. If such is not the case, the reported value conclusion could be impacted.

The use of this appraisal is to serve as an estimate of the market value of the property under valuation for the purpose of assisting the client with asset management and financial planning.

This appraisal has been prepared for our client, the Ann Arbor Housing Commission, the intended user of the report.


The attached report, comprising ten sections and three exhibits, is an explanation of the method of valuation. This letter and report must not be separated because together they provide the necessary detail, analysis and explanation in support of the value opinion expressed herein.

Respectfully submitted,

Gerald Alcock Company, LLC



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



Lorie Alcock
General Certified Appraiser
License No. 1201000499



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EXECUTIVE SUMMARY

- Location:** The property is located at the south side of West Washington Street, between South First and Third Streets, in the city of Ann Arbor, Washtenaw County, Michigan.
- Mailing Address:** Municipal records indicate that the property under valuation has an address assignment of 415 West Washington Street, Ann Arbor, Michigan 48103.
- Tax Identification:** 09-09-29-211-003
- Property Owner:** Municipal records indicate the property is owned by the city of Ann Arbor.
- Type of Report:** This is an Appraisal Report.
- Occupancy and Use:** The property was formerly used by the Washtenaw County Road Commission. Buildings on site are vacant, but the property is still used for surface parking.
- Improvements:** The property is improved with a primary structure dating to 1925, an ancillary structure and surface parking lot, analyzed as hypothetically vacant.
- Site:** The appraisal property, irregular, but generally functional in shape, comprises 2.18 gross acres, with 330.14 feet of frontage and one curb cut on the south side of West Washington Street with a depth of 276.58 feet at its western border. The property is adjacent to a railroad right-of-way at its eastern border. Topography is generally level with steep sloping concentrated at the southern border. Although cover consists of impervious building and site improvements, the property is analyzed under hypothetical condition as though vacant, ready for development without environmental hazard and lacking in any uncited adverse easements or deed restrictions. City site improvements include sidewalk, streetlights and concrete curbs and gutters.



The Allen Creek and Branches County Drain and floodway traverse the eastern portion of the site in an irregular manner. FEMA mapping appears to locate the balance of the site in a floodplain. To aid in the analysis, the appraisers have deduced usable site area from the cited development analysis, assuming the proposed building area of 115,734 square feet represents 200 percent usable FAR, yielding an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard, topographical and county drain issues over a 2.18 gross acre underlying site. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City.

Utilities: All standard commercial and municipal utilities, inclusive of public water and sewerage, natural gas, electricity, and telephone utilities, are presumed to service or be available to the appraisal property.

Zoning: The property is currently zoned PL, Public Land District and master-planned for D2, Downtown Interface District with First Street Character Overlay. The instant analysis is predicated upon a D2 zoning scenario.

Highest & Best Use: Highest and best use of the property is redevelopment to an intense mixed use, as allowed by code.

Interest Appraised: Fee Simple Estate

Estimated Market Value of the Subject Property:

<u>Valuation Condition</u>	<u>Valuation Date</u>	<u>Value Estimate</u>
Hypothetical	10/19/19	\$5,500,000

Assumptions: This value estimate is made subject to the “General Assumptions and Limitations of Appraisal,” and the following “Hypothetical Condition and Extraordinary Assumptions” to this report.



Hypothetical Condition

1. At the direction of the client, the appraisal property is analyzed in accordance with a development proposal under a D2, Downtown Interface zoning scenario, consistent with the current master plan of the property, put forth within the body of the text and at exhibit B herein, hypothetically presuming the property is vacant and ready for development without environmental hazards, assuming the property is not subject to adverse easements or deed restrictions beyond that cited herein. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusion reported herein.

Extraordinary Assumptions

1. The appraisers have been directed by the client to make an exterior inspection from the street. They have relied upon a legal description, site descriptions and areas culled from municipal or proposed development documents, put forth at exhibits A and B, respectively. To aid in the analysis, the appraisers have deduced usable site area from the cited development analysis, assuming the proposed building area of 115,734 square feet represents 200 percent usable FAR, yielding an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard, topographical and county drain issues over a 2.18 gross acre underlying site. It is an assumption of this report that gross and net usable site areas, descriptive detail and condition delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusion could be impacted; and
2. The appraisers have not been provided with professional soil boring analysis for the appraisal property. Valuation is predicated upon the assumption that the presumed usable subject soils are suitable for commercial-type construction similar to that



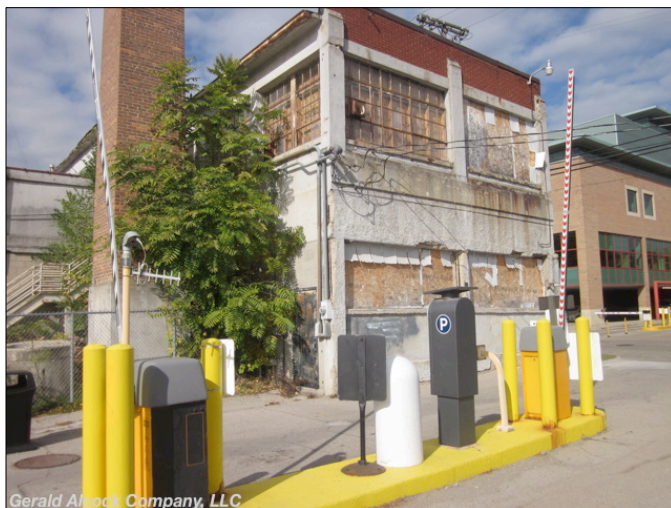
found on surrounding parcels. If such is not the case, the value conclusion could be impacted; and

3. Valuation is predicated upon the assumption that the appraisal property is free and clear of any environmental hazards which would materially affect the property. If such is not the case, the reported value conclusion could be impacted.



View East of West Washington Street with Overhead Railroad Bridging

View West of West Washington Street



Site Interior View Northwest



Site Interior View East of
Parking Lot

View of Vacant Building on Site



View South of Site Interior



View South of Site Interior

Rear Building on Site



Driveway on Site



IDENTIFICATION OF PROPERTY

Real Property

Address

The property under valuation has an address assignment of 415 West Washington Street, Ann Arbor, Michigan 48103.

Tax Identification Number

09-09-29-211-003

Legal Description

A legal description for the property under valuation, culled from municipal documentation, upon which the appraisers have relied, is put forth at exhibit A herein.

Leases and Title Interest Appraised

The appraisers are not aware that the property is subject to lease. Under the hypothetical condition, to which this analysis is subject, the appraisal property is analyzed as though vacant, which implies there are no improvements which would be subject to lease. The fee simple title interest is the focus of the analysis at hand.

Furniture, Fixtures and Equipment

Valuation of personal property and trade fixtures is beyond the scope of this appraisal, which is limited to real property alone. In estimating the market value of the property, the appraisers specifically exclude from valuation any and all items which are considered to be chattel possessions of the property owner or occupant.



Client

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

Property Owner

Municipal records indicate the property is owned by the city of Ann Arbor.

Occupancy and Use

The property was formerly used by the Washtenaw County Road Commission. Buildings on site are vacant, but the property is still used for surface parking.



PURPOSE, DEFINITION OF MARKET VALUE, USE AND INTENDED USER OF REPORT, AND SCOPE

Purpose

The purpose of this appraisal is to estimate current as-is market value, pertaining to fee simple interest to the appraisal property, identified in the foregoing section of this report, 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.¹

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

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, IL, 2010, p. 78



5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

Use and Intended User of Report

The use of this appraisal is to serve as an estimate of the market value of the property under valuation for the purpose of assisting the client with asset management and financial planning.

This appraisal has been prepared for our client, the Ann Arbor Housing Commission, the intended user of the report.

Appraisal Development and Report Process (Scope)

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

Physical Data

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

1. Ann Arbor Municipal Offices
2. Washtenaw County Treasury Department

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;

² *The Dictionary of Real Estate Appraisal*, Third Addition, Appraisal Institute, Chicago, IL, 1993, p.140.



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

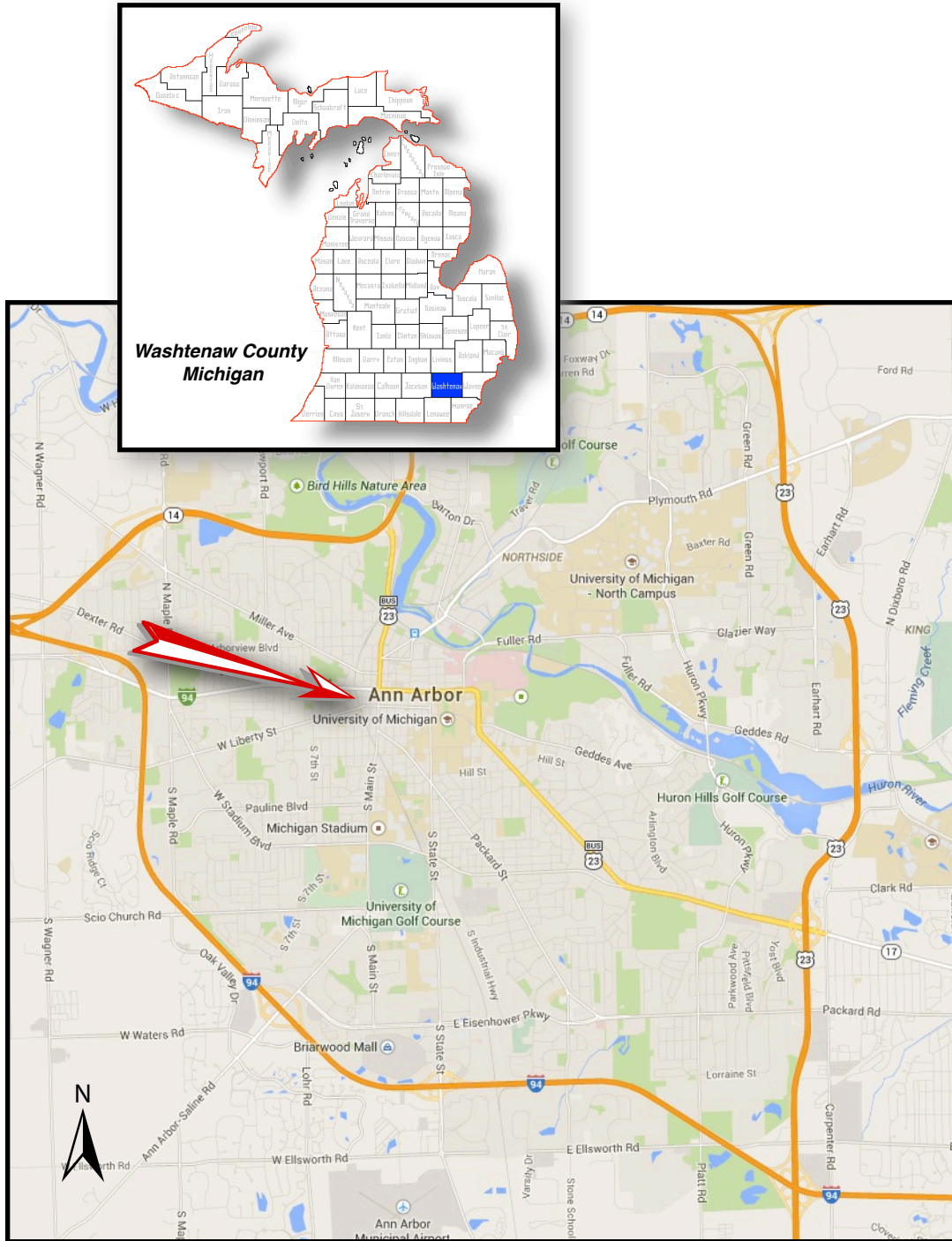
Physical data for each individual comparable sale is detailed within the “Analysis of Value,” subsection of this report. The sources of this data are cited at this section. Real estate brokers conducting business in the area of the subject were interviewed regarding recent real estate activity in the area. Sources of additional general market data are listed as follows:

Data files from the Gerald Alcock Company
Ann Arbor Area Board of Realtors Multiple Listing Service
Costar Comps
Swisher Commercial
Colliers International

The steps the appraisers used to develop the value estimate stated herein proceed from the Highest and Best Use analysis set forth within the "Analysis of Value" subsection of this report. The General Underlying Assumptions and Limiting Conditions to which this report and its value conclusion are subject are set forth in the section bearing that title and must be thoroughly read and understood by anyone using this report.



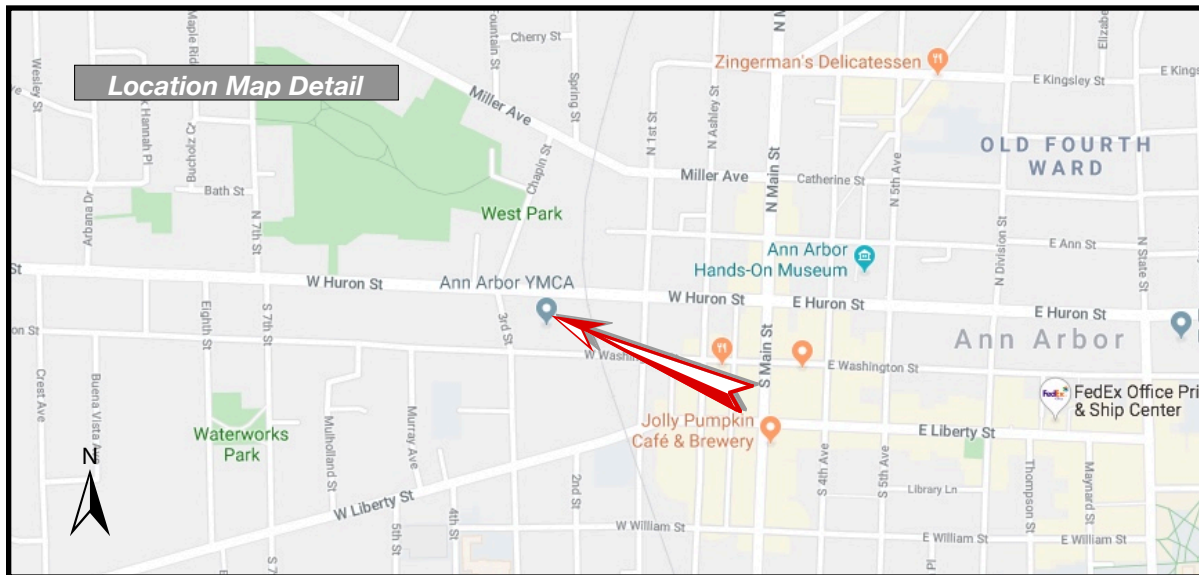
DESCRIPTION OF PROPERTY





Location and Neighborhood

As shown in the adjacent map graphic, the property is located at the south side of West Washington Street, between South First and Third Streets, in the city of Ann Arbor, Washtenaw County, Michigan. The property has an Ann Arbor mailing address and is serviced by Ann Arbor Public school district.



The appraisal property is across the street from a YMCA, developed in 2005. Properties to the east are currently zoned D2, Downtown Interface District and consist of offices and retail uses. Uses west of the subject are residential in nature, comprising historical structures in single- and multiple-family uses in a neighborhood known as the Old West Side. The subject is just west of intense uses in the Central Business District.

The subject is four blocks west of Main Street, one of the city's major commercial corridors, which bisects the downtown in a north-south manner providing linkage to M-14 and US-23 to the north and Interstate-94 to the south. Interstate-94 is a major nexus between the cities of Detroit to the east and Chicago to the west.

The larger downtown neighborhood is largely built-up with modern office and retail uses, as well as historical mixed-use office and multiple-family conversions. The downtown area has recently been developed with numerous infill condominium projects.

The University of Michigan central campus and Campus Commercial District are located less than a mile east of the subject. The University of Michigan is a state university, with a student body of approximately 44,000 persons, offering undergraduate- and graduate-level



programs, having nationally recognized Law and Business schools. The University of Michigan Medical Center, the largest teaching and research facility in the Midwest, is a sprawling hospital campus that dominates the south side of the Huron River, approximately one half mile northeast of the subject. Together, the University and Medical Center are the largest employers in Washtenaw County, with over 33,000 employees in combination.

In summary, the appraisal location is proximate to both the University of Michigan and Ann Arbor's Central Commercial District, as well as to local highways and interstates. The city of Ann Arbor, while largely developed, continues to attract a diverse homeowner base, buoyed by the relative resilience of the commercial and educational core. Development opportunities emerge through annexation of land, infill and raze and redevelopment. While population and household growth estimates fluctuate, new housing units are generally well patronized.

The Ann Arbor MSA encompasses areas only within the boundaries of Washtenaw County and thus has the same statistical data as the County. Owing to its central location, as well as cultural and educational advantages, the city of Ann Arbor is the metropolitan center to large portions of surrounding townships and neighboring towns. A summary of recent trends compiled by ESRI in population and households—for the city of Ann Arbor, Washtenaw County, and the State of Michigan—is set forth in the following table.

As shown in the following graphic, the City had a 2010 population of 113,960 persons, which is estimated to have increased by 9,022 persons as of 2019, representing an annual increase of 0.85 percent per year over the nine-year period. From 2019 to 2024, the population in the City is anticipated to increase by 0.59 percent annually. The County population in 2010 was 344,791 persons, increasing annually by 0.76 percent, to 369,148 persons by 2019, forecast for an annual 0.59 percent increase from 2019 to 2024. Growth in the State had an estimated annual increase in populous of 0.24 percent per year from 2010 to 2019, and is forecast to increase at a rate of 0.27 percent per year from 2019 to 2024.



Population & Household Trends

Population	2010	2019	2024	Compound Annual Change	
				2010-2019	2019-2024
City of Ann Arbor	113,960	122,982	126,639	0.85%	0.59%
Washtenaw County	344,791	369,148	380,236	0.76%	0.59%
State of Michigan	9,883,640	10,097,879	10,233,588	0.24%	0.27%
Households					
City of Ann Arbor	47,071	50,035	51,701	0.68%	0.66%
Washtenaw County	137,193	144,715	149,092	0.59%	0.60%
State of Michigan	3,872,508	3,983,294	4,047,627	0.31%	0.32%

Source: ESRI

The number of households in the City was 47,071 in 2010, which increased at an annual rate of 0.68 percent by 2019. Households in the County increased at an annual rate of 0.59 percent, while the State increased by 0.31 percent over the same period. Household growth in the City is forecast to increase by 0.66 percent; the County is forecast for a 0.60 percent increase; and the State is forecast for a 0.32 percent annual increase by 2024.

Median household income levels for the city of Ann Arbor, Washtenaw County, and the State of Michigan are illustrated in the following table called, "Median Household Income."

Median Household Income Trends

Median Household Income	2019	2024	2019-2024
City of Ann Arbor	\$65,324	\$75,502	2.9%
Washtenaw County	\$71,983	\$83,282	3.0%
State of Michigan	\$55,885	\$63,460	2.6%

Source: ESRI

The reader should note that the figures cited in the foregoing table are expressed in current dollars. Median household incomes in the City and County are forecast to surpass the projected Township and State figures. It is worthwhile to note that median household income in Washtenaw County is above both State and national levels.



The client relies upon a Median Family Income rate derived from HUD. Following is the 2019 rate for Ann Arbor, MI MSA.

Area	Unrounded FY 2019 MFI Estimate	Rounded FY 2019 MFI Estimate
Ann Arbor, MI MSA	\$101,222	\$101,200

As shown, there is a disparity of 54.92 percent between the 2019 median household income for the Ann Arbor MSA derived from ESRI, which appraisers typically rely upon, and the figure derived from HUD. The HUD figure is derived from a 2016 American Community Survey five-year median income estimate adjusted for a CPI inflation factor, and rounded. Moody’s Analytics DataBuffet.com indicates that the differential is a consequence of the definitions of family and household. The U.S. Census Bureau writes:

A family consists of two or more people (one of whom is the householder) related by birth, marriage, or adoption residing in the same housing unit. A household consists of people who occupy a housing unit regardless of relationship. A household may consist of a person living alone or multiple unrelated individuals or families living together.

Moody’s elaborates: “Median family income is typically higher than median household income because of the composition of households. Family households tend to have more people, and more of those members are in their prime earning years[,] as contrasted with members who have lesser incomes because they are young or elderly.”

The following chart illustrates unemployment trends over the last ten years for the city of Ann Arbor, Washtenaw County and the State of Michigan.

Unemployment Rates										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
City of Ann Arbor	9.1%	9.2%	6.9%	5.8%	6.1%	5.1%	2.9%	2.6%	1.8%	2.2%
Washtenaw County	8.6%	8.6%	6.5%	5.4%	5.8%	4.8%	3.6%	3.1%	3.0%	2.6%
State of Michigan	13.6%	13.1%	10.3%	8.9%	8.7%	7.2%	5.4%	4.7%	4.7%	4.0%

Source: US Department of Labor



City, County, and State experienced increasing unemployment which peaked in 2010, resultant of regional and national declines in the economy. Beginning in 2011 through the present, unemployment rates indicate significant decline, relative to prior years.

The local economy in Washtenaw County, greater Ann Arbor, and surrounding communities historically improved in the early aughts with an increasing employment base owing to a diverse local economy anchored by the University of Michigan, health care, and a variety of high-tech, research and development businesses. Washtenaw County and greater Ann Arbor have historically been insulated from cyclical economic conditions owing to their more diverse employment base. The appraisal property is proximate to the central business district the University of Michigan Central Campus. This is an area that is dominated by office use with instances of retail, interspersed with residential uses. The City remains one of the most stable communities in the area owing to the presence of the University of Michigan and the University of Michigan Medical Center. The appraisal property's location—proximate to both the University of Michigan and Ann Arbor's Downtown Central Business District—is considered ideal for a wide variety of users.

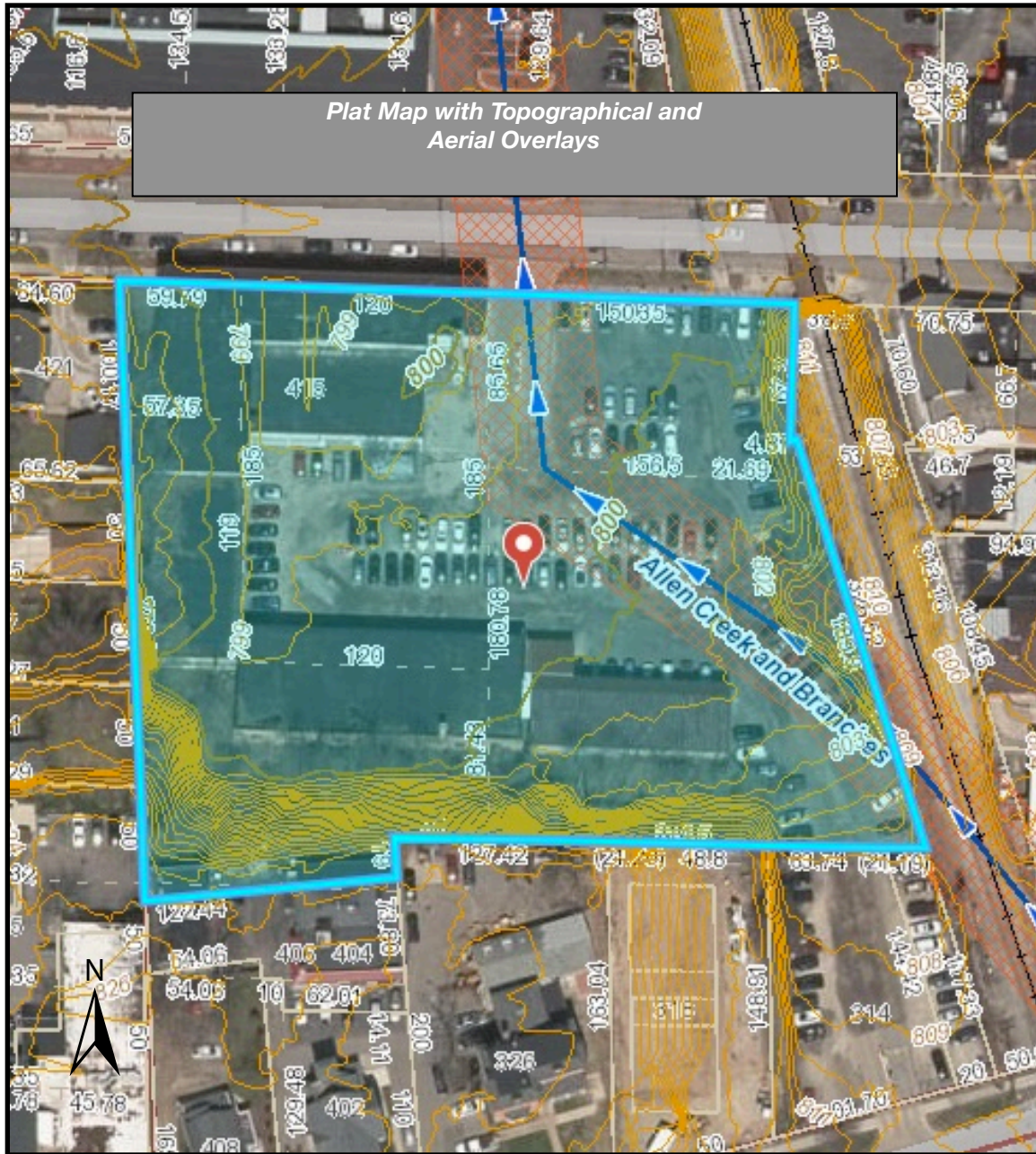
Site, Yard Improvements and Utilities

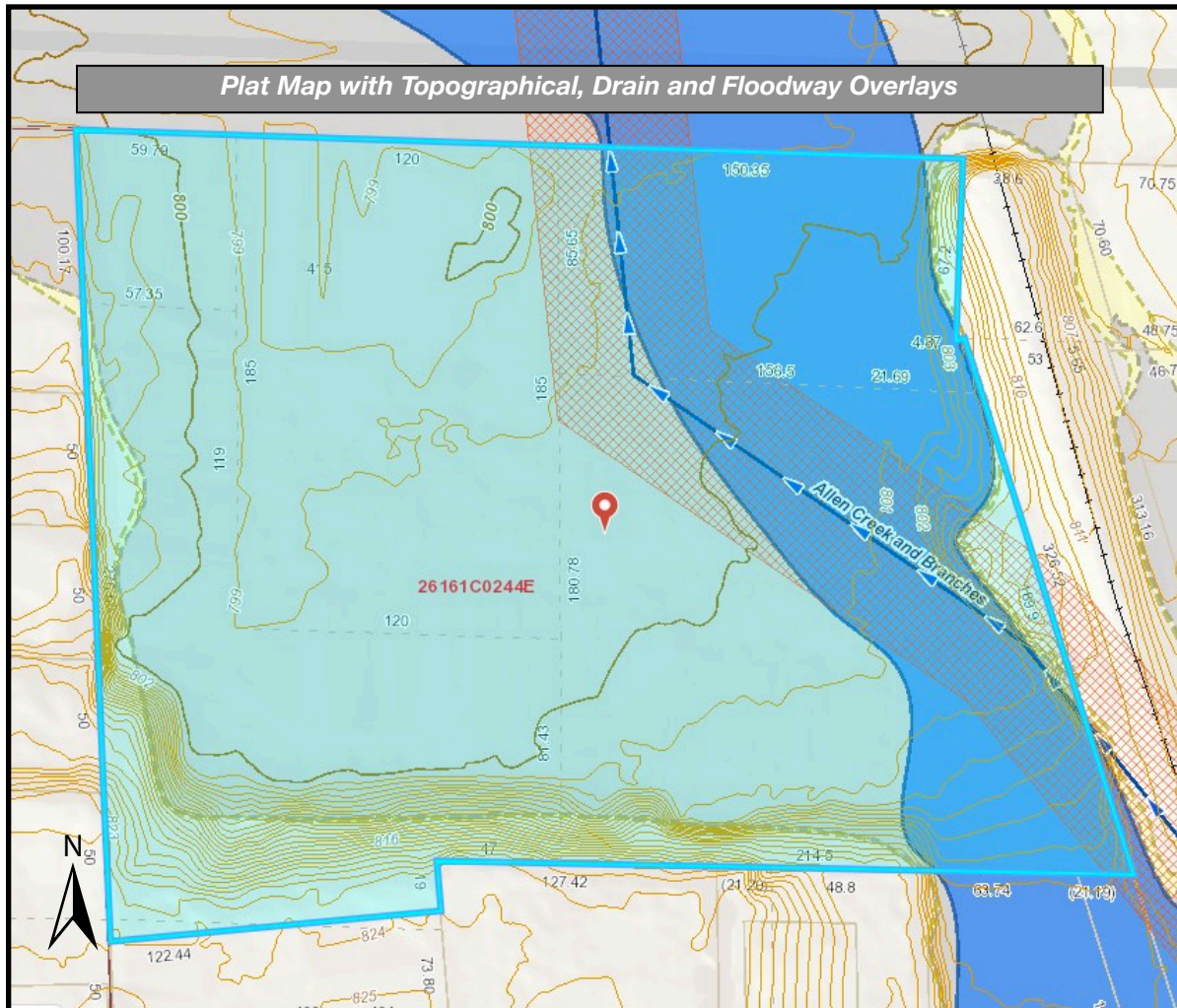
The appraisal property, irregular, but generally functional in shape, comprises 2.18 gross acres, with 330.14 feet of frontage and one curb cut on the south side of West Washington Street with a depth of 276.58 feet at its western border. The property is adjacent to a railroad right-of-way at its eastern border. Topography is generally level with steep sloping concentrated at the southern border. Although cover consists of impervious building and site improvements, the property is analyzed under hypothetical condition as though vacant, ready for development without environmental hazard and lacking in any uncited adverse easements or deed restrictions. City site improvements include sidewalk, streetlights and concrete curbs and gutters.

The Allen Creek and Branches County Drain and floodway traverse the eastern portion of the site in an irregular manner. FEMA mapping appears to locate the balance of the site in a floodplain. To aid in the analysis, the appraisers have deduced usable site area from the cited development analysis—put forth at exhibit B herein and excerpted in the “Zoning” subsection of this report—assuming the proposed building area of 115,734 square feet represents 200 percent usable FAR, yielding an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard, topographical and county drain issues over a 2.18 gross acre underlying site. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the



usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City.





All standard commercial and municipal utilities, inclusive of public water and sewerage, natural gas, electricity, and telephone utilities, are presumed to service or be available to the appraisal property. A tax plat map with topographical and aerial overlays depicting the subject site follows.

Assessed Valuation and Taxes

On August 26, 1994, Proposal "A" was adopted by Michigan voters. Proposal A established a new property tax base for Michigan which is known as taxable value. State Equalized Value, or S.E.V., is no longer the tax base. Property taxes are now calculated using the following formula.



Tax Rate (Mills Levied) x Taxable Value = Tax Bill

Proposal A provides that, until such time as the ownership of a property is transferred, its taxable value may not increase annually at greater than five percent, or the annual inflation rate, whichever is less. This process is referred to as putting a limit, or cap, on annual increases in property taxes and applies to each individual parcel of property. The notable exception to this would be in the case of new construction or loss of improvements.

The Michigan constitution requires that an assessed value be established annually for each parcel of property according to the market value of the property, at 50 percent of “the usual selling price,” as has historically occurred. Assessments are subject to county and state equalization and each taxable parcel is assigned an S.E.V. Neither assessed values nor S.E.V.’s are capped.

The property under valuation is identified under the following tax code. As the property has a tax exempt status, 2019 state equalized (SEV) and taxable values are not available.

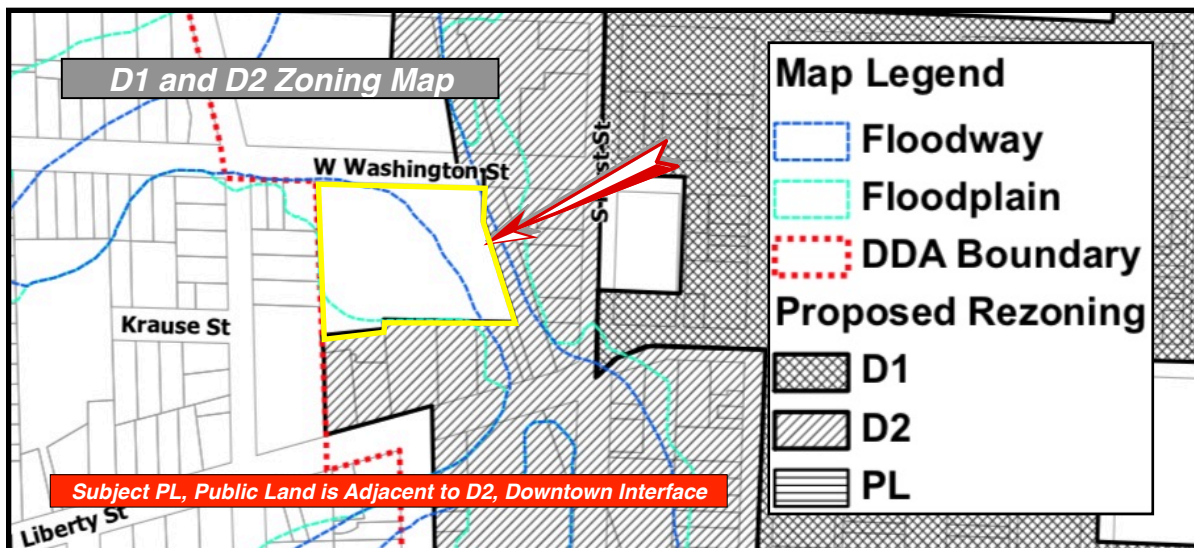
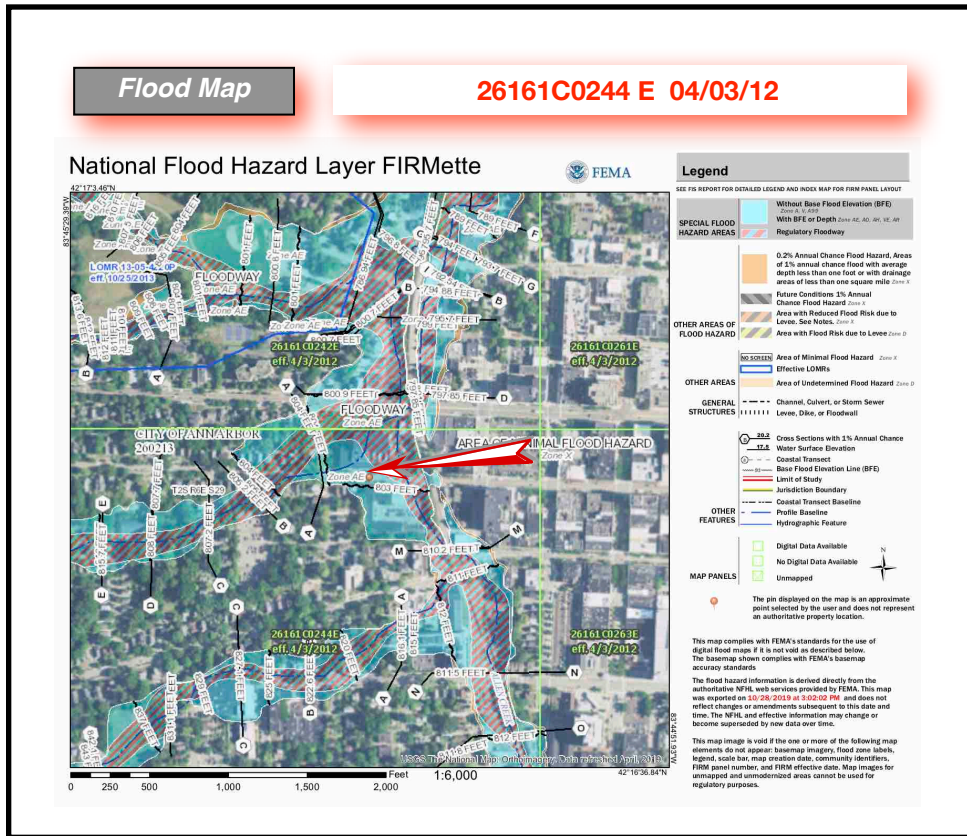
Tax Code	2019 SEV	2019 TV
09-09-29-211-0320003	Exempt	Exempt

Treasury Department documentation indicates there are currently no special assessments levied against the subject property.

Flood Hazard

According to the flood insurance rate map published by the Federal Emergency Management Agency (FEMA), for the city of Ann Arbor, community panel number 26161C0244E, effective date April 3, 2012, appears to indicate that the eastern portion of the property lies in an AE regulatory floodway, while the balance lies in a special flood hazard area without base flood elevation. The map lacks sufficient detail for definitive determination.

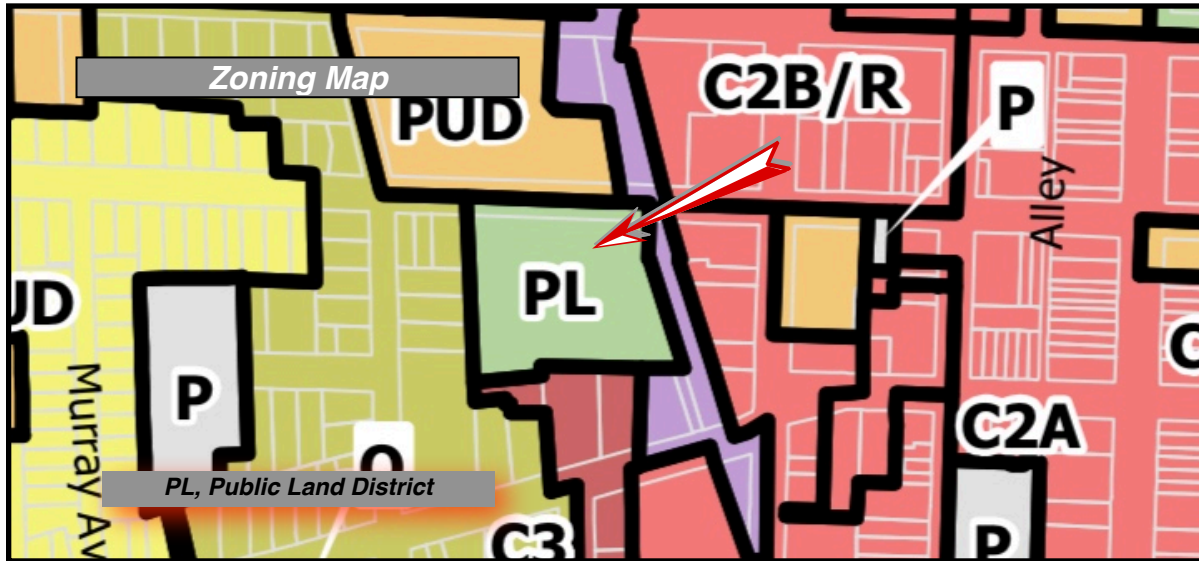
As additional support, the appraisers provide a D1 and D2 zoning map, which district the appraisal property is adjacent to and master-planned for. This map more clearly defines floodway and floodplain areas.





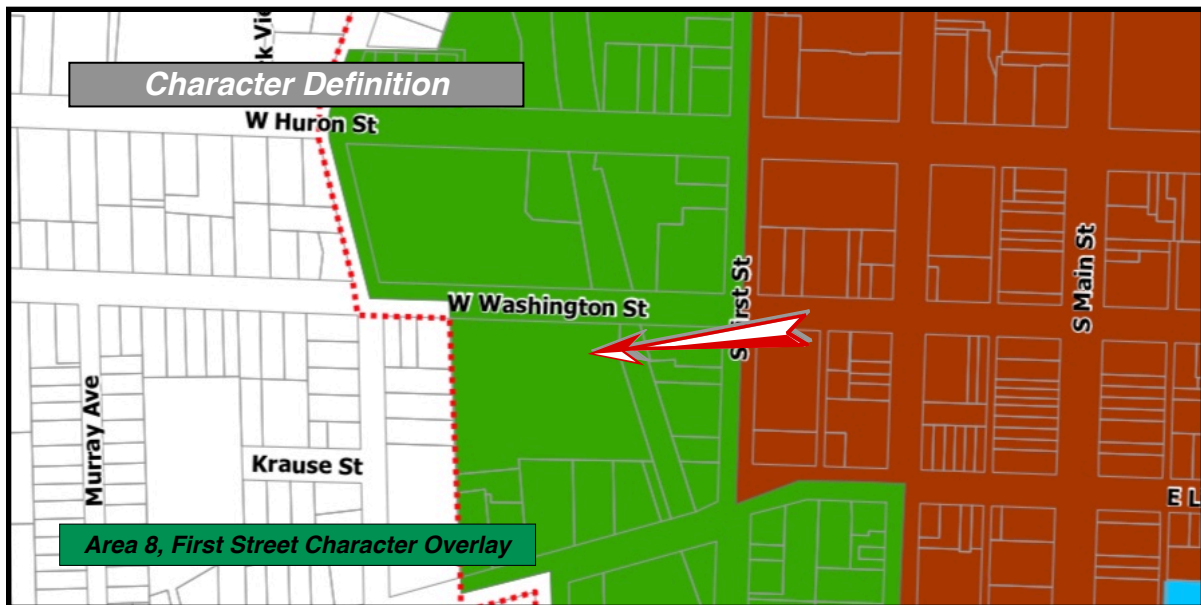
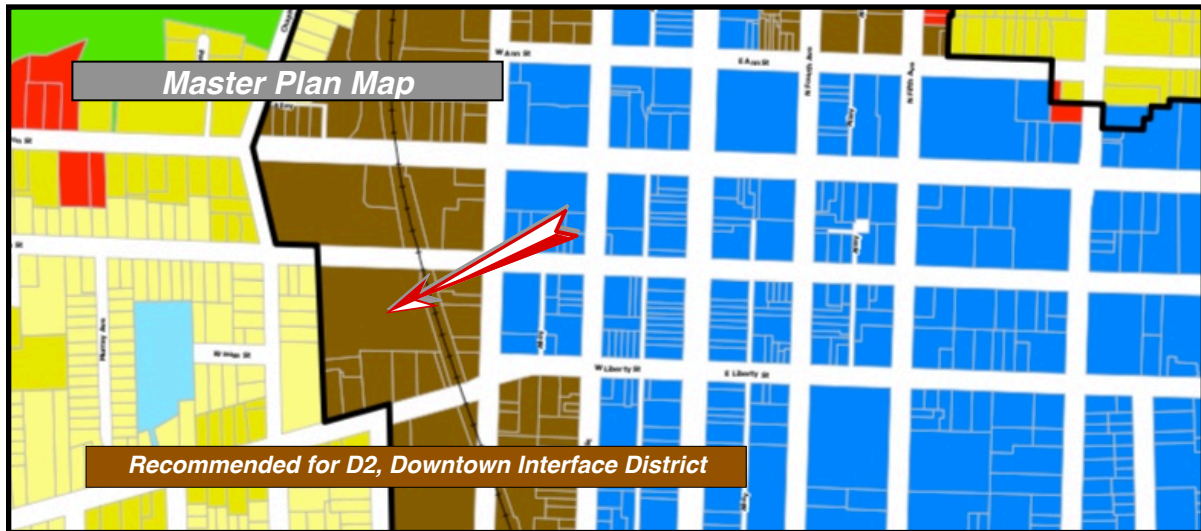
Zoning

As shown in the following graphic, the subject property is currently zoned PL, Public Land District. The property lies within the DDA District and the Old West Side Historic District.



The property is master-planned for D2, Downtown Interface District, with a First Street Character Overlay. Following are zoning requirements for the D2 District and First Street Overlay, as well as a development potential projection under the D2 parameter specific to the subject site prepared by Carlisle Wortman Associates for the Ann Arbor Housing Commission.

As shown on the following page and at exhibit C, “Excerpts from Zoning Ordinance,” the subject property is master-planned D2, Downtown Interface District with a First Street Character Overlay. The recently created designation “is designed to support the downtown as the City’s traditional center. The downtown serves both the region and local residents as a place to live, work, and take advantage of civic, cultural, educational, shopping and entertainment opportunities. The downtown districts are intended to allow a mixture of land uses, dense urban development, pedestrian orientation, unique residential opportunities and a compatible and attractive mix of historic and contemporary building design.”



The D2 designation permits a variety of residential, commercial, office, civic and institutional, industrial and transportation uses. The D2 designation allows for a maximum usable floor area in percentage of lot area (FAR) for new principal buildings of 200 percent of lot area without premiums and 400 percent with premiums. As will be noted in the development study, the subject property is not eligible for premiums because it lies in a historic district and a floodway.

In conjunction with the D2 designation, the property is subject to a First Street Character Overlay, “characterized by oddly-shaped blocks and a mixture of commercial storefronts,



industrial buildings and single-family homes,” many of which lie in the Old West Side Historic district. “The intent of the district is for infill development that preserves historic buildings’ assets, supports downtown activities, and provides non-motorized connections through preservation of a system of public and common open spaces. New development along Allen Creek floodplain should be sited to provide greenspace and be located in such a way that it will connect with greenspace of abutting properties.”

D2, Downtown Interface District with First Street Character Overlay Scenario

415 W. Washington Development Scenario 1: Rezone to D2 zoning

Parameters:

- Development of this site as D2 is consistent with the Master Plan.
- Development as D2 would be consistent to development to the north and east.
- Subject to secondary street frontage setback requirements and the First Street Character Zone.
- Located within the Old West Side Historic District.
- Ineligible for premiums as it is located within a Historic District and Floodway.
- Building is significantly limited by floodway and drainage easement.
- Assumes 15,000 sq. ft. donation to The Treeline.

Development Potential	
Number of Units	122
Building Type	Apartment
Avg. Unit Size	800 sq/ft
Total Building Size	115,734 sq/ft
Building Height	3-stories, 49.5 feet

Zoning Requirements	
Lot Area	95,056 sq/ft (2.18 acres)
Setbacks	Front: 0 ft min Side: 10 ft when abutting any residential zoning district Rear: 20 ft when abutting any residential zoning district
Open Space	10%
Maximum Building Coverage	80%
Floor Area Ratio (FAR) Base	200% of lot area (FAR)
Character Area	First Street Character Zone
Building Height Max	Maximum is 60 feet and 3 stories at street wall.
Parking	Vehicular: None. Bike: 1 space per 5 dwelling units (50% enclosed, 50% fixed, hoop style)
Floodplain/Floodway	Yes
Consistent with Master Plan Future Land Use Element	Yes
Treeline Dedication	Yes, 32,000 sq/ft.

Develop under rezoned D2 zoning
-Perspective (top)
-Plan view (right)

415 W. Washington St.:
Proposed Zoning D2
~ 95,056 square feet / 2.18 acres

Open Space:
35% of lot area
33,086 square feet
~15,330 sq ft dedicated to Treeline (16%)

Main Building w/ first floor parking
Assumes 200% Max. FAR
3 stories above parking (4 total), 49.5-foot high
136-foot width (at street), 227-foot (at rear)
237-foot length
122 units - Avg. 800 sq. ft/unit
40,209 square feet/floors 1 - 3
35,316 square feet/floors 4
Total square footage (living space): 115,734
max allowed 190,112

Parking:
Parking not required



Based upon 200 percent FAR, after consideration of historic district and floodway hindrances, the development study indicates the appraisal property can support a three-story building comprising 115,734 square feet with 122 apartment units, each comprising 800 square feet, without vehicular parking amenity.

Further information found in the zoning ordinance is set forth within the exhibit section.

Easements and Deed Restrictions

A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City.

The appraisers have not been provided with current title work of the subject property. The appraisers express no opinion as to the existence of easements or restrictions to the subject property that would adversely affect market value or in any way create an exception to clear title. For the purposes of this appraisal, it is presumed that any easements or restrictions to clear title consist only of typical utility, drainage and road right-of-way easements that do not preclude normal development of the property and have no influence on market value.

Environmental Hazards

The appraisers did not detect the presence of obvious signs of contamination on the site as a result of physical exterior inspection from the street. Notwithstanding the foregoing statement, the appraisers specifically note that the recognition, detection or measurement of contamination is outside the scope of this appraisal assignment and their professional expertise. Consequently, the value opinion expressed herein is predicated upon the absence of toxic or otherwise hazardous substances or materials from the property. If contaminants now affect the appraisal property, or will do so in the future, their presence may adversely affect the marketability and/or value of the property expressed herein.



ANALYSIS OF VALUE

Current Market Conditions and Trends

National

According to the most recent University of Michigan's Research Seminar in Quantitative Economics, for March 2019, "Real GDP grew by 2.9 percent in 2018, the strongest reading in thirteen years. Over 2019 - 2020, we expect GDP growth to decelerate as the temporary boost from the tax cuts and federal spending fades. Our forecast assumes de-escalation of trade tensions with China and no new tariffs on other nations.

The initial estimate of real GDP growth in the fourth quarter of 2018 showed a deceleration to a 2.6 percent seasonally adjusted annual rate, down from 4.2 percent in the second quarter and 3.4 percent in the third quarter. Investment in structures, government spending except for defense, and imports were all drags on GDP growth. The bright spots in the fourth quarter were consumer durables, intellectual property investment, investment in cars, and investment in multi-family residential structures.

The shutdown and the sharp stock market sell-off at the end of 2018 appear to have broken the wave of high confidence the economy had been riding since the 2016 election. Measures of consumer and business confidence worsened in December and January. The stock market, policy uncertainty measures, and confidence indices have been improving recently, alleviating concerns of imminent recession. These recession scares may become more frequent as the economy comes off a fiscal high during 2019.³

More highlights within the March 2019 released RSQE forecast are reported as, "Wage growth continues to improve. As of February, year-over-year average hourly earnings of employees on private non-farm payrolls were growing at a 3.4 percent pace, the strongest reading since April 2009. The unemployment rate temporarily jumped to 4.0 percent in January, largely due to the partial government shutdown. The unemployment rate ticked back down to 3.8 percent in February.

Driven by falling oil prices, headline CPI inflation decelerated considerably in recent months, falling to 1.5 percent year-on-year in February. Core CPI inflation retreated slightly early in 2019, registering 2.1 percent over the prior 12 months in February.

³ University of Michigan. *RSQE*, March 2019



Every year since 2015, strong light vehicle sales in the fourth quarter have been followed by weakness in the next quarter, and this trend has held up so far in 2019. Light vehicle sales averaged 17.5 million units in the fourth quarter of 2018, while the January–February 2019 average was 16.6 million units. Inventories of light trucks appear to be rising. We expect inventory control to occur through production slowdowns rather than growth of incentives in the near term.

The single-family home market suffered multiple setbacks in 2018. Price appreciation eroded affordability, continuing a trend that had been ongoing for several years. Mortgage rates rose to their highest level since 2011 in the fourth quarter of 2018. Slowing sales and rising inventory shifted the housing market balance in favor of buyers, with home price appreciation slowing.

We expect federal government spending to ramp up during the first half of 2019, reflecting fiscal 2018 - 19 federal appropriations making their way into NIPA outlays and a catch-up of spending delayed by the recent partial federal shutdown. The path of spending beyond fiscal 2019 is uncertain and probably not as lavish.

On March 2, the debt ceiling reset to 22 trillion dollars; without action, sequester-level caps will return in fiscal 2020. We expect Congress to address both issues without major drama. Our forecast is for Congress to continue on its current trajectory of increasing spending and ballooning deficits over the next two years.

The stock market dived while financial volatility shot up in December after an interest rate hike and hawkish guidance from the Federal Reserve. By early January the Fed reversed course, with Chairman Powell reassuring markets that the Fed would be flexible with the policy tools at its disposal.

Inflation remains close to the Fed's two percent target, while the labor market tightens somewhat further. As a result, we currently project one 25-basis-point fed funds rate range increase in December 2019, followed by one more in 2020.⁴

2019-2020 Outlook

Calendar-year growth slows to 2.4 percent in 2019 and only 1.8 percent in 2020, as the fiscal boost from lower taxes and higher federal spending wanes.

⁴ Ibid



As the economy slows, so do light vehicle sales. The all-time high of 2016's 17.5 million units is now a distant memory. Total light vehicle sales fall from 17.2 million units in 2018 to 16.8 - 16.9 million units in 2019 - 2020.

Total housing starts barely improve in 2019 - 2020. Single-family home starts stay flat in 2019 and increase only 20,000 units in 2020. We expect multi-family home starts to edge down between 2018 and 2020.

Average monthly non-farm payroll job gains decelerate from about 207,000 job additions per month in 2019 Q1 to 143,000 in 2019 Q4 and to 109,000 at the end of 2020. The unemployment rate continues to decline, falling from 3.9 percent in 2019 Q1 to 3.6 percent at the end of 2019. It stays at that level until the end of 2020.

In 2019, core CPI inflation remains about flat with 2018's 2.1 percent pace and then ticks up to 2.2 percent in 2020. Driven by lower energy prices, headline CPI inflation decelerates to 1.7 percent in 2019. A mild rise in energy prices helps inflation to rise to 2.0 percent in 2020.⁵

Michigan

According to the most recent University of Michigan's Research Seminar in Quantitative Economics, for April 2019, "Michigan has added jobs in every year from 2011 to 2018, resulting in total growth of 555,400 jobs. The pace of job growth has generally slowed over the recovery period, however, from 88,400 job gains in 2011 to 49,400 in 2017. The state added 50,000 jobs in 2018, placing it slightly above that trend.

We forecast Michigan's economy to add 37,000 jobs in 2019 and 26,000 in 2020. Those totals translate to growth rates of 0.8 percent and 0.6 percent, respectively, down from an average of 1.7 percent from 2011 - 2018.

Michigan's unemployment rate has stayed in the 3.9 - 4.0 percent range every month since June 2018, and we expect it to average 3.9 percent in each of the next two years. We see the state's labor force participation rate creeping up to 61.5 percent in that time, but the aging of the state's labor force puts a ceiling on how far it can climb.⁶

⁵ Ibid

⁶ University of Michigan. *RSQE*, April 2019



More highlights within the April 2019 released RSQE forecast are reported as, “Local inflation picked up from 2.1 percent in 2017 to 2.4 percent in 2018, due in large part to the increase in gas and energy prices from mid-2017 through the third quarter of 2018. Energy prices have since tumbled substantially, which we expect to put significant downward pressure on inflation in 2019. Local inflation registers 1.3 percent this year before climbing to 1.9 percent in 2020 as energy prices stabilize.

Nominal personal income growth dipped from 3.5 percent in 2017 to 3.3 percent in 2018 amid a disappointing slowdown in the growth of wages and salaries and proprietors’ income. We see personal income growth accelerating over the next two years to 3.6 percent in 2019 and 4.0 percent in 2020. A rebound in the growth of wage and salary income in 2019 is joined by pickups in the growth of proprietors’ income and property income in 2020.

Real disposable personal income growth held flat at 1.4 percent per year from 2017 to 2018, as higher inflation and slower nominal growth were counter-balanced by a decline in personal taxes driven by the 2017 tax cuts. Real disposable income growth accelerates to 2.2 percent in 2019 as local inflation recedes and nominal income growth picks up. It then dips to 2.1 percent in 2020 with the rebound in local inflation.⁷

More highlights within the November released RSQE forecast are reported as, “Driven largely by higher gas prices, local inflation picks up from 2.1 percent in 2017 to 2.5 percent this year, on pace with the U.S. inflation rate. We see local inflation moderating to 1.9 percent next year and 2.0 percent in 2020, as the recent increase in energy prices recedes into the rearview mirror.

Nominal personal income growth accelerates by two-tenths of a percentage point to 3.76 percent in 2018, helped by strong growth in wage and salary income and a large increase in transfer income. Income growth stays roughly steady in 2019 before jumping to 4.3 percent in 2020. The acceleration that year is driven by a pickup in the wage and salary, proprietors’, and property components of income, reflecting in part the tight labor market and higher interest rates that we foresee.

We also see the growth of real disposable income ticking up two-tenths of a percentage point from 2017 to 2018. Its growth in 2018 is boosted by the decreased burden of federal taxation resulting from the TCJA of 2017. We see real disposable income growth staying roughly flat next year, as local inflation recedes but the boost from the tax cuts fades. Real income growth

⁷ Ibid



jumps by six-tenths of a percentage point in 2020, reflecting faster nominal income growth and stable inflation.”⁸

The most notable activity in the Ann Arbor real estate market over the last several years has been the addition of several multi-story apartment towers, the lion’s share of which cater to students, and as saturation occurs, to young professionals. The CBD has experienced a surge in new development of large- and small-scale luxury condominiums. While such development fosters dense populace in the area, affecting a greater need for goods and services, new development in the city’s central business district and South Main Street also displaces small shops because of high values and lease rates.

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

At the northeast corner of Huron and Ashley Streets a six-story 110-room extended stay Residence Inn by Marriott represents one of the first major investments to the city for hotel development. At the former site of a Greyhound bus terminal, the 90,000 square foot building project has preserved and incorporated some of the building’s original facade.

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

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

Core Spaces had been in negotiation with the city of Ann Arbor for acquisition of the adjacent downtown Library Lot. The Chicago-based development group proposed a 180-foot-tall hotel/apartment high-rise with a public plaza on the city-owned parking lot next to the downtown library on Fifth Avenue. Core Spaces offered the city \$10 million for the development rights to the Library Lot, the parking lot above the Library Lane underground

⁸ Ibid



garage. The 352,496-square-foot building, as proposed, would include 34 apartments, 131 hotel rooms, 3,353 square feet of retail/restaurant space, and 20,198 square feet of office space. However, city voters vetoed the project in favor of a city center in the November 2018 election.

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

The Residences at 615 South Main, a 40 million dollar, six-story 229-unit apartment complex with mixed use space at grade, is complete.

An August 7, 2018 MLive post cites ten University of Michigan summer construction projects totaling \$918 million for renovation and/or additions to university buildings on central and north campus.

A high-rise student housing boom that began several years ago has started to transition into more housing developments targeted at professionals and empty nesters. Developers are proposing infill projects and smaller additions on top of existing real estates.

According to Swisher Commercial, a large Ann Arbor-based real estate firm which has tracked area office activity for the last 20 years, total office inventory as of December 31, 2018 was over 12 million square feet among 302 buildings. The overall vacancy rate for downtown office space is 6.8 percent, nearly doubled from 3.6 percent reported one year prior, largely owing to two large vacancies of buildings over 30,000 square feet, nevertheless, indicating less intense demand than in recent years.

The table on the following page summarizes current trends in the local office, retail, and apartment market. These statistics represent a survey of office, retail and apartment properties within Ann Arbor's downtown.



Office, Retail, Apt. Downtown Market Summary

	Office	Retail	Apt-All Bed
Office Buildings	136	214	110
Rentable Building Area or Unit	2,613,093	1,387,415	2,038
Vacancy			
QTD 2019	5.20%	1.30%	3.80%
1Q 2018	5.30%	1.10%	3.20%
1Q 2017	2.50%	1.50%	4.00%
1Q 2016	1.40%	1.10%	4.20%
1Q 2015	2.40%	1.30%	6.60%
Net Absorption			
	Sq. Ft.	Sq. Ft.	Sq. Ft.
QTD 2019	647	8,850	
1Q 2018	-11,450	1,263	
1Q 2017	-18,894	385	
1Q 2016	2,216	-4,235	
1Q 2015	12,228	2,341	
Typical Office Asking Rent			
	FS Gross	NNN	Rent/Unit
QTD 2019	\$28.00	\$38.58	\$1,441
1Q 2018	\$31.24	\$42.59	\$1,423
1Q 2017	\$29.80	\$33.06	\$1,418
1Q 2016	\$24.34	\$33.35	\$1,462
1Q 2015	\$26.17	\$31.49	\$1,510

Source: CoStar

As shown, the current office vacancy is up from early 2015, as noted by the cited Swisher year-end report. The current market vacancy rate for retail has generally held steady since 2015 at 1.30 percent. Apartment vacancies within the area are at 3.80 percent, down slightly from early 2015. The average asking market rent for office is \$28.00 per square foot on a full service gross rent basis, which is up from \$26.16 per square foot in early 2015. The average asking market rent for retail is \$38.58 per square foot on a triple net rent basis, which is up from \$31.49 per square foot in early 2015. Apartment rents for one-, two-bedroom and efficiencies average \$1,441 per unit, down slightly from early 2015.



The appraisal property is located in the Old West Side Historic District, just west of Ann Arbor's Downtown Central Business District, and further west of the University of Michigan Campus. This is an area of office and community uses, segueing to residential uses to the west. The subject neighborhood is fully developed, with increasing instances of redevelopment that yields greater density to the district. The City remains one of the most stable communities in the area owing to the presence of the University of Michigan and the University of Michigan Medical Center. The appraisal property's location—proximate to both the University of Michigan and Ann Arbor's Downtown Central Business District—is considered ideal for a wide variety of users. The past few years evidence significant demand for redevelopment.

Highest and Best Use of Property

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

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.⁹

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 a property so that value may be estimated predicated upon such use.

This definition reflects the importance of determining the most productive use of a property 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.

A property is analyzed both “As Improved” and “As Though Vacant,” in consideration of a premise which states “as long as the value of the property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved.” The analysis addresses the property as hypothetically vacant and the as improved analysis is not considered.

⁹ Appraisal Institute, *The Appraisal of Real Estate*, Eleventh Edition, Chicago, Illinois, p. 275.



As Though Vacant

All physical characteristics of the site, with special consideration for any features which might preclude or enhance development of the property for a particular type of use are examined. Based on the predicated zoning and availability of utilities, the property is capable of supporting commercial, office and/or residential development, as allowed by code. Soils are presumed suitable for development. The property comprises 2.18 gross acres. The property is adjacent to a railroad right-of-way at its eastern border. Topography is generally level with steep sloping concentrated at the southern border. The Allen Creek and Branches County Drain and floodway traverse the eastern portion of the site in an irregular manner. FEMA mapping appears to locate the balance of the site in a floodplain. The appraisers deduce an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard, topographical and county drain issues over a 2.18 gross acre underlying site. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. All municipal utilities are available to the property. The property is typical of other commercial sites in the area, although a property of this size is generally scarce in the CBD. The site has sufficient frontage and exposure on West Washington Street. To the best of the appraisers' knowledge, information, and belief, there are no other physical characteristics of the property that would interfere with, preclude, or enhance normal development potential. Based on the above physical characteristics, the property is suitable for development to numerous uses permitted under the D2, Downtown Interface zoning district.

Legal restrictions, as they apply to the subject property, involve the public restrictions of the present zoning in addition to utility easements and road right-of way easements. The D2 designation permits a variety of commercial, office and residential uses. There are no known private deed restrictions that affect the subject or the surrounding sites. The property is located in a mixed-use area, realizing rejuvenation in numerous mixed-use high-rise developments in the area. The potential uses that meet the requirements of legal permissibility are most uses allowed under the code. Future mixed residential and/or office development in the fee simple interest appear to have most viability, owing to surrounding development.

Financial feasibility considers a use that will produce an income or return which is equal to or greater than the amount needed to satisfy operating expenses in addition to a return on investment. Of the permitted uses to the property, all would likely produce income greater than that needed to satisfy operating expenses, although it is difficult to determine with certainty lacking benefit of plans, specifications, or costs for a proposed project. There are



ample instances of raze and redevelop in urban Ann Arbor, owing to scarcity of development land.

There is currently a resurgence of luxury condominium development on small sites for urban living use, while student high-rise projects on larger sites close to campus have recently entered the market with more development proposed.

Of the possible uses to the appraisal property as though vacant, residential, office or mixed-use development as allowed by code would produce highest and best use of the property.

Methods of Valuation and Dates of Report

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 selection of the procedures and techniques to be used in a valuation, the appraisers must consider the appropriateness of the valuation approaches relative to the nature of the property under valuation to determine which approaches will produce supportable estimates of market value. Each method and its applicability in the instant analysis are discussed below.

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 utilize 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. . .”¹⁰

This approach is most useful for valuing property with new or proposed improvements that utilize a site to its most intense use. Because the appraisers are

¹⁰*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.



analyzing the property as though vacant, the cost approach is considered inappropriate.

Discussion of the Income Approach and Its appropriateness in this Analysis

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

The appraisal property has a highest and best use as development land and the income approach is not generally appropriate for the valuation of raw development land and will not be utilized in the analysis.

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. . ."¹¹

The sales comparison approach is typically used in valuing vacant properties, as predicated for the subject, when there is adequate and reliable sale information of comparable properties. Sales of such transactions provide viable market indicators from which value may be deduced. The sales comparison approach will be employed in the analysis of the appraisal property as though vacant.

Summary

The sales comparison approach to value will be utilized in the analysis of the subject property as though hypothetically vacant.

Effective Dates

The date of the appraisal report is November 6, 2019. The effective current date of valuation is October 19, 2019, the date of property inspection.

¹¹AIREA, p. 30.



Sales Comparison Approach

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

Several units of comparison can be used depending upon the type of property under valuation. A typical unit of comparison most recognized by the market for vacant development land is the price per gross square foot of land area. This is the unit of comparison used in the instant analysis. The significant items of comparisons are the transaction and physical items shown as follows:

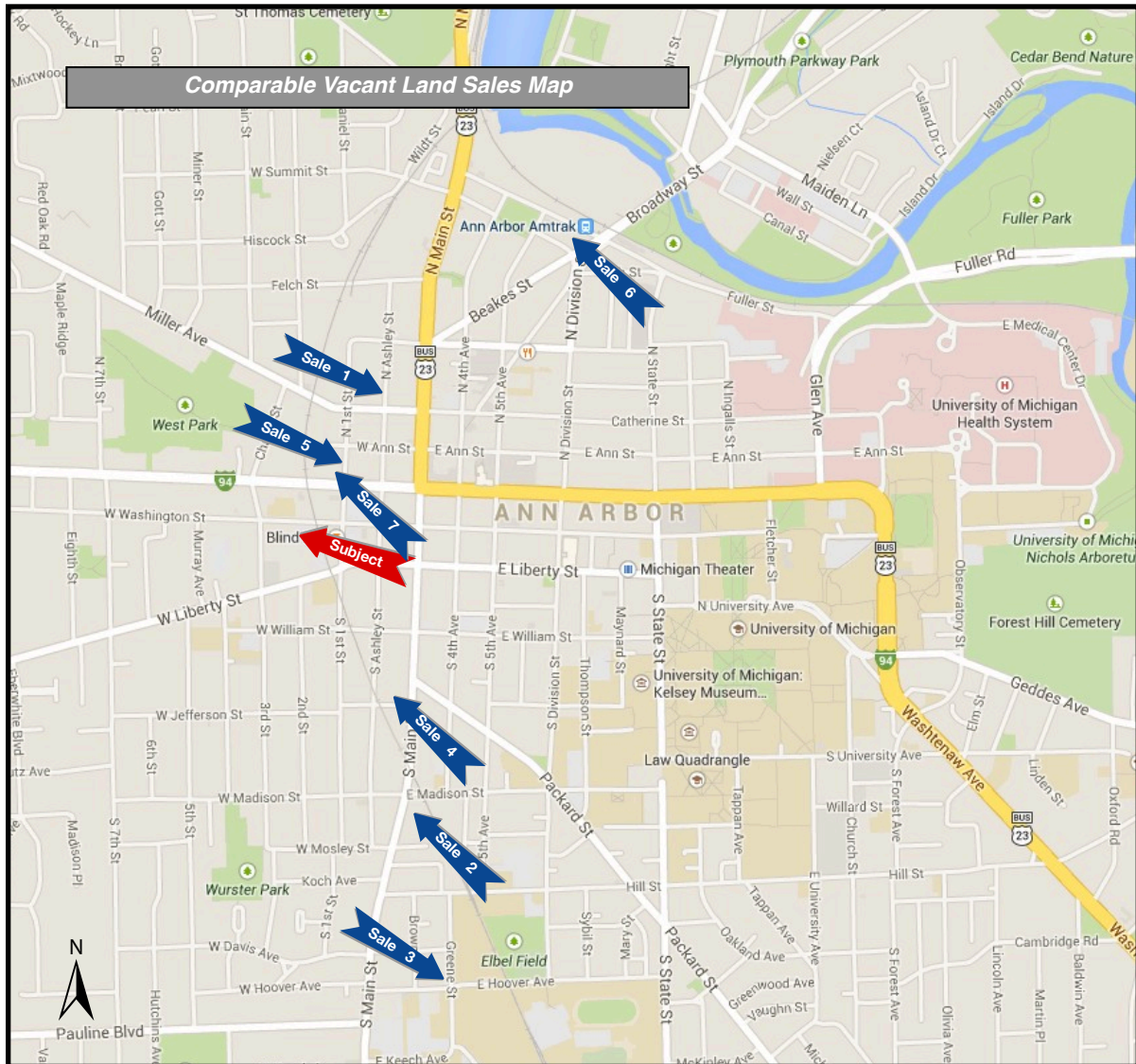
Transaction Items

- Buyer Expenditures
- Property Rights
- Financing Terms
- Conditions Of Sale
- Market Conditions

Physical Items

- Location
- Topography/ Cover
- Zoning
- Utilities
- Development Potential
- Size

The seven sales considered to best represent the subject market are provided in detail and are summarized and adjusted at "Land Sales Adjustment Grid." A map locating the comparables relative the the subject property as well as detail of the comparable sales are put forth on the following pages and precede the presentation of the grid table.





Comparable 1

MARKET DATA Vacant General Commercial Sale



Photograph Date:

Location: 206 & 210 Miller Avenue and 307 & 309 North Ashley Street, Ann Arbor, Washtenaw

Sale Date: December 2017

Sale Price: \$1,200,000 Cash to mortgage

Purchaser: 307 North Ashley, L.L.C.

Seller: Shirley and Bargert Burgoyne

Site: The property consists of four contiguous sites, together configured to an "L" comprising 0.333 gross acre, or 14,520 gross square feet, which appears to be net of road rights-of-way, with 88 feet of frontage on the north side of Miller Avenue and 66 feet of frontage on the west side of North Ashley Street, a one-way northbound artery. Topography is level and at street grade. Coverage includes two residential building improvements, gravel and paved parking lots and miscellaneous site improvements, deemed to be non-contributory. The pending purchaser estimates \$25,000 cost to raze the improvements.

Zoning: D2, Downtown Interface District

Utilities: All Municipal

Tax Code: 09-09-29-150-003, -004, -006 and -007

Exposure Time: 6 months

Occupancy: Vacant

Comments: The purchaser/developer, who has developed luxury condominiums proximate to the subject, envisions a frame five-story structure over parking level comprising 40,500 square feet (representing 279% FAR, based upon previous developments) with unit sizes in a range from 1,000 to 2,200 square feet, built over 18 months after approval (assumed to be a six-month process), presuming level sales at a conservative rate of \$475 per square foot, based upon sales at neighboring Kingsley Condominium, although sales at 410 N. First Street have ranged between \$514 to \$540 per square foot.

Source: Appraisal File

Indicators: \$82.64 per square foot

\$63,158 per unit

\$30.25 per square foot of GBA - after demolition



Comparable 2

MARKET DATA Vacant General Commercial Sale



Common Name: The Residences at 615 S. Main Street

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

Sale Date: October 2016

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

Purchaser: CCSHP Ann Arbor I, LLC

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

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

Zoning: D2, Downtown Interface District

Utilities: All Municipal

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

Occupancy: 100% Occupied

Comments: According to Assessment PTAs, the purchase for three individual parcels is:
615 S. Main (.34 ac) for \$5,010,000 in 10/16 from South Main Assoc., LLC, \$97.91 psf
633 S. Main (1.12 ac) for \$1,450,000 in 10/16 from Malakeh Properties, LLC, \$102.69 psf
637 S. Main (.51 ac) for \$3,500,000 in 10/16 from 637 South Main, LLC, \$157.54 psf

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

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

Source: City assessment records.

Indicators: \$ 116 per square foot

\$35.39 per square foot of GBA - after demolition



Comparable 3

MARKET DATA Vacant General Commercial Sale



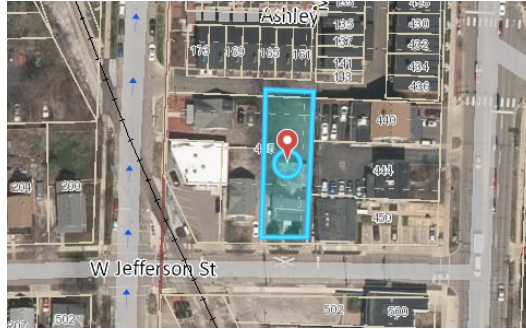
Photograph Date:

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) is pending sale to Redico, a developer based in Southfield, MI for \$6,800,00, or \$95.77 per square foot of land area. A contract was signed in late 2017 and is slated for closing in June 2019. The developer plans a four-story, mixed-use, 141,720-square-foot facility budgeted for \$26 million representing 198.7% FAR. 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



Comparable 4

MARKET DATA
Vacant General Commercial Sale



Photograph Date:

Location: 112 Jefferson Street, Ann Arbor, Washtenaw County, MI
Sale Date: April 2019
Sale Price: \$784,000 Cash
Purchaser: West Jefferson Street, LLC
Seller: Silvennoinen Tapu
Site: The site is rectangular in shape, containing 0.141 acres, or 6,141.96 square feet. It is located on the north side of Jefferson Street.
Zoning: D2 (Max FAR 200%)
Utilities: All Municipal
Tax Code: 09-09-29-411-003
Occupancy: Vacant
Comments: The property contains a 1,855 square foot house that will be demolished for development. The site is being assembled with neighboring parcels to develop The Gallery, a 19-unit condo development that will contain 35,810 square feet of GBA. The total assembled land area per plans is 17,449 sf.
Source: Ann Arbor Assessor's Records
Indicators: \$ 128 per square foot
\$ 5,560,284 per acre



Comparable 5

MARKET DATA
Vacant General Commercial Sale



Photograph Date:

Location: 115 N First Street, Ann Arbor, Washtenaw County, MI

Sale Date: July 2019

Sale Price: \$450,000 Cash

Purchaser: KH 115 North First, LLC

Seller: The Ambassador Company

Site: The site is rectangular in shape containing 0.114 acres, or 4,965.84 square feet. It is located on the west side of North First Street with 55 feet of frontage. The lot is 90 feet deep.

Zoning: D2

Utilities: All Municipal

Tax Code: 09-09-29-214-016

Occupancy: Vacant

Comments: The site is currently used as a gravel parking lot.

Source: Ann Arbor Assessor's Records

Indicators: \$90.62 per square foot
\$3,947,368 per acre



Comparable 6

MARKET DATA

Vacant Multi-Family Development Land Sale



Photograph Date:

Common Name: The Garnet

Location: 325 East Summit Street, Ann Arbor, Washtenaw County, MI

Sale Date: January 2018

Sale Price: \$900,000 Cash to mortgage

Purchaser: 325 East Summit Condos, LLC

Seller: East Summit, LLC

Site: The site, configured to a trapezium and assumed to incorporate the eastern 16.5 feet of an abandoned alley at its western border, comprises 0.236 gross acre, which appears to be net of road right-of-way, having approximately 125 feet of frontage on the north side of East Summit Street and 77.5 feet of frontage on the west side of southeast bound Beakes Street. There is a curb cut in the alleyway. Topography is level and at East Summit Street grade; however, Beakes Street is elevated above the subject's eastern border, without access. City records indicate 0.202 gross acre and does not appear to calculate cited alley; title work for vacated alley incorporation to surrounding sites is lost. The property is improved with a one- and two-story office conversion structure, dating to 1978, comprising 1,858 square feet above grade, over 896-square foot basement with 90 percent, or 804-square-foot finish. The building has generally been well maintained with periodic updates and the interior has quality finishes and good appeal. The exterior wood siding is in need of paint and the owner advises that such modest deferred maintenance is extant because of intent to redevelop.

Zoning: C1A, Campus Business District (200% FAR)*

Utilities: All Municipal

Tax Code: 09-09-20-415-003

Occupancy: % Occupied

Comments: The property was not exposed to the open market, with a PA signed in December 2017. The property is subject to a below-market lease of existing improvements for five months, deemed offsetting to time needed to entitle the property for redevelopment, planned for an 10-unit, 18,624-square-foot residential condo building over parking indicating a 181 percent FAR. An underground 14-car garage is included in the plan.

*** As of May 2019, the planning commission recommends approval for rezoning from C1B, Community Convenience Center District to C1A, Campus Business District with a 200% FAR for revised development of a 16,490-square-foot building with 10 residential units and 14 parking spaces, representing a 160% FAR.**

Source: Appraiser File, (734) 994-0554

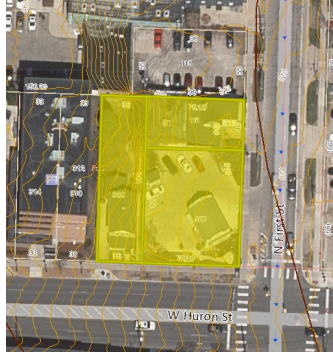
Indicators: \$ 87.55 per square foot
 \$ 54.58 per SF Proposed GBA
 \$ 90,000 per unit
 Recorded L5250 P500 WCR



Comparable 7

MARKET DATA

Pending Vacant General Commercial Sale



Photograph Date:

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

Pending Sale Date: October 2019

Sale Price: \$3,391,146 Cash or Equivalent

Purchaser: Undisclosed

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: 100% Occupied

Comments: The property has 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 pending price is undisclosed and the broker expects the purchaser's due diligence to extend into 2021 and the list price only is cited.** The property is marketed for office, multiple-family, mixed-uses or other uses, capable of supporting 60,000 square feet of building area, which represents a rounded 400% FAR premium. The D2 district allows 200% FAR without premiums. Based upon site size, the appraisers estimate the proposed assemblage is capable of supporting 30,144 square feet of building area without premiums, or 60,288 square feet of building area with 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: Michelle Grober, Thomas Duke Company, 734) 829-7131

Indicators: \$ 225 per square foot

\$113.49 per square foot of potential GBA without premiums after demolition



"Land Sales Adjustment Grid"

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Sale Price		\$1,200,000	\$9,960,000	\$6,800,000	\$784,000	\$450,000	\$900,000	\$3,391,146
Date of Sale		Dec 1, 2017	Oct 1, 2016	Jun 1, 2019	Apr 1, 2019	Jul 1, 2019	Jan 1, 2018	Undisclosed Pending
Buyer Expenditures		\$25,000	\$165,000	\$200,000	\$15,000	\$0	\$0	\$30,000
Property Rights Transferred		0%	0%	0%	0%	0%	0%	0%
Conditions Of Sale		0%	0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%	0%
Market Conditions	0.5000%	10.00%	17.00%	6.50%	2.00%	0.50%	9.50%	-10.00%
Adjusted Price		\$1,347,500	\$11,846,250	\$7,455,000	\$814,980	\$452,250	\$985,500	\$3,079,031
Site Size In Acres		0.333	1.970	1.630	0.141	0.114	0.236	0.346
Adjusted Price Per Sq. Ft.	1.33 Usable	\$93	\$138	\$105	\$133	\$91	\$96	\$204
Location	W. Washington	Miller, N. Ashley	S. Main	E. Hoover, Brown, Green	Jefferson	N. First	E. Summit	W. Huron, N. First
Township	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor
Adjustment		0.0%	-10.0%	5.0%	0.0%	0.0%	0.0%	-10.0%
Topography/ Cover	Level Usable/ Adj, RR, Treeline	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear
Adjustments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Zoning	D2	D2	D2	C2B, R4C to C2B	D2	D2	C1B to C1A	D2
Adjustment	No Premium	-10.0%	-10.0%	0.0%	-10.0%	-10.0%	0.0%	-10.0%
Utilities	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Development Potential	Average	Average	Average	Average	Average	Average	Average	Average
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Size	1.33 Usable	0.330	1.970	1.630	0.141	0.114	0.236	0.346
Adjustment		-10.0%	0.0%	0.0%	-20.0%	-20.0%	-15.0%	-10.0%
Gross Adjustments		20.0%	20.0%	5.0%	30.0%	30.0%	15.0%	30.0%
Net Adjustments		-20.0%	-20.0%	5.0%	-30.0%	-30.0%	-15.0%	-30.0%
Adjusted Sale Price Per Sq. Ft.		\$74	\$110	\$110	\$93	\$64	\$81	\$143

Index of Comparable Land Sales

- 206 & 210 Miller Avenue and 307 & 309 N. Ashley Street, Ann Arbor
- 615, 633 & 637 South Main Street, Ann Arbor
- 145, 147 & 151 E. Hoover, 917 & 919 Brown, and 910 Green, Ann Arbor
- 112 Jefferson Street, Ann Arbor
- 115 North First Street, Ann Arbor
- 325 East Summit Street, Ann Arbor
- 300 and 308 W. Huron Street and 111 North First Street, Ann Arbor

High	\$143
Mean	\$97
Median	\$93
Low	\$64



Adjustments:

Buyer Expenditures: Buyer expenditures include the costs incurred by the buyers immediately following the purchase of a property. Sales One through Four and Seven are adjusted for various buyer expenses. Rent for interim improvements on Sale Six is presumably offsetting to eventual demolition costs.

Property Rights Conveyed: The fee simple title to the subject property is examined. The presented sales conveyed with fee simple title interest and no adjustment is applied.

Conditions of Sale: The consummated sales are reported to be arm's-length transactions. Therefore, no adjustments are warranted.

Terms of Sale/Financing: All sales were purchased on the basis of cash or presumed cash equivalent terms for this market. Thus, no adjustments are necessary.

Market Conditions: The consummated sales occurred within the past 36 months of the current date of valuation. As discussed in the "Current Market Conditions and Trends" subsection of this report, growth in the Ann Arbor CBD evidences in the development land sector at about six percent per annum, or 0.50000 percent per month. Sale Seven represents an undisclosed pending sale and the list price is cited, for which downward adjustment is applied in consideration of negotiation inherent to real estate transactions.

Location: Location adjustments are made in consideration of visibility characteristics, traffic patterns, accessibility, local economies, demographic trends, and neighborhood real estate values. The property has good visibility and exposure characteristics on a tertiary artery, proximate to the CBD. Downward adjustment is applied to Comparables Two and Seven, located on primary arteries. Upward adjustment is applied to Comparable Three, more outlying relative to the subject. No adjustment is applied to the remaining presented data on an overall basis.

Topography and Cover: The usable area of the subject property is level. The site is adjacent to a railroad and coverage is presumed to include a donated treeline area near the railroad. The comparable data feature level topographical and clear coverage characteristics, for which no adjustment is applied on an overall basis after consideration that the adverse railroad proximity is offsetting to the presumed treeline view amenity and buffering.

Zoning: Valuation is predicated upon the subject being zoned D2, Downtown Interface District. While the D2 district allows a 200 percent FAR and 400 percent FAR with premiums, the subject is ineligible for premiums because it lies in a historic district and



partially lies in a floodway. No adjustment is applied to Comparable Three, to be rezoned from mixed designations to all C2B, allowing 200 percent FAR, lacking in premium density. No adjustment is applied to Comparable Six, recommended by the planning commission for rezone to C1A, allowing 200 percent FAR and 400% FAR with premiums, but planned for 160% FAR. Downward adjustment is applied to the remaining presented data, with D2 zoning designations, allowing premium density levels.

Utilities: All municipal utilities are available to the subject property and to the presented data and no adjustment is warranted.

Development Potential: As predicated herein, the appraisal property comprises 1.33 effective usable acres, which ample area would likely influence the intensity with which the property could be developed owing to economies of scale. All comparables are deemed to have adequate or ample development potential and no adjustment is warranted.

Size: As predicated herein, the appraisal property comprises 1.33 effective usable acres, while the presented data range in size from 0.114 to 1.970 acres. Generally, the market for parcels of land exhibits a downward trend in unit price as parcel size increases. Such trend intensifies as it applies to smaller sites. No adjustment is applied to Comparables Two and Three, with similarly large site sizes. Variable downward adjustment is applied to the remaining presented data, smaller in size relative to the subject.

Summary: After all adjustments, the comparable land sale prices range from \$64 to \$143, with a mean of \$97 and a median indicator of \$93 per square foot. Comparable Three adjusts to \$110 per square foot and requires the least adjustment. The most recent 2019 data average \$79 per square foot. Comparable Seven, an undisclosed pending sale, for which the list price is cited, adjusts out of pattern to \$143 per square foot at the high end of the spectrum. After consideration of the market data and up-trending conditions, the appraisers resolve to a market indicator of \$95 per square foot. Thus,

57,867 usable sq. ft. (1.33 usable acres) @ \$95/sq. ft. = \$5,500,000 (rd.)

The analysis is predicated upon the subject having a D2 zoning parameter, which typically allows 200% Floor Area Ratio (FAR) or 400% with premiums. However, as previously discussed, the subject is ineligible for premiums. With a 200% density allowance, the subject site is capable of supporting 115,734 feet of building area. Dividing this projected area into our estimated market value yields a value of about \$48 per square foot of potential developed building area. Of course the ultimate building area depends on several factors beyond the control of the developer. The table below highlights the comparable land sales used in our analysis as well as several other slightly dated or removed comparable sales in the Ann Arbor



market. These sales have D1 and D2 zoning designations. The D1 zoning allows a maximum 400% FAR, 700% FAR with premiums, or 900% FAR with affordable housing premiums. Comparable 15 allows a maximum 200% FAR. Comparable 15 allows 200% FAR and does not have a premium allowance. Comparable 18 allows 200% FAR or 400% FAR with premiums.

Price Per Square Foot of Developed Building Area

	Sale Date	Price	Land Area	\$/SF of Land	Zoning	Developed or Planned GBA	\$/GBA	Price Per Max FAR	Price Per Max/Premiums FAR	
1	NWC Glenn and East Ann	Mar-14	\$2,550,000	.54 acre	\$108	PUD	145,915 SF	\$17	\$27	\$15
2	350 South Fifth	Apr-14	\$5,250,000	.82 acre	\$147	D1	n/a	n/a	\$37	\$21
3	318 West Liberty	Dec-14	\$1,037,000	.26 acre	\$93	D2	17,985 SF	\$58	\$47	\$23
4	615, 633 & 637 South Main	Oct-16	\$9,960,000	1.97 acre	\$116	D2	286,079 SF	\$35	\$58	\$29
5	600, 602, 604 & 606 East Washington	Nov-15	\$4,100,000	.33 acre	\$285	D1	n/a	n/a	\$71	\$41
6	618 South Main	Nov-12	\$2,850,000	1.0 acre	\$65	D2	117,763 SF	\$24	\$33	\$16
7	319 & 321 North Main	Dec-14	\$768,000	.19 acre	\$94	D2	12,000 SF	\$64	\$47	\$23
8	221 West Washington	Jan-12	\$3,200,000	.57 acre	\$130	PUD	137,874 SF	\$23	\$32	\$19
9	215 North Fifth	Dec-10	\$645,000	.09 acre	\$158	D2	4,400 SF	\$147	\$79	\$39
10	401 and 413 East Huron	May-12	\$6,000,000	.87 acre	\$158	D1	263,504 SF	\$23	\$40	\$23
11	637 South Main	Mar-14	\$2,300,000	.51 acre	\$104	D2	n/a	n/a	\$52	\$26
12	319 S. Fifth and 326 N. Division	Offer	\$10,000,000	1.55 acre	\$148	D1	353,057 SF	\$28	\$37	\$21
13	206 & 210 Miller, 307 & 309 N. Ashley	Dec-17	\$1,200,000	.33 acre	\$83	D2	40,500 SF	\$30	\$41	\$21
14	1215 South University	Dec-15	\$1,050,000	.08 acre	\$306	D1	10,796 SF	\$97	\$76	\$44
15	Block of E. Hoover, Brown, Green, E. Davis	Pending	\$6,800,000	1.63 acre	\$96	C2B	141,140 SF	\$48	\$48	n/a
16	603 and 513 East Huron	Sep-15	\$7,050,000	.59 acre	\$274	D1	131,239 SF	\$54	\$69	\$39
17	108, 202 & 214 E. Madison, 715, 613 S. Fifth, and 300 John	Mar-19	\$24,000,000	6.54 acre	\$84	D2	n/a	n/a	\$42	\$21
18	325 East Summit	Jan-18	\$900,000	.24 acre	\$88	C1A	16,490 SF	\$55	\$44	\$22
19	313 South Main	Feb-15	\$3,050,000	.19 acre	\$369	D1	32,813 SF	\$93	\$92	\$53
20	300 and 308 W. Huron and 111 N. First *	Undiscl. Pending	\$3,391,146	.35 acre	\$225	D2	n/a	n/a	\$113	\$56
	Mean		\$4,805,057	.93 acre	\$156		114,104 SF	\$53	\$54	\$29
	Median		\$3,125,000	.53 acre	\$123		117,763 SF	\$48	\$47	\$23

* Useable Area is applied to Comparable 20

In most cases where developed building area is known, the actual constructed or proposed development falls above the base maximum FAR but below the maximum with premiums. The planned or developed indicators range from \$17 to \$147, averaging \$53 per square foot of building area; the price per maximum FAR indicators range from \$27 to \$113, averaging \$54 per square foot; while the price per maximum FAR with premiums ranges from \$15 to \$56, averaging \$29 per square foot, which indicators are supportive of the 200% maximum FAR indicated for the subject based on our land value estimate.

In an effort to further support the foregoing value indicator by square foot of land area, the appraisers consider the data expressed per square foot of maximum FAR allowed, before consideration of any premiums—deemed to be speculative and dependent upon individual



developer preference, site planning particulars and negotiation of city planning parameters. In the following grid, all adjustments are the same except that 1) there is no adjustment for zoning differentials, which is reflected in the price indicator based upon density allowance; and 2) there is no adjustment for potential building size because the dataset does not indicate a clear trend in price verses size, after all other adjustments. The grid follows.



"Land Sales Adjustment Grid: Price Per Max FAR"

	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Sale Price	\$1,200,000	\$9,960,000	\$6,800,000	\$784,000	\$450,000	\$900,000	\$3,391,146
Date of Sale	Dec 1, 2017	Oct 1, 2016	Jun 1, 2019	Apr 1, 2019	Jul 1, 2019	Jan 1, 2018	Undisclosed Pending
Buyer Expenditures	\$25,000	\$165,000	\$200,000	\$15,000	\$0	\$0	\$30,000
Property Rights Transferred	0%	0%	0%	0%	0%	0%	0%
Conditions Of Sale	0%	0%	0%	0%	0%	0%	0%
Financing	0%	0%	0%	0%	0%	0%	0%
Market Conditions	11.00%	18.00%	7.50%	3.00%	1.50%	10.50%	-10.00%
Adjusted Price	\$1,359,750	\$11,947,500	\$7,525,000	\$822,970	\$456,750	\$994,500	\$3,079,031
Site Size In Acres	0.333	1.970	1.630	0.141	0.114	0.236	0.346
Total GBA at Max Far	29,011	171,626	142,006	12,284	9,932	16,490	30,144
Adjusted Price Per Sq. Ft.	\$47	\$70	\$53	\$67	\$46	\$60	\$102
Location	W. Washington	S. Main	E. Hoover, Brown, Green	Jefferson	N. First	E. Summit	W. Huron, N. First
Township	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor
Adjustment	0.0%	-10.0%	5.0%	0.0%	0.0%	0.0%	-10.0%
Topography/ Cover	Level/Clear	Level/Clear	Level/Clear	Level/Clear	Level/Clear	Level/Clear	Level/Clear
Adjustments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Zoning	D2	D2	C2B, R4C to C2B	D2	D2	C1B to C1A	D2
Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal	All Municipal
Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Development Potential	Average	Average	Average	Average	Average	Average	Average
Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Max FAR	29,011	171,626	142,006	12,284	9,932	16,490	30,144
Adjustment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Adjustments	0.0%	10.0%	5.0%	0.0%	0.0%	0.0%	10.0%
Net Adjustments	0.0%	-10.0%	5.0%	0.0%	0.0%	0.0%	-10.0%
Adjusted Sale Price Per Sq. Ft.	\$47	\$63	\$56	\$67	\$46	\$60	\$92

High	\$92
Mean	\$61
Median	\$60
Low	\$46

- Index of Comparable Land Sales
- 206 & 210 Miller Avenue and 307 & 309 N. Ashley Street, Ann Arbor
 - 615, 633 & 637 South Main Street, Ann Arbor
 - 145, 147 & 151 E. Hoover; 917 & 919 Brown; and 910 Green, Ann Arbor
 - 112 Jefferson Street, Ann Arbor
 - 115 North First Street, Ann Arbor
 - 325 East Summit Street, Ann Arbor
 - 300 and 308 W. Huron Street, and 111 North First Street, Ann Arbor



The resultant indicators range from \$46 to \$92, with a mean of \$61 and a median indicator of \$60 per square foot of maximum FAR potential. Comparable Seven sets the upper end of the range. If it is excluded, the range tightens from \$46 to \$67, averaging \$57 per square foot of maximum FAR. The appraisers' land value conclusion equates to \$48 per square foot of maximum FAR and is supported, albeit near the low end of the adjusted spectrum.

The appraisers conclude that the current as-is market value of the appraisal property, as of October 19, 2019, is:

Five Million Five Hundred Thousand Dollars

(\$5,500,000)

The preceding value estimate is made subject to the "General Assumptions and Limitations of Appraisal" of this report and to the following "Hypothetical Condition and Extraordinary Assumptions to this Appraisal."

Hypothetical Condition

1. At the direction of the client, the appraisal property is analyzed in accordance with a development proposal under a D2, Downtown Interface zoning scenario, consistent with the current master plan of the property, put forth within the body of the text and at exhibit B herein, hypothetically presuming the property is vacant and ready for development without environmental hazards, assuming the property is not subject to adverse easements or deed restrictions beyond that cited herein. A portion of the property will be dedicated to a treeline, which is presumed to overlap non-usable area of the site and therefore not further impact the usable area of the property beyond an enhanced view amenity. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusion reported herein.

Extraordinary Assumptions

1. The appraisers have been directed by the client to make an exterior inspection from the street. They have relied upon a legal description, site descriptions and areas culled from municipal or proposed development documents, put forth at exhibits A and B, respectively. To aid in the analysis, the appraisers have deduced usable site area from the cited development analysis, assuming the proposed building area of 115,734 square feet represents 200 percent usable FAR, yielding an effective usable site area of 57,867 square feet, or 1.33 acres, net of various flood hazard,



topographical and county drain issues over a 2.18 gross acre underlying site. It is an assumption of this report that gross and net usable site areas, descriptive detail and condition delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusion could be impacted; and

2. The appraisers have not been provided with professional soil boring analysis for the appraisal property. Valuation is predicated upon the assumption that the presumed usable subject soils are suitable for commercial-type construction similar to that found on surrounding parcels. If such is not the case, the value conclusion could be impacted; and
3. Valuation is predicated upon the assumption that the appraisal property is free and clear of any environmental hazards which would materially affect the property. If such is not the case, the reported value conclusion could be impacted.

Sales History Analysis

Municipal records indicate the property is owned by the city of Ann Arbor, which entity has owned the property 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...¹²

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

¹² *The Dictionary of Real Estate Appraisal*, Third Edition, Appraisal Institute, Chicago, IL, 1993, page 126.



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...¹³

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. The marketing time is the estimated length of time the property interest under analysis would have been listed on the market prior to a hypothetical sale at the estimated market value on or after the effective date of the appraisal.

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 six to 12 months for the property.

¹³ *Dictionary*, page 220.



ASSUMPTIONS AND LIMITATIONS OF APPRAISAL

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

Appraisal Is Not A Survey

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

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

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

Appraisal Is Not A Legal Opinion

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

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



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

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

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

Appraisal Is Not An Engineering Or Property Inspection Report

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

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

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



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

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

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

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

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

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



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

Appraisal Is Not An Environmental Issues Or A Hazardous Materials Report

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

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of mold, urea-formaldehyde foam insulation, toxic waste, asbestos, radon gas, 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 dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous materials or substances into the groundwater or the environment unless otherwise noted in the report.

Appraisal Is Made Under Conditions Of Uncertainty With Limited Data

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



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

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

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

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

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

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

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

This appraisal is an estimate of value based on an analysis of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analysis



because of our incorrect or incomplete information. If new information of significance comes to light, the value given in this report is subject to change without notice.

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

Restrictions Upon Disclosure And Use Of The Appraisal

Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the appraiser.

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

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

Neither this appraisal report nor any part of it may be submitted to the Securities and Exchange Commission nor to any state securities regulatory agency without the express written permission of the appraiser(s).

Neither the name of the Gerald Alcock Company nor the name of the appraiser(s) nor this appraisal report nor any material contained in this appraisal report may be used for activities or transactions that are subject to the Employee Retirement Income Security Act of 1974, as amended, without the express written permission of the appraiser(s).



Appraisal Report Limitations

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

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

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

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



REQUIRED STATEMENTS

LICENSURE

In Michigan, appraisers are required to be licensed and are regulated by the Michigan Department of Licensing and Regulatory Affairs, P.O. Box 30018, Lansing Michigan 48909. The appraisers are currently and properly licensed.

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 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 November 6, 2019.

Effective Date(s) of Value

The effective date of the current valuation is October 19, 2019, the date of property inspection.

Date(s) of Inspection and Inspector(s)

Lorie Alcock made an exterior inspection of the property from the street on October 19, 2019. Michael T. Williams made a separate exterior inspection of the property from the street on the same date.



APPRAISER'S CERTIFICATIONS

Michael T. Williams

I certify that, to the best of my 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. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; and
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; and
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results; and
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice; and
8. I have not performed an appraisal or any other service as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment; and
9. I have made an exterior inspection of the property that is the subject of this report; and
10. No one not identified in this report provided significant professional assistance to the author or authors 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 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". The signature is fluid and cursive.

Michael T. Williams, MAI



Lorie Alcock

I certify that, to the best of my 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. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved; and
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; and
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results; and
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice; and
8. I have not performed an appraisal or any other service as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment; and
9. I have made an exterior personal inspection of the property that is the subject of this report; and
10. No one not identified in this report provided significant professional assistance to the author or authors 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.

A handwritten signature in cursive script that reads "Lorie Alcock".

Lorie Alcock



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



PROFESSIONAL AND TRADE AFFILIATIONS:

Michigan State Certified General Appraiser #1201004033

Ohio State Certified General Appraiser #2011002568

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

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

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



GRETCHEN WHITMER GOVERNOR	STATE OF MICHIGAN DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS BUREAU OF PROFESSIONAL LICENSING	P011132
CERTIFIED GENERAL APPRAISER LICENSE		
MICHAEL THOMAS WILLIAMS		
LICENSE NO. 1201004033	EXPIRATION DATE 07/31/2021	AUDIT NO 3426664
THIS DOCUMENT IS DULY ISSUED UNDER THE LAWS OF THE STATE OF MICHIGAN		



LORIE ALCOCK

Past responsibilities at the Gerald Alcock Company have included book-keeping and valuations for residential properties, specializing in exclusive single-family housing. Recent responsibilities, from 2000 through the present, include valuations for various properties, including, but not limited to, general commercial properties, single- and multiple-tenant industrial buildings, high-tech office properties, professional and medical office buildings, mixed-use facilities, residential subdivisions, and vacant land for a variety of uses.

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, life insurance companies, mortgage bankers, law firms, accountants, investment firms, developers, as well as private and public agencies.

EDUCATION

UNIVERSITY OF MICHIGAN

School of Art and Design
Bachelor of Fine Arts, 1979

APPRAISAL INSTITUTE

Courses Completed:
Real Estate Appraisal Principles, 1986
Residential Valuation, 1986
Basic Valuation Procedures, 1987
Basic Income Capitalization, 2000
General Applications, 2001

Seminars Completed:
Income Valuation of Small Mixed-Use Properties, 2001



BUSINESS EXPERIENCE

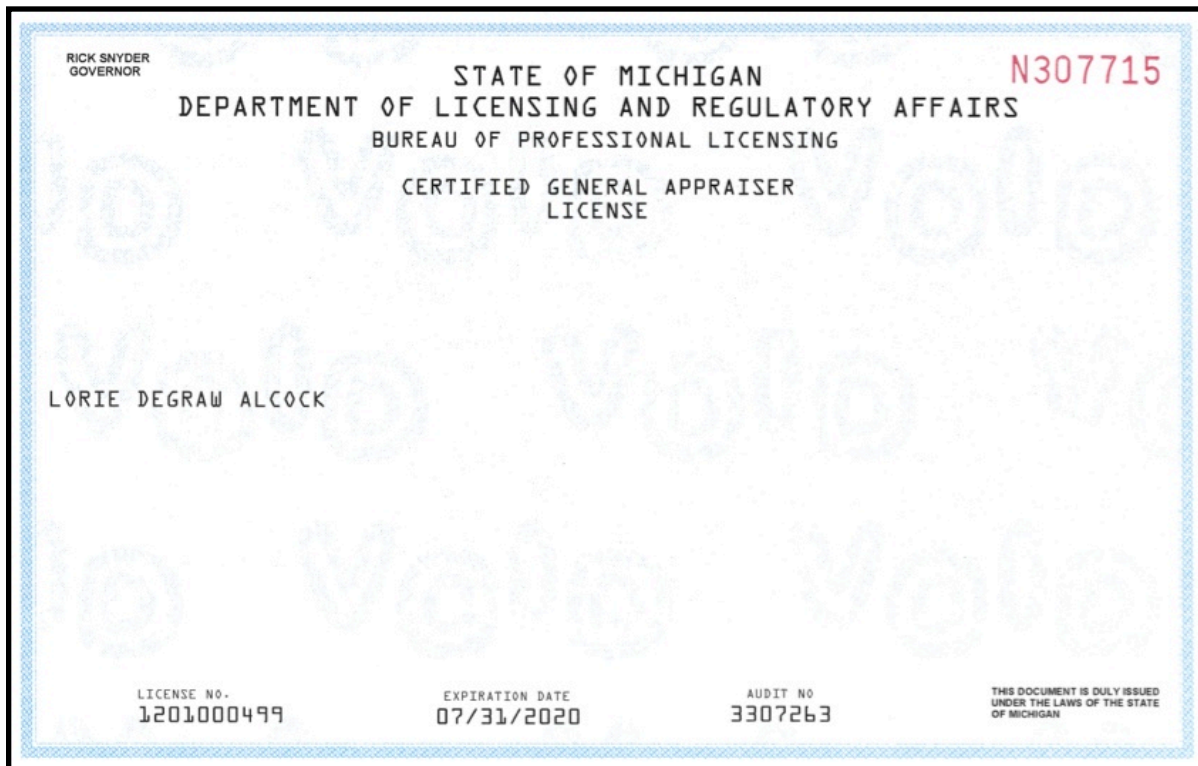
1986 – present Staff Appraiser, Gerald Alcock Company, L.L.C.
1982 – 1986 Production Artist, Group 243, Incorporated
1980 – 1982 Art Teacher, Superior Recreation Department

PROFESSIONAL AFFILIATION

State of Michigan General Certified Real Estate Appraiser, License Number 1201000499

COURT EXPERIENCE


Qualified as expert witness in Washtenaw County Circuit Court





Municipal Documents

415 W WASHINGTON ST Ann Arbor, MI 48103 (Property Address)
 Parcel Number: 09-09-29-211-003



Property Owner: CITY OF ANN ARBOR

Summary Information
 > Assessed Value: \$0 | Taxable Value: \$0

Item 1 of 1 1 Image / 0 Sketches

Parcel is Vacant

Owner and Taxpayer Information

Owner	CITY OF ANN ARBOR * PO BOX 8647 Ann Arbor, MI 48107	Taxpayer	SEE OWNER INFORMATION
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General Information for Tax Year 2019

Property Class	Exempt City of AA	Unit	09 City of Ann Arbor
School District	No Data to Display	Assessed Value	\$0
Map #	No Data to Display	Taxable Value	\$0
User Num Idx	3	State Equalized Value	\$0
User Alpha 1	No Data to Display	Date of Last Name Change	09/09/1999
User Alpha 3	No Data to Display	Notes	Not Available
Historical District	Yes	Census Block Group	No Data to Display
User Alpha 2		Exemption	No Data to Display

Principal Residence Exemption Information

Homestead Date No Data to Display

Year	Principal Residence Exemption	June 1st	Final
2020		0.0000 %	-
2019		0.0000 %	0.0000 %

Previous Year Information

Year	MBOR Assessed	Final SEV	Final Taxable
2018	\$0	\$0	\$0

Land Information

Zoning Code	PL	Total Acres	0.000
Land Value	\$0	Land Improvements	\$0
Renaissance Zone	No	Renaissance Zone Expiration Date	No Data to Display
ECF Neighborhood	099 exempt	Mortgage Code	No Data to Display
Lot Dimensions/Comments	No Data to Display	Neighborhood Enterprise Zone	No

Lot(s)	Frontage	Depth
No lots found.		
Total Frontage: 0.00 ft		Average Depth: 0.00 ft

Legal Description

LOT 13 EXC PARC 40.58 FT ON W AND 56.89 FT FT ON E AND LOTS 14 THRU 17 BLK 2 ASSESSORS PLAT NO 3

Land Division Act Information

Date of Last Split/Combine	<i>No Data to Display</i>	Number of Splits Left	<i>Not Available</i>
Date Form Filed	<i>No Data to Display</i>	Unallocated Div.s of Parent	0
Date Created	<i>No Data to Display</i>	Unallocated Div.s Transferred	0
Acreage of Parent	0.00	Rights Were Transferred	No
Split Number	0	Courtesy Split	No
Parent Parcel	<i>No Data to Display</i>		

Sale History

Sale Date	Sale Price	Instrument	Grantor	Grantee	Terms of Sale	Liber/Page	Comments
No sales history found.							

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Private Document

415 W. Washington

415 W. Washington is a +/- 2.18 acre site, currently owned by the City of Ann Arbor. The building was a former Washtenaw County Road Commission building constructed in 1925. The building is vacant, but the parking lot is still utilized. The site is encumbered with floodway, and a county drain. The portion of this lot adjacent to the railroad is targeted for The Treeline dedication.

The site is currently zoned PL, Public Land.

Surrounding Land Use and Zoning include:

	Zoning	Land Use
North	PUD	YMCA
South	D-2	Multiple-Family / Single-Family Residential
East	D-2	Railroad
West	R4-C	Single-Family Residential



HOUSING ANALYSIS DOWNTOWN STUDY SITES

City of Ann Arbor
Washtenaw County, Michigan

Study Sites

- 1 350 S. Fifth
 - 3 404 N. Ashley
 - 5 721 N. Main
 - 2 121 Catherine
 - 4 415 W. Washington
 - 6 The Kline Lot
 - 7 2000 S. Industrial
 - 8 1510 E. Stadium
- Refer to "Housing Analysis Downtown Study Sites" Map

July 25, 2019
CarlisleWortman Associates, Inc.
Ann Arbor, Michigan



HOUSING ANALYSIS DOWNTOWN STUDY SITES

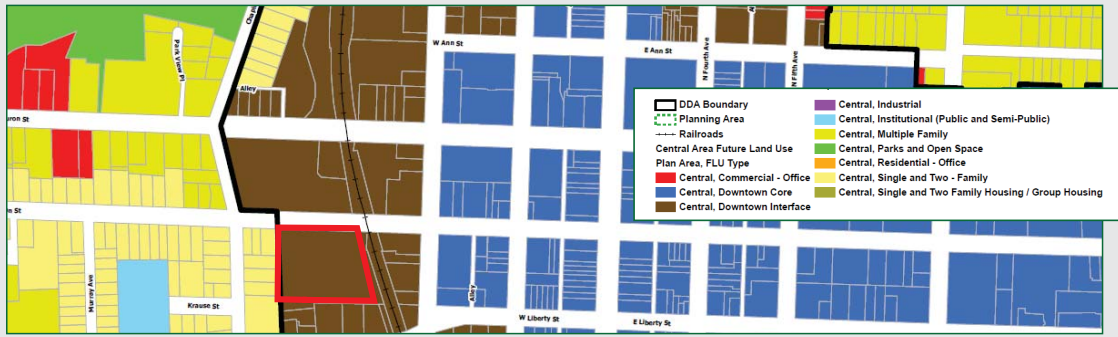
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Central Area Land Use Map



Master Plan

The City's Future Land Use Goals designate this site as being part of the Downtown Interface District and the First Street Overlay District. The First Street Overlay District runs north-south along the Ann Arbor Railroad and Allen Creek floodplain. This area is characterized by oddly-shaped blocks and a mixture of commercial storefronts, industrial Buildings and single-family homes.

of the character area is intended for infill development that preserves historic Buildings' assets, supports downtown activities, and provides non-motorized connections through preservation of a system of public and common open spaces.

The Old West Side historic district which makes up much

415 W. Washington Development Scenario 1: Rezone to D2 zoning

Parameters:

- Development of this site as D2 is consistent with the Master Plan.
- Development as D2 would be consistent to development to the north and east.
- Subject to secondary street frontage setback requirements and the First Street Character Zone.
- Located within the Old West Side Historic District.
- Ineligible for premiums as it is located within a Historic District and Floodway.
- Building is significantly limited by floodway and drainage easement.
- Assumes 15,000 sq. ft. donation to The Treeline.

Development Potential

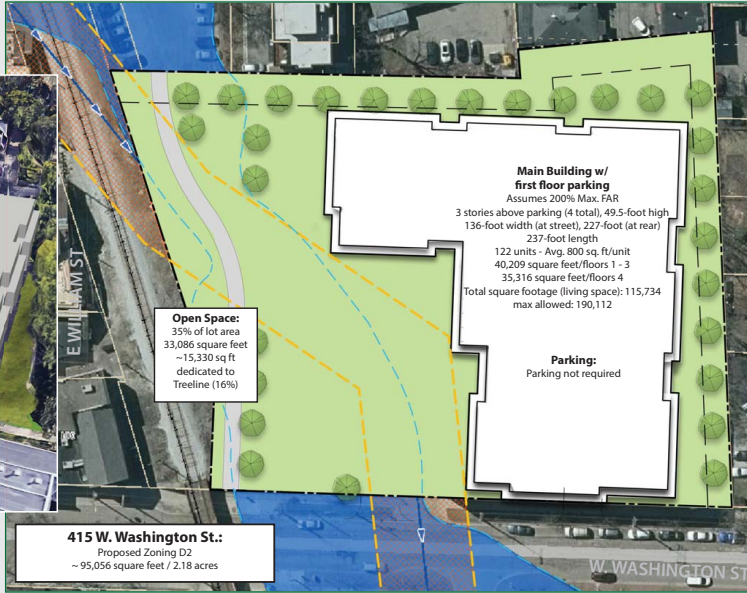
Number of Units	122
Building Type	Apartment
Avg. Unit Size	800 sq/ft
Total Building Size	115,734 sq/ft
Building Height	3-stories, 49.5 feet

Zoning Requirements

Lot Area	95,056 sq/ft (2.18 acres)
Setbacks	Front: 0 ft min Side: 10 ft when abutting any residential zoning district Rear: 20 ft when abutting any residential zoning district
Open Space	10%
Maximum Building Coverage	80%
Floor Area Ratio (FAR) Base	200% of lot area (FAR)
Character Area	First Street Character Zone
Building Height Max	Maximum is 60 feet and 3 stories at street wall.
Parking	Vehicle: None. Bike: 1 space per 5 dwelling units (50% enclosed, 50% fixed, hoop style)
Floodplain/Floodway	Yes
Consistent with Master Plan Future Land Use Element	Yes
Treeline Dedication	Yes, 32,000 sq/ft.



Develop under rezoned D2 zoning
 -Perspective (top)
 -Plan view (right)





Excerpts from Zoning Ordinance

business district.

(2) *Permitted principal uses.*

(a) Any principal use permitted in the C1 local business district and the C1B community convenience center district.

(b) All commercial uses other than office uses shall not be permitted above the third story.

(3) *Permitted accessory uses.*

(a) Those allowed in the R3 district.

(Ord. No. 6-84, 4-9-84; Ord. No. 6-05, § 2, 4-4-05)

5:10.19. D1 and D2 Downtown Districts.

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

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

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

(2) *Uses of land.*

(a) *Uses in the D1 and D2 districts are allowed in accordance with Table 5:10.19A - Schedule of Uses.* The following key is to be used with the Schedule of Uses:

1. *Permitted Uses.* In accordance with section 5:6, these uses are permitted by right in the district. These uses may be mixed within a building, unless otherwise specified in this chapter. Permitted uses are identified with a "P".

2. *Special Exception Uses.* In accordance with sections 5:6 and 5:104, these uses may be allowed in a district subject to review and approval by the Planning Commission. Special exception uses are identified with an "S".

3. *Prohibited Uses.* These uses are not permitted in the district. Prohibited uses are identified with an "X."

4. *Related Zoning Regulations.* The Schedule of Uses lists additional related zoning regulations that apply to specific uses. This list is not comprehensive and all uses must comply with all applicable laws and regulations.

TABLE INSET:

Table 5:10.19A - Schedule of Uses: D1 and D2 Downtown Districts			
P=Permitted S=Special Exception X=Prohibited A=Active			
Use	D1 Downtown Core	D2 Downtown Interface	Related Zoning Regulations
RESIDENTIAL			
Single- or Two-Family Dwelling	P	P	
Multiple-Family Dwelling	P	P	
Fraternity, Sorority or Student Cooperative	P	P	
Rooming or Boarding House	P	P	
Emergency Shelter	P	P	
Convalescent or nursing home	P	P	
LODGING			
Hotel	P	P	
Bed & Breakfast	P	P	
CIVIC AND INSTITUTIONAL			
Religious Assembly	P	P	
Educational Services	P	P	
Day Care Center	P	P	
Community Center	P	P	
Social or Service Club	P	P	
Library	P	P	
Government Office	P	P	
Courthouse	P	P	
Park or Plaza	P	P	
Museum	P	P	
OFFICE			
Office--General or Business	P	P	
Office--Medical or Dental	P	P	
Office--Veterinary	P	P	
Medical Laboratory	P	P	

COMMERCIAL			
Bank, Credit Union or Financial Services	P	P	
Retail Sales	P	P	
Restaurant or Bar	P	P	
Personal or Business Services	P	P	
Outdoor Sales, Permanent	P	P	Section 5:10.15(2)e
Outdoor Sales, Temporary	P	P or S	Sections 5:10.15(2) f, g and h; Section 5:104
Conference Center	S	X	Section 5:104
Theater	P	P	
Entertainment--General	P	S	Section 5:104
Entertainment--Adult	X	X	Section 5: 50
Funeral Services	P	P	
Drive-through Facility	S	S	Section 5:104
Vehicle Fueling Station	S	S	Section 5:104
Vehicle Sales or Rental	S	S	Section 5:104
Vehicle Repair or Storage	S	S	Section 5:104
Vehicle Wash	S	S	Section 5:104
INDUSTRIAL & TRANSPORTATION			
Warehouse	X	P	
Building Materials Wholesale	X	P	
Construction/Trade Contractors	X	P	
Fabrication--Metal & Canvas	X	P	Performance standards of Section 5:10.24(f)
Assembly or Manufacturing	S	S	Performance standards of Section 5:10.24(f); Section 5:104
Printing or Publishing	P	S	Section 5:104
Parking Structure	S	S	Section 5:104
Parking Lot--Principal Use	S	S	Section 5:104
Transit Center or Station	P	P	
Wireless Communications Facility	S	S	Section 5:6; Section 5:82: Section 5:104

			<p>of this ordinance (December 26, 2009); otherwise none. (2) The usable floor area of the second story must be a minimum of 75 percent of the first story usable floor area.</p>		Zoning District Massing Standards (Table 5:10.20A)			
D2	200% of lot area	400% of lot area	24	2	See Character Overlay Zoning District Massing Standards (Table 5:10.20A)	80% of lot area	10% of lot area	None
			<p>(1) The minimum height requirement shall apply only to new principal use buildings constructed after the effective date of this ordinance (December 26, 2009); otherwise none. (2) The usable floor area of the second story must be a minimum of 75 percent of the first story</p>					

Broadcasting Facility	P	S	Section 5:104
Utility Substation	P	P	
Railroad	P	P	

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

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

TABLE INSET:

Zoning District	Maximum Usable Floor Area in Percentage of Lot Area (FAR)		Minimum Height		Max. Building Height	Max. Building Coverage	Min. Open Space	Min. Gross Lot Size
	Normal (without Premiums)	With Premiums (Sections 5:64--5:65)	In Feet	In Stories				
D1	400% of lot area	700% of lot area 900% of lot area with affordable housing premiums	24	2		None	None	None
			(1) The minimum height requirement shall apply only to new principal use buildings constructed after the effective date		See Character Overlay			

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

(4) *Parking structures.*

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

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

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

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

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

5:10.20. Downtown Character Overlay Zoning Districts.

(1) *Intent.* The purpose of these overlay zoning districts is to supplement the regulations for zoning districts in the downtown to reflect the diversity of historical and built environments within the downtown. These character overlay zoning districts account for differences in the existing street pattern, density, massing and design features that exist throughout the downtown, in addition to the intent of the city for the future development of each area.

(a) *South University.* The South University Character District lies along the southeastern edge of the University of Michigan Central Campus, which separates it from the other mixed use districts of downtown. This is an area characterized by a mix of building types and sizes, with retail uses at the street level and relatively narrow lot widths. The intent for this district is to maintain a variety in scale, with design that reflects the small-scale widths and heights of buildings in the area at the streetwall and locates taller portions toward the interior of the lot. The South University D2 Character District lies just outside the DDA boundaries, adjacent to nearby residential neighborhoods. The intent for this district is to maintain a variety of small-scale

Section 2. That Section 5:2 of Chapter 55 of Title V of the Code of the City of Ann Arbor is amended as follows:

5.2. Classification of Districts.

Ann Arbor shall be, and hereby is, divided into zoning districts and overlay zoning districts as enumerated in the schedule of use regulations and schedule of area, height and placement regulations.

Section 3. That Section 5:3 of Chapter 55 of Title V of the Code of the City of Ann Arbor is amended as follows:

5.3. Required Conformity to District Regulations.

- (1) Except as otherwise provided in this chapter, no structure or tract of land shall hereafter be used or occupied, and no structure, or part thereof, shall be erected, moved or altered, except in conformity with the regulations herein specified for the zoning district or overlay zoning district in which the structure or land is located.
- (2) The provisions of this chapter do not apply to land or structures owned or occupied by a governmental unit or agency, or by a public educational institution, during the time that such land or structure is used by such unit, agency or institution.
- (3) The provisions of this chapter do not apply to private wireless communications facilities licensed or otherwise authorized by a governmental unit or agency, or by a public educational institution, during the time that the land or public structure upon which it is placed is owned or used by such unit, agency or institution.
- (4) Land and structures sold, or otherwise disposed of, by such unit, agency or institution, other than to another such unit, agency or institution, shall be subject to the provisions of this chapter to the same extent as if never owned by such unit, agency or institution.

Section 4. That Section 5:4 of Chapter 55 of Title V of the Code of the City of Ann Arbor is amended as follows:

5.4. Zoning District Boundaries Shown on the Zoning Map.

The boundaries of the zoning districts and overlay zoning districts are hereby established as shown on the zoning map which accompanies this chapter and which, with all notations, references and other information shown thereon, shall be as much a part of this chapter as if fully described herein. For downtown character overlay zoning districts, the required front setbacks are hereby established as shown on the building frontage map which accompanies this chapter and which, with all notations, references and other information shown thereon, shall be as much a part of this chapter as if fully described herein. The zoning map and building frontage map shall be certified as the official copies by the city clerk and shall be kept on file in the planning and development services unit. Maps and descriptions accompanying enacted amendments shall be displayed adjacent to the official copy until such time as the official copy is corrected.

Section 5. That Section 6:6 of Chapter 55 of Title V of the Code of the City of Ann Arbor is amended as follows:

5.6. Establishment of Use Regulations.

- (1) No structure or land shall be used or occupied and no structure shall be erected, constructed, moved or altered, except in conformity with the regulations specified for the zoning district in which it is located. Uses not expressly permitted are prohibited. Permitted uses are subject to the minimum requirements specified for such use in the zoning district in which such use is located, plus applicable requirements found elsewhere in this ordinance. A special exception use is subject not only to the minimum requirements specified for such use in the zoning district in which it is located, but also to the applicable standards and requirements found in Section 5:104. Special conditions may be imposed by the Planning Commission in order to make the use compatible with the uses permitted by right in that zoning district.
- (2) The erection, construction, alteration or maintenance of an essential service by a public utility for the purpose of furnishing adequate service by such public utilities for the public health, safety or general welfare of gas, electrical, steam or water transmission, or distribution systems including elevated water towers or tanks; of collection, communication, supply or disposal systems; of poles, wires, mains, drains, sewers, pipes, cables, fire alarm boxes, hydrants and other similar equipment and accessories in connection therewith, other than buildings and electrical substations, are permitted in any district. For purposes of this chapter, wireless communications towers are not considered to be an essential service.
- (3) Buildings containing essential services and electrical substations are permitted in all districts except the R1A, R1B, R1C, R2A and R2B districts in which special exception use approval pursuant to Section 5:104 is required.
- (4) Wireless communications antennas are permitted in all districts, subject to the requirements of this Code.
- (5) Wireless communications towers and associated facilities are permitted in all non-residential districts except in C1A, C1A/R, and P, subject to the standards found elsewhere in this ordinance. Wireless communications towers are permitted as a special exception use in the D1, D2 and R5 districts, pursuant to the regulations in Section 5:104 and those found elsewhere in this ordinance.
- (6) Any accessory use incidental to the permitted principal use is permitted, unless otherwise permitted or restricted herein. A wireless communications facility may be considered to be either a principal permitted use or an accessory use.

Section 6. That Section 5:10.19 of Chapter 55 of Title V of the Code of the City of Ann Arbor is repealed and replaced as follows:

5:10.19. D1 and D2 Downtown Districts

- (1) Intent. These districts, in coordination with the downtown character overlay zoning districts, are designed to support the downtown as the city's traditional center. The downtown serves both the region and local residents as a place to live, work, and take advantage of civic, cultural, educational, shopping, and entertainment opportunities. The downtown districts are intended to allow a mixture of land uses, dense urban development, pedestrian orientation, unique residential opportunities, and a compatible and attractive mix of historic and contemporary building design. Development in these districts is designed to be accessible by a variety of modes of transportation.
 - (a) D1 – Downtown Core District. This district is intended to contain the downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office and commercial development.
 - (b) D2 – Downtown Interface District. This district is intended to be an area of transition between the Core and surrounding residential neighborhoods. This district is appropriate for medium density residential and mixed-use development.
- (2) Uses of land.
 - (a) Uses in the D1 and D2 districts are allowed in accordance with Table 5:10.19A – Schedule of Uses. The following key is to be used with the Schedule of Uses:
 1. Permitted Uses. In accordance with section 5.6, these uses are permitted by right in the district. These uses may be mixed within a building, unless otherwise specified in this chapter. Permitted uses are identified with a "P".
 2. Special Exception Uses. In accordance with sections 5:6 and 5:104, these uses may be allowed in a district subject to review and approval by the Planning Commission. Special exception uses are identified with an "S".
 3. Prohibited Uses. These uses are not permitted in the district. Prohibited uses are identified with an "X."
 4. Related Zoning Regulations. The Schedule of Uses lists additional related zoning regulations that apply to specific uses. This list is not comprehensive and all uses must comply with all applicable laws and regulations.

Use	D1 Downtown Core	D2 Downtown Interface	Related Zoning Regulations
RESIDENTIAL			
Single- or Two-Family Dwelling	P	P	
Multiple-Family Dwelling	P	P	
Fraternity, Sorority or Student Cooperative	P	P	
Rooming or Boarding House	P	P	
Emergency Shelter	P	P	
Convalescent or nursing home	P	P	
LODGING			
Hotel	P	P	
Bed & Breakfast	P	P	
CIVIC AND INSTITUTIONAL			
Religious Assembly	P	P	
Educational Services	P	P	
Day Care Center	P	P	
Community Center	P	P	
Social or Service Club	P	P	
Library	P	P	
Government Office	P	P	
Courthouse	P	P	
Park or Plaza	P	P	
Museum	P	P	
OFFICE			
Office – General or Business	P	P	
Office – Medical or Dental	P	P	
Office – Veterinary	P	P	
Medical Laboratory	P	P	

P=Permitted S=Special Exception X=Prohibited A=Active

Use	D1 Downtown Core	D2 Downtown Interface	Related Zoning Regulations
COMMERCIAL			
Bank, Credit Union or Financial Services	P	P	
Retail Sales	P	P	

Restaurant or Bar	P	P	
Personal or Business Services	P	P	
Outdoor Sales, Permanent	P	P	Section 5:10.15(2)a
Outdoor Sales, Temporary	P	P or S	Sections 5:10.15(2) f, g and h; Section 5:104
Conference Center	S	X	Section 5:104
Theater	P	P	
Entertainment - General	P	P	Section 5:104
Entertainment – Adult	X	X	Section 5: 50
Funeral Services	P	P	
Drive-through Facility	S	S	Section 5:104
Vehicle Fueling Station	S	S	Section 5:104
Vehicle Sales or Rental	S	S	Section 5:104
Vehicle Repair or Storage	S	S	Section 5:104
Vehicle Wash	S	S	Section 5:104
INDUSTRIAL & TRANSPORTATION			
Warehouse	X	P	
Building Materials Wholesale	X	P	
Construction/Trade Contractors	X	P	
Fabrication – Metal & Canvas	X	P	Performance standards of Section 5:10.24(f)
Assembly or Manufacturing	S	S	Performance standards of Section 5:10.24(f); Section 5:104
Printing or Publishing	P	S	Section 5:104
Parking Structure	S	S	Section 5:104
Parking Lot – Principal Use	S	S	Section 5:104
Transit Center or Station	P	P	
Wireless Communications Facility	S	S	Section 5:6; Section 5:82; Section 5:104
Broadcasting Facility	P	S	Section 5:104
Utility Substation	P	P	
Railroad	P	P	

P=Permitted S=Special Exception X=Prohibited A=Active

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

Zoning District	Maximum Usable Floor Area in Percentage of Lot Area (FAR)		Minimum Height		Max. Building Height	Max. Building Coverage	Min. Open Space	Min. Gross Lot Size
	Normal (without premiums)	With Premiums (Sections 5:64-5:65)	In Feet	In Stories				
D1	400% of lot area	700% of lot area	24	2	See Character Overlay Zoning District Massing Standards (Table 5:10.20A)	None	None	None
		900% of lot area with affordable housing premiums						
D2	200% of lot area	400% of lot area	24	2	See Character Overlay Zoning District Massing Standards (Table 5:10.20A)	80% of lot area	10% of lot area	None

- (b) Relationship to downtown character overlay zoning districts. The D1 and D2 downtown zoning districts shall be further regulated by the downtown character overlay zoning districts. Unless otherwise specified in this chapter, regulations identified for both the downtown district and the applicable downtown character overlay zoning district shall apply.
- (4) Parking structures.
 (a) In the D1 district, an off-street parking structure is not permitted at the level of the adjacent street unless separated from the street by a portion of the building that is occupied by a permitted use or uses, with the exception of the portion of a parking structure that provides vehicular or pedestrian access to the street. The permitted use(s) shall be located within the building and have a minimum depth of 25 feet from the exterior of the front wall.
 1. On corner lots, this requirement shall apply to lot frontages on primary streets, as defined in Section 5:10.20(4). If none of the street frontages is a primary street, an off-street parking structure must be separated from at least one street frontage by a portion of the building that is occupied by a permitted use, with the exception of the portion of a parking structure that provides access to the street.
 (b) In the D2 district, an off-street parking structure shall be located a minimum of 10 feet from the front lot line at the level of the adjacent street and provide a landscape buffer or screening wall between the building and the front property line.
 (c) In the D1 and D2 districts, any wall of an off-street parking structure that abuts a residential zoning district shall contain no openings or be separated from the lot line by a building occupied by a permitted use or uses.

Section 7. That Section 5:10.20 of Chapter 55 of Title V of the Code of the City of Ann Arbor is repealed and replaced as follows:

5:10.20. Downtown Character Overlay Zoning Districts

- (1) Intent. The purpose of these overlay zoning districts is to supplement the regulations for zoning districts in the downtown to reflect the diversity of historical and built environments within the downtown. These character overlay zoning districts account for differences in the existing street pattern, density, massing and design features that exist throughout the downtown, in addition to the intent of the city for the future development of each area.
 (a) South University. The South University Character District lies along the southeastern edge of the University of Michigan Central Campus, which separates it from the other mixed use districts of downtown. This is an area characterized by a mix of building types and sizes, with retail uses at the street level and relatively narrow lot widths. The intent for this district is to maintain a variety in scale, with design that reflects the small-scale widths and heights of buildings in the area at the streetwall and locates taller portions toward the interior of the lot. The South University D2 Character District lies just outside the DDA boundaries, adjacent to nearby residential neighborhoods. The intent for this district is to maintain a variety of small-scale commercial and retail enterprises mixed with some residential uses, minimizing the impact on nearby residential streets.
 (b) State Street. The State Street Character District frames the northwest corner of the University of Michigan central campus and defines the edge of the commercial core. This area is characterized by a mixture of entertainment and retail uses with strong connections to the campus. The intent for this district is preservation of the integrity of the historic district properties and the overall historic character of the area, with design that includes features of the traditional commercial storefronts at the sidewalk's edge.

- (c) Liberty/Division. The Liberty/Division Character District is located in the core of downtown, yet retains a small-scale residential character. A significant portion of this district coincides with the East William Historic District, and for this reason, preservation of the integrity of these resources is a high priority, as is the retention of the overall sense of scale. While increased building mass can be accommodated in this district, it is the intent to maintain the traditional scale and rhythm of residential buildings.
 - (d) East Huron 1 and 2. The East Huron Character Districts center along the eastern portion of the Huron Street civic corridor. These areas differ from most of downtown in that the uses are primarily institutional and are seen "in the round" with open space surrounding them. The intent for these districts is to continue the tradition of free-standing buildings with open space in front, incorporating design that includes signature building elements that give landmark qualities to properties.
 - (e) Midtown. The Midtown Character District is framed on all sides by other downtown character districts and contains the Fifth Avenue civic corridor. At present, this district lacks a strong sense of identity and is a place where creation of a new context should occur. The intent for this district is higher density development with a strongly defined street edge and active open spaces.
 - (f) Main Street. The Main Street Character District is the traditional heart of downtown, with a regional entertainment and business focus. The center of the district contains the Main Street Historic District, and preservation of these resources is a high priority. The intent for this district is design that maintains the traditional rhythm of existing storefronts along the street edge and varying parapet lines.
 - (g) Kerrytown. The Kerrytown Character District frames the north end of downtown and is characterized by a mix of small-scale commercial buildings and houses that have been adapted to different uses. The eastern part of the district is part of the Old Fourth Ward Historic District, while the southeast corner of the district is located in the Fourth/Ann Historic District. The intent for this district is retaining traditional existing building patterns, with lower-scale building modules and residential shapes.
 - (h) First Street. The First Street Character District runs north-south along the Ann Arbor Railroad and Allen Creek floodplain. This area is characterized by oddly-shaped blocks and a mixture of commercial storefronts, industrial buildings and single-family homes. Many of these buildings are located in the Old West Side historic district, which makes up much of the character area. The intent for this district is for infill development that preserves historic buildings' assets, supports downtown activities, and provides non-motorized connections through preservation of a system of public and common open spaces. New development along the Allen Creek floodplain should be sited to provide greenspace on site and be located in such a way that it will connect with greenspace of abutting properties.
- (2) Relationship to D1 and D2 downtown districts. The Downtown Character Overlay Zoning Districts shall provide additional regulations to the D1 and D2 districts. Unless otherwise specified in this chapter, regulations identified for both the downtown district and the applicable downtown character overlay zoning district shall apply.
- (3) Building massing standards
- (a) Buildings and additions constructed after the effective date of this section (December 26, 2009) on lots zoned D1 or D2 in the Downtown Character Overlay Zoning Districts shall comply with the building massing standards in Table 5:10.20A, Table 5:10.20B or Table 5:20C, as applicable.
 - (b) The following definitions shall apply in the application of building massing standards:
 1. Base: The portion of a building located between the street grade and the streetwall height (see Figure 1).

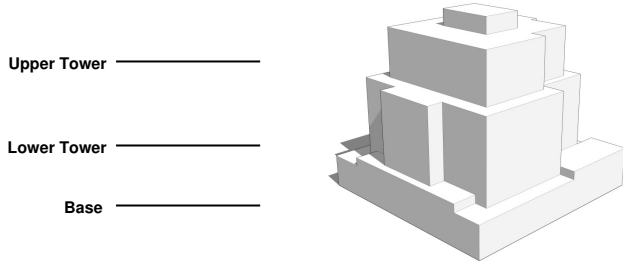


Figure 1 – Base, Lower Tower and Upper Tower

- 2. Massing articulation: The way in which a building wall surface is broken down into vertical modules, sub-parts or major elements, which are distinguished by changes in materials, texture or surface plane (see Figure 2).

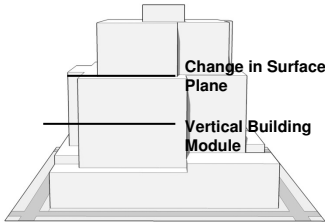


Figure 2 – Massing Articulation

- 3. Offset: The distance that the exterior wall of a tower or upper stories of a building is set back from the streetwall or the exterior wall of the base (see Figure 3). For purposes of this definition, unenclosed balconies are not considered to be part of the exterior wall of a tower.

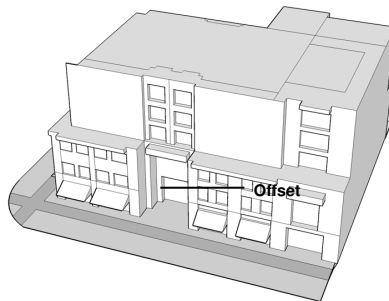


Figure 3 – Offset

- 4. Streetwall: The exterior face of a building that fronts a public street between the street grade and the streetwall height (see Figure 4).

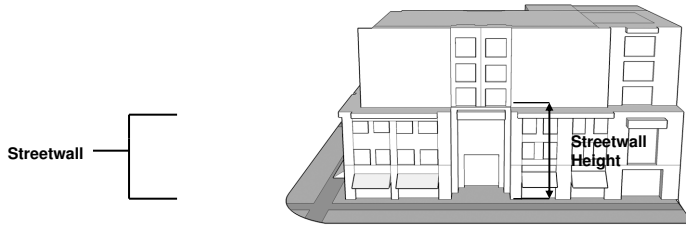


Figure 4 – Streetwall and Streetwall Height

5. Streetwall height: The height of the streetwall portion of the building, as measured in stories above the street grade (see Figure 4).
 6. Tower: Any portion of the building that rises above the base. Towers often include a lower tower section and an upper tower section (see Figure 1).
- (c) The minimum required offset at the top of the streetwall shall be measured from exterior face of the building at the top of the streetwall to the closest point of the exterior face of the tower. For corner parcels with a lot size of less than 5,000 square feet, no offset is required. (d) For purposes of applying the required average offset at the top of the streetwall, a total surface area greater than or equal to the product of the width of the building base multiplied by the required offset shall be provided between the exterior face of the building at the top of the street wall and the exterior face of the tower.

Overlay Zoning District	Streetwall Height		Offset at Top of Streetwall Required Average	Max. Building Height D1 District	Max. Building Height D2 District	Massing Articulation Maximum Building Module Length (Horizontal Dimension)	Side and Rear Setbacks Minimum Distance from Lot Line Abutting R Zoning District
	Max. Height	Min. Height					
South University	3 stories	2 stories	5 feet	150 feet	60 feet	45 feet	For D1, a minimum 30 foot setback. For D2, a minimum 40 foot setback. This setback shall be measured from the rear and side exterior walls of the building to any R zoning district boundary on the same block as the building.
State Street	3 stories	2 stories	5 feet	180 feet	Not applicable	None	Not applicable
Liberty/ Division	3 stories	2 stories	5 feet	180 feet	60 feet	40 feet (in D2 only)	5 foot setback – side and rear
East Huron 1	3 stories	2 stories	None	150 feet	Not applicable	None	Rear or side exterior wall of the tower shall be located no further than 150 feet from the East Huron property line. Rear or side exterior wall of the base and the tower shall be located no closer than 30 feet to a lot line abutting a residential zoning district. In no case shall the required setback reduce the width or depth of a lot suitable for building to less than 25 feet.
East Huron 2	4 stories	2 stories	5 feet	180 feet	Not applicable	None	Not applicable
Midtown	4 stories	2 stories	5 feet	180 feet	Not applicable	None	Not applicable
Main Street	4 stories	2 stories	5 feet	180 feet	Not applicable	None	Not applicable
Kerrytown	3 stories	2 stories	5 feet	Not applicable	60 feet	40 feet	10 foot setback – side 20 foot setback – rear
First Street	3 stories	2 stories	5 feet	Not applicable	60 feet	66 feet	15 foot setback – side 30 foot setback – rear 10 foot offset - side

Overlay Zoning District	Streetwall Height		Offset at Top of Streetwall	Massing Articulation Maximum building module length (horizontal dimension)	Side and Rear Setbacks and Offsets Minimum Distance from Lot Line Abutting R District
	Max. Height	Min. Height			
Liberty/Division	3 stories	2 stories	5-foot min.	40-foot	5-foot setback – side and rear
First Street	3 stories	2 stories	5-foot average	66-foot	15-foot setback – side 30-foot setback – rear 10-foot offset – side
Kerrytown	3 stories	2 stories	5-foot min.	40-foot	10-foot setback – side 20-foot setback – rear

Overlay Zoning District	Streetwall Height		Offset at Top of Streetwall Required Average	Building Height Max. Building Height	Massing Articulation Maximum building module length (horizontal dimension)	Side and Rear Setbacks Minimum Distance from abutting R Zoning District
	Max. Height	Min. Height				
South University	3 stories	2 stories	5 feet	150 feet	45 feet	For D1, a minimum 30 foot setback. For D2, a minimum 40 foot setback. This setback shall be measured from the rear and side exterior walls of the building to any R zoning district boundary on the same block as the building.

- (4) Building frontage standards.
- (a) Intent. These building frontage designations, in coordination with the downtown character overlay zoning districts, are designed to support the pedestrian-scale character of downtown streets.
 1. Primary Street: Lot frontage where placement of buildings at the front property line is desired.
 2. Secondary Street: Lot frontage where a range of building setbacks from the front property line is acceptable.
 3. Front Yard Street: Lot frontage where a setback from the front property line is desired.
 - (b) Buildings and additions constructed after the effective date of this section (December 26, 2009) on lots zoned D1 or D2 in the Downtown Character Overlay Zoning Districts shall comply with the building frontage standards in Table 5:10.20C, as applicable.