

APPRAISAL OF

717 and 721 North Main and 175 Hiscock Streets,
City of Ann Arbor,
Washtenaw County, Michigan 48104

As of August 31, 2019
For Ann Arbor Housing Commission

GERALD ALCOCK COMPANY LLC

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Founder, 1977

December 5, 2019

Ms. Jennifer Hall
Executive Director
Ann Arbor Housing Commission
717 and 721 North Main Street
Ann Arbor, Michigan 48104

Re: Appraisal of 717 and 721 North Main and 175 Hiscock Streets, Ann
Arbor, Washtenaw County, Michigan 48104

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 two current opinions of market value for the noted real estate, based upon development proposals associated with hypothetical condition, iterated in the eponymous subsection of this report. 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.

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It is the appraisers' opinion that the current market value of the appraisal property, based upon hypothetical condition associated with Scenario 1 assuming a C1, Local Business District zoning designation and development proposal, pertaining to fee simple title interest, as of August 31, 2019, is:

Two Million Four Hundred Thirty Thousand (\$2,430,000) Dollars

It is the appraisers' opinion that the current market value of the appraisal property, based upon hypothetical condition associated with Scenario 2, assuming an O, Office District zoning designation and development proposal, pertaining to fee simple title interest, as of August 31, 2019, is:

Three Million Two Hundred forty Thousand (\$3,240,000) Dollars

These value estimates are 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—comprising three contiguous sites—is analyzed in accordance with two development proposals put forth within the body of the text and at exhibit B herein, hypothetically assuming C1, Local Business or O, Office zoning district scenarios, presuming the property is vacant and ready for development without environmental hazards; and, is not subject to any uncited adverse easements or deed restrictions. A portion of the property will be dedicated to a treeline, which is assumed not to impact the property beyond an enhanced view amenity and useable area reduction, hypothesized to be reflected in the number of units proposed. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusions reported herein.

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Extraordinary Assumptions

1. Three properties under valuation are analyzed as a single entity, comprising 5.26 gross acres, more or less. The appraisers have been provided with current title work prepared by Absolute Title, Inc. effective date May 31, 2019, identifying two of three tax codes under valuation (09-09-20-409-006 and -026, correlating to 721 and 717 North Main, respectively), subject to right-of-way agreement for sewer purposes (Liber 895, Page 513) and Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39). The current title work indicates that assessed tax descriptions for the cited parcels do not accurately describe the subject sites. The Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39) document (which legal description appears to incorporate the property at 717 North Main), dated March 4, 2013, identifies building and deed restrictions pertaining to the floodway on the two cited parcels indicating restrictions for use over a 2.56-acre floodway. The third parcel under valuation, ending in tax code -027, does not lie in a floodway and the appraisers are not aware of deed restrictions to this site. The appraisers are unable to locate the right-of-way agreement for sewer purposes with documentation provided and valuation is predicated on the assumption that it is a typical utility easement. It is an assumption of this report that gross, net and restricted site areas delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusions 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 subject soils are suitable for commercial-type construction similar to that proposed or found on surrounding parcels. If such is not the case, the value conclusions 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.

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Executive Director
Ann Arbor Housing Commission
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The attached report, comprising ten sections and two 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 opinions expressed herein.

Respectfully submitted,

Gerald Alcock Company, LLC

Handwritten signature of Michael T. Williams in black ink.

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

Handwritten signature of Lorie Alcock in black ink.

Lorie Alcock
General Certified Appraiser
License No. 1201000499



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EXECUTIVE SUMMARY

- Location:** The property is located at the west side of North Main, the south side of West Summit and the north side of Felch Streets, in the city of Ann Arbor, Washtenaw County, Michigan.
- Mailing Address:** Municipal records indicate that the property under valuation has address assignments of 717 and 721 North Main Street and 175 Hiscock Street, Ann Arbor, Michigan 48104.
- Tax Identification:** 09-09-20-409-006, -026 and -027
- Property Owner:** Municipal records indicate the properties are owned by the city of Ann Arbor.
- Type of Report:** This is an Appraisal Report.
- Occupancy and Use:** The property is owner-occupied and in use by the City Transportation Department for fleet parking.
- Improvements:** The property is improved with various buildings, analyzed as hypothetically vacant.
- Site:** The appraisal property consists of three contiguous sites, together comprising 5.26 gross acres, which appears to be net of road rights-of-way, configured to an irregular shape, with 174.25 feet of frontage on the west side of North Main Street, 33.10 feet of frontage on the south side of Felch Street and 44.41 feet of frontage on the north side of West Summit Street. The property lies adjacent to an Ann Arbor Railroad eastern right-of-way in its northwestern region. Topography is generally level. Although cover consists of impervious building and site improvements, the property is analyzed under hypothetical condition as though vacant; ready for development without environmental hazards; and, is not subject to any uncited adverse easements or deed restrictions. Building and Use Deed Restrictions documentation (Liber 5000, Page 39), identifies building and deed restrictions for use pertaining to a 2.56-acre floodway, effecting 49 percent overall hindrance to the properties under valuation. City site



improvements include sidewalk, streetlights and concrete curbs and gutters.

Utilities: The property is serviced by all standard commercial and municipal utilities, inclusive of public water and sewerage, natural gas, electricity, and telephone utilities.

Zoning: The large central property is zoned PL, Public Land District, the easternmost property is zoned C1, Local Business District; and the westernmost property is zoned M1, Limited Industrial District. At the direction of the client, valuation is variably predicated upon C1, Local Business and O, Office District zoning parameters (pertaining to all properties).

Highest & Best Use: Highest and best use of the property is redevelopment to an intense multiple-family use, as allowed by code under assumed C1 or O zoning parameters.

Interest Appraised: Fee Simple Estate

Estimated Market Value
of the Subject Property:

	<u>Valuation Condition</u>	<u>Valuation Date</u>	<u>Value Estimate</u>
Scenario 1	Hypothetical C1	08/31/19	\$2,430,000
Scenario 2	Hypothetical O	08/31/19	\$3,240,000

Assumptions: These value estimates are 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—comprising three contiguous sites—is analyzed in accordance with two development proposals put forth within the body of the text and at exhibit B herein, hypothetically assuming C1, Local Business or O, Office zoning district scenarios, presuming the property is vacant and ready for development without environmental



hazards; and, is not subject to any uncited adverse easements or deed restrictions. A portion of the property will be dedicated to a treeline, which is assumed not to impact the property beyond an enhanced view amenity and useable area reduction, hypothesized to be reflected in the number of units proposed. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusions reported herein.

Extraordinary Assumptions

1. Three properties under valuation are analyzed as a single entity, comprising 5.26 gross acres, more or less. The appraisers have been provided with current title work prepared by Absolute Title, Inc. effective date May 31, 2019, identifying two of three tax codes under valuation (09-09-20-409-006 and -026, correlating to 721 and 717 North Main, respectively), subject to right-of-way agreement for sewer purposes (Liber 895, Page 513) and Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39). The current title work indicates that assessed tax descriptions for the cited parcels do not accurately describe the subject sites. The Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39) document (which legal description appears to incorporate the property at 717 North Main), dated March 4, 2013, identifies building and deed restrictions pertaining to the floodway on the two cited parcels indicating restrictions for use over a 2.56-acre floodway. The third parcel under valuation, ending in tax code -027, does not lie in a floodway and the appraisers are not aware of deed restrictions to this site. The appraisers are unable to locate the right-of-way agreement for sewer purposes with documentation provided and valuation is predicated on the assumption that it is a typical utility easement. It is an assumption of this report that gross, net and restricted site areas delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusions 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 subject soils are suitable for commercial-type construction similar to that proposed or found on surrounding parcels. If such is not the case, the value conclusions could be impacted.



View West of Felch Street

View East of Felch Street



Northbound Access from Felch Street



View North of North Main Street

View South of North Main Street



Site Interior



View West of West Summit Street



View East of West Summit Street



Site Interior



Site Interior



Site Interior



Adjacent Ann Arbor Railroad



IDENTIFICATION OF PROPERTY

Real Property

Address

The property under valuation has address assignments of 717 and 721 North Main Street, Ann Arbor, Michigan 48104.

Tax Identification Number

09-09-20-409-006, -026 and -027

Legal Description

Municipal records indicate that the property located at 175 Hiscock Street has the following legal description:

Lot 30 and 31, Assessors Plat 22

The appraisers have relied upon a legal description derived from the Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39) document (which legal description appears to incorporate the property at 717 North Main), dated March 4, 2013 indicating that the subject property contains 4.625 gross acres. Such legal description is in concert with that put forth in current title work performed by Absolute Title, Inc, held in appraisers' file. The legal description follows.



Beginning at the S.E. corner of Lot 4, Assessor's Plat No. 22 located in the City of Ann Arbor and recorded in Liber 9 of plats, Page 6, Washtenaw County records, Washtenaw County, Michigan; thence the following two courses along the Easterly line of said Lot 4, N 08°42'21" E, 270.51 feet and N 18°42'21" E 66.00 feet; thence along the Easterly line of Lot 31 of said plat N 14°38'01" E 286.12 feet; thence along the Easterly line of Lot 30 of said plat N 39°11'58" E 152.21 feet; thence along the Southeasterly line of Lot 29 N 66°14'28" E 132.95 feet; thence along the Southerly right of way of Summit Street S 72°34'02" E 44.41 feet (recorded as S 72°33'30" E); thence along the Westerly line of Lot 27 of said plat S 19°13'45" W 100.00 feet; thence S 72°34'02" E 122.00 feet; thence along the Westerly line of Lot 24 of said plat S 19°13'46" W 32.00 feet; thence along the Southerly line of Lots 24 & 23 of said plat S 72°33'36" E 83.72 feet; thence along the Southeasterly line of said Lot 23 N 55°47'55" E 81.82 feet; thence along the Westerly right of way of N. Main Street S 19°14'00" W 174.25 feet; thence along the Northerly line of Lot 20 of said plat N 70°48'29" W 126.31 feet; thence S 19°14'00" W 323.29 feet; thence along the Northerly line of Lot 15 of said plat S 89°43'06" W 4.45 feet; thence S 19°12'34" W 49.53 feet; thence along the North line of Lot 14 of said plat S 89°43'01" W 95.47 feet; thence along the Westerly line of said Lot 14 S 19°12'34" W 49.53 feet; thence the following six courses along Lots 8, 7, & 6, of said plat S 89°43'00" W 46.01 feet, N 02°13'00" E 8.25 feet, S 89°43'00" W 58.25 feet, N 02°12'46" E 24.75 feet; S 89°41'51" W 58.25 feet, and S 02°11'51" W 133.43 feet; thence along the Northerly right of way of Felch Street S 87°52'21" W 33.10 feet to the Point of Beginning. Being a part of said Assessor's Plat No. 22 and containing 4.625 acres of land, more or less. Subject to easements of record.

The referenced Building and Use Deed Restrictions document further identifies building and deed restrictions pertaining to the floodway on the subject property, indicating restrictions for use over a 2.56-acre floodway. The legal description follows.

Beginning at the S.E. corner of Lot 4, Assessor's Plat No. 22 located in the City of Ann Arbor and recorded in Liber 9 of plats, Page 6, Washtenaw County records, Washtenaw County, Michigan; thence the following two courses along the Easterly line of said Lot 4, N 08°42'21" E, 270.51 feet and N 18°42'21" E 29.18 feet; thence N 45°18'20" E 35.50 feet; thence N 36°31'47" E 89.63 feet; thence N 43°56'56" E 44.70 feet; thence N 58°34'43" E 46.47 feet; thence N 70°27'22" E 95.70 feet; thence N 66°36'47" E 85.51 feet; thence N 63°46'12" E 99.81 feet; thence N 58°04'08" E 60.79 feet; thence along the Southerly line of Lot 23 & 24 of said plat S 72°33'36" E 39.92 feet; thence along the Southeasterly line of said Lot 23 N 55°47'55" E 81.82 feet; thence along the Westerly right of way line of N. Main Street S 19°14'00" W 174.25 feet; thence along the Southerly line of Lot 21 of said plat N 70°48'29" W 126.31 feet; thence S 19°14'00" W 94.94 feet; thence S 46°54'34" W 19.67 feet; thence S 28°40'50" W 113.89 feet; thence S 30°35'18" W 71.23 feet; thence S 41°19'46" W 117.40 feet; thence along the Southerly line of Lot 15 of said plat S 89°43'01" W 8.64 feet; thence along the Westerly line of Lot 14 of said plat S 19°12'34" W 18.71 feet; thence S 31°11'54" W 34.07 feet; thence the following six courses along Lots 8, 7, & 6, of said plat S 89°43'00" W 38.50 feet, N 02°13'00" E 8.25 feet, S 89°43'00" W 58.25 feet, N 02°12'46" E 24.75 feet; S 89°41'51" W 58.25 feet, and S 02°11'51" W 133.43 feet; thence along the Northerly right of way of Felch Street S 87°52'21" W 33.10 feet to the Point of Beginning. Being a part of said Assessor's Plat No. 22 and containing 2.56 acres of land, more or less. Subject to easements of record.



Leases and Title Interest Appraised

To the best of the appraisers' knowledge, the property is not subject to lease and 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 properties are owned by the city of Ann Arbor.

Occupancy and Use

The property is owner-occupied and in use by the City Transportation Department for fleet 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 values assuming varying zoning parameters, 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

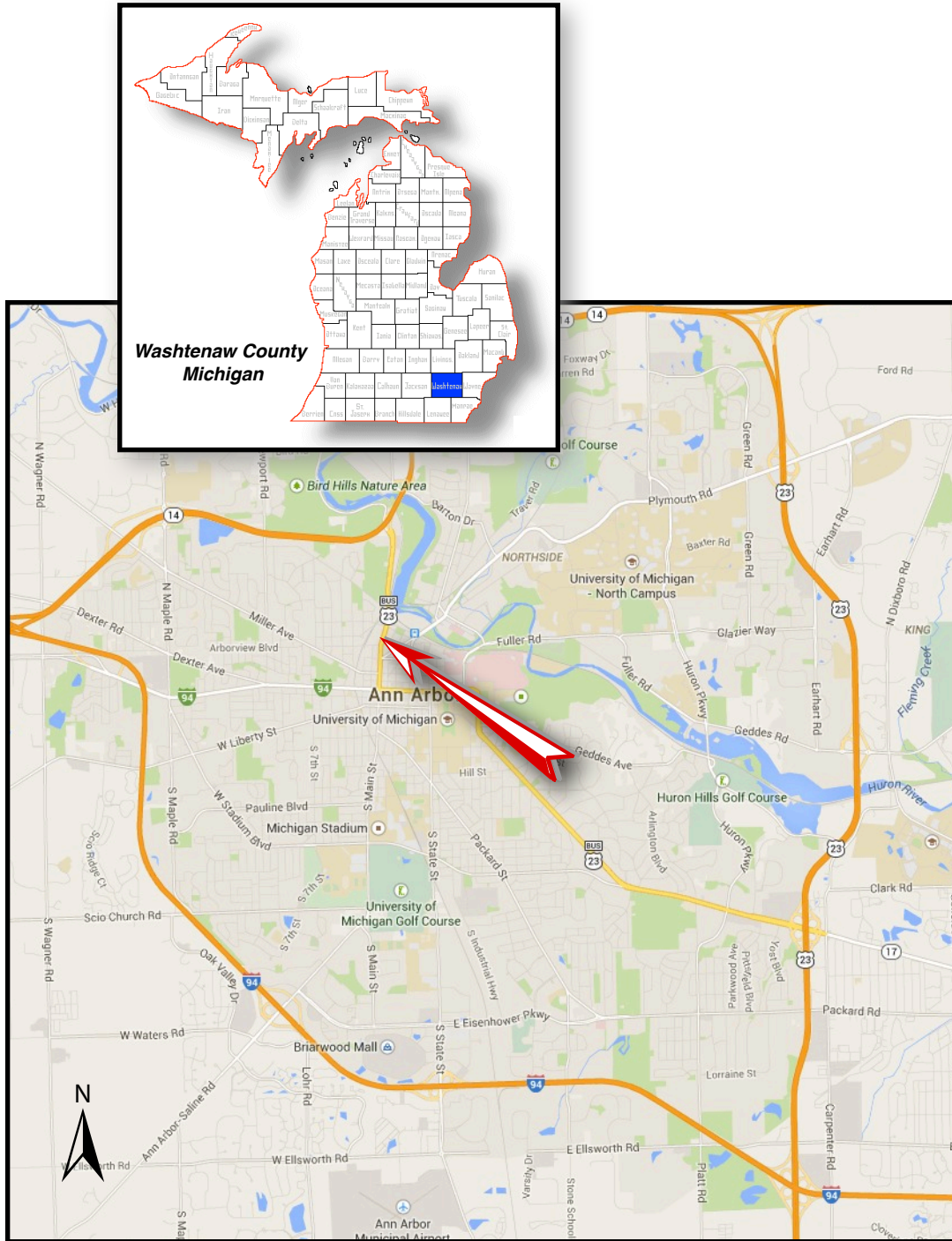
Physical data for each individual comparable sale is detailed within the “Analysis of Value,” subsection of this report. The sources of this data are cited at this section. Real estate brokers conducting business in the area of the subject were interviewed regarding recent real estate activity in the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



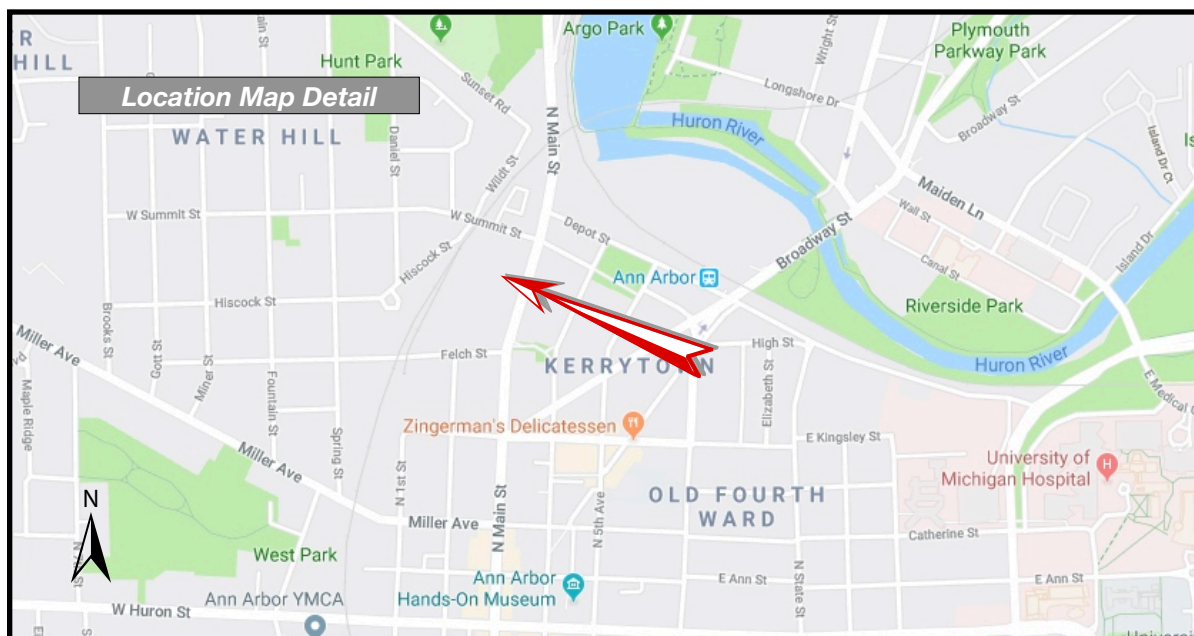
DESCRIPTION OF PROPERTY





Location and Neighborhood

As shown in the adjacent map graphic, the property is located at the west side of North Main, the south side of West Summit and the north side of Felch 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.



Main Street, one of the city's major commercial corridors, bisects the downtown in a north-south direction, and links M-14 and US-23 to the north with I-94 to the south. The property to the east on North Main Street is owned by the Ann Arbor Community Center. Proximate uses on North Main Street include small retail and office uses, including conversion from residences, as well as more intense redeveloped residential uses. Additional small retail and office uses are found further north along North Main Street. Felch and West Summit Streets are predominantly residential in nature, with instances of redeveloped multiple-family residential uses. A former industrial property at 221 Felch Street was recently redeveloped to Kingsley Condos, a 51-unit luxury condominium on an expansive two-acre site, with frontage on Kingsley and Ashley Streets.

Main Street transitions from CBD to a mixture of older residential structures, office conversions, general office and destination retail with on-site parking as one travels north toward the M-14 highway.



The subject is within walking distance of Kerrytown. The open air Farmer's Market, Kerrytown shops and Zingerman's delicatessen are found here along with the Marketplace, a mixed use development with offices and small retailers. The heart of the Central Business District of the city is found south of the subject and is improved with dense retail, office, and mixed-use properties.

The University of Michigan central campus and Campus Commercial District are located southeast 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. Together, the University and Medical Center are the largest employers in Washtenaw County.

Within the city, there are several developments for student housing, parking and retail/office uses that are progressing. Given strength of the D1 zoning designation, these ventures are multi-story. In addition, there has been a boom of condominium developments. A few of the closer developments in the last few years are described as follows.

Across Main Street, to the south, two rental houses were razed to make way for Main on the Park., a 8,900 square foot, four-unit development, with all units pre-sold before construction completion.

Also on North Main Street, to the south, two rental houses were demolished and redeveloped to a 12,000-square-foot, two-story community bath house.

Several blocks south of the subject, at the site of the former Greek Orthodox Church are two recently constructed condo projects that include a 16-unit townhouse building at 414 N. Main Street and a duplex building at 401 N. Main Street. The 18 units range in size from just under 1,500 square feet to nearly 2,800 square feet, with prices ranging from about \$500,000 to \$1 million. All of the units were pre-sold.

West of North Main Street, on the corner of Kingsley and North Ashley Streets, is the recently constructed 121 Kingsley West, a 19-unit residential condo project was developed in 2016. Units range in size from 1,000 to 2,400 square feet, include off-street parking, and range in cost from \$400,000 to \$1.0 million.

A 25-unit condominium comprising 47,000 square feet was developed at 410 First Street.



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

At the northeast corner of Huron and Ashley Streets, First Martin Corp. built a six-story, 110-room, extended-stay hotel. The hotel is a 88,570-square-foot Residence Inn by Marriott with a main entrance on Ashley Street and a planned ground-floor restaurant along Huron Street.

In summary, the appraisal location is near the Kerrytown neighborhood, 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 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 mixed-use peripheral location—convenient to both the University of Michigan and Ann Arbor's Downtown Central Business District—is considered suitable for a variety of users, depending on the zoning parameter.

Site, Yard Improvements and Utilities

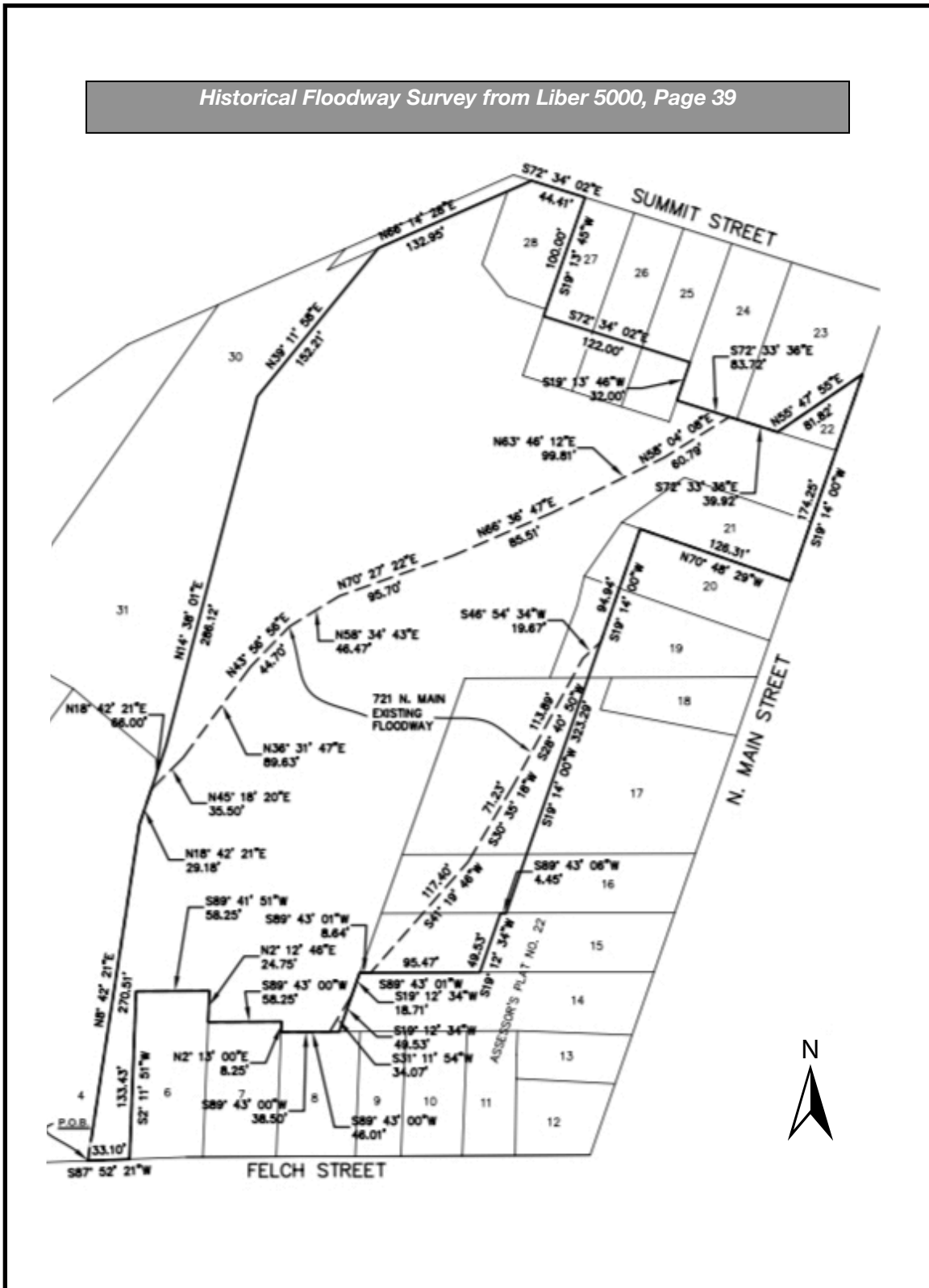
The appraisal property consists of three contiguous sites, together comprising 5.26 gross acres, which appears to be net of road rights-of-way, configured to an irregular shape, with 174.25 feet of frontage on the west side of North Main Street, 33.10 feet of frontage on the south side of Felch Street and 44.41 feet of frontage on the north side of West Summit Street. The property lies adjacent to an Ann Arbor Railroad eastern right-of-way in its northwestern region. Topography is generally level. Although cover consists of impervious building and site improvements, the property is analyzed under hypothetical condition as though vacant; ready for development without environmental hazards; and, is not subject to any uncited adverse easements or deed restrictions. Building and Use Deed Restrictions documentation (Liber 5000, Page 39), identifies building and deed restrictions for use pertaining to a 2.56-acre floodway, effecting 49 percent overall hindrance to the properties under valuation. City site improvements include sidewalk, streetlights and concrete curbs and gutters. Tax plat maps with and without topographical and aerial overlays, as well as a survey derived from



the Building and Use Restrictions document follow. The survey document does not include the westernmost site under valuation.









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

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.

$$\text{Tax Rate (Mills Levied)} \times \text{Taxable Value} = \text{Tax Bill}$$

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 properties under valuation are identified under the following tax codes. As the properties have a tax exempt status, 2019 state equalized (SEV) and taxable values are not available.

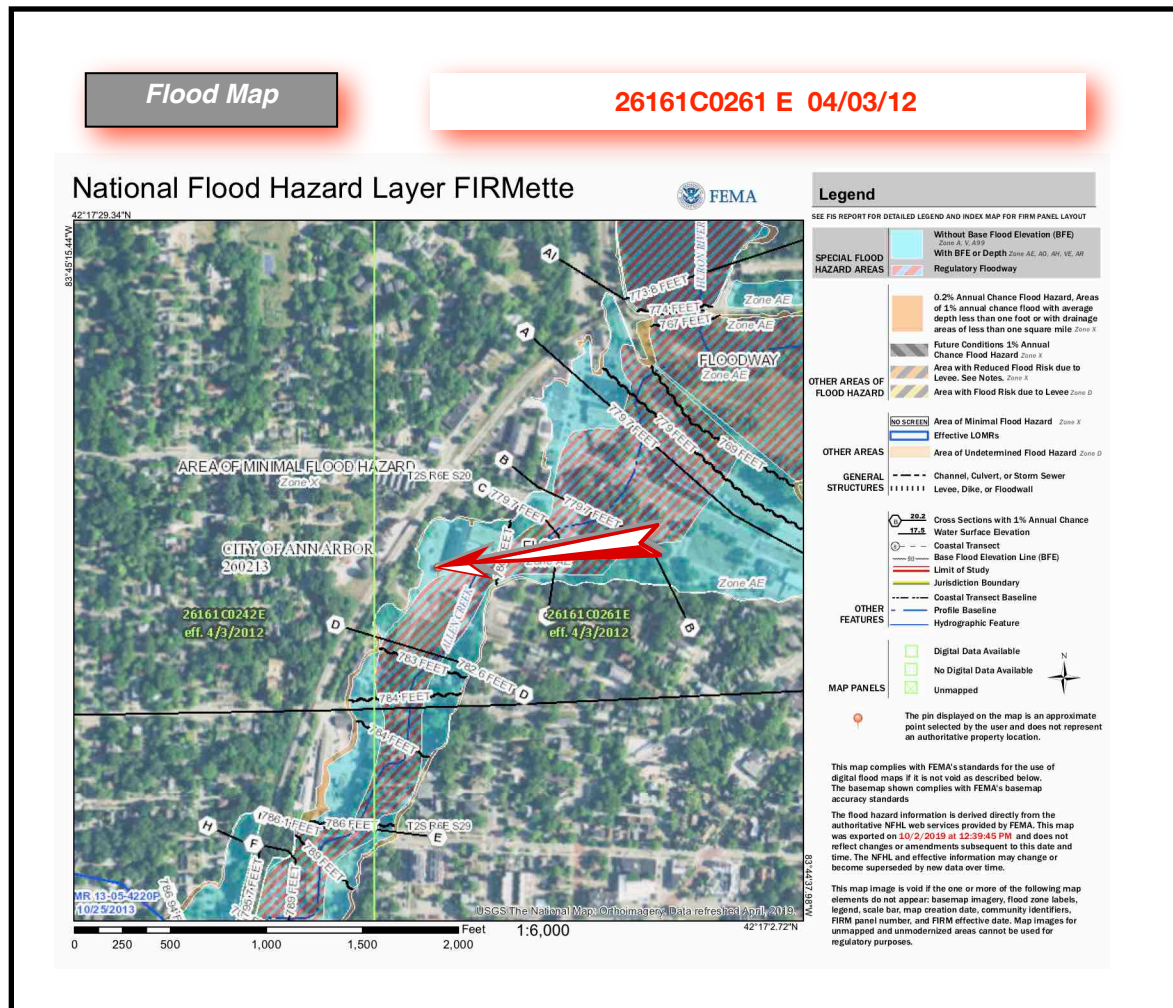
Tax Code	2019 SEV	2019 TV
09-09-20-409-006	Exempt	Exempt
09-09-20-409-026	Exempt	Exempt
09-09-20-409-027	Exempt	Exempt

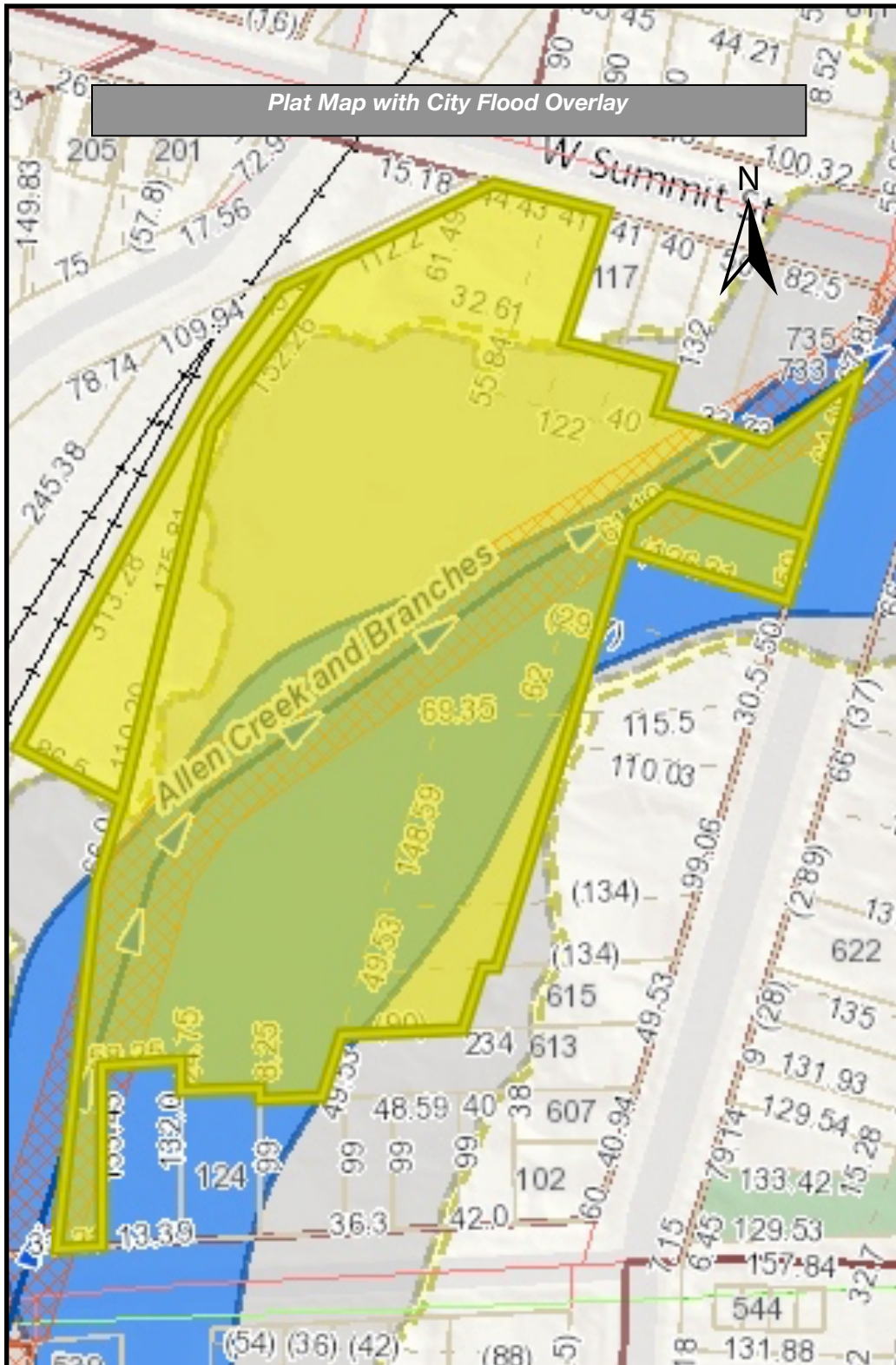
Treasury Department documentation indicates there are currently no special assessments levied against the subject property.



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 26161C0261 E, effective date April 3, 2012, the property predominantly lies within special flood hazard areas including a regulatory floodway indicated by the striped area. Remainder peripheral area is presumed to lie in a Zone X category, determined to be an area of minimal flood hazard. The map does not provide sufficient detail to definitively define various areas; however, the floodway area appears to correlate to the floodway identified in the previously cited historical floodway survey. Flood hazard mapping derived from City maps, provides cleared detail.

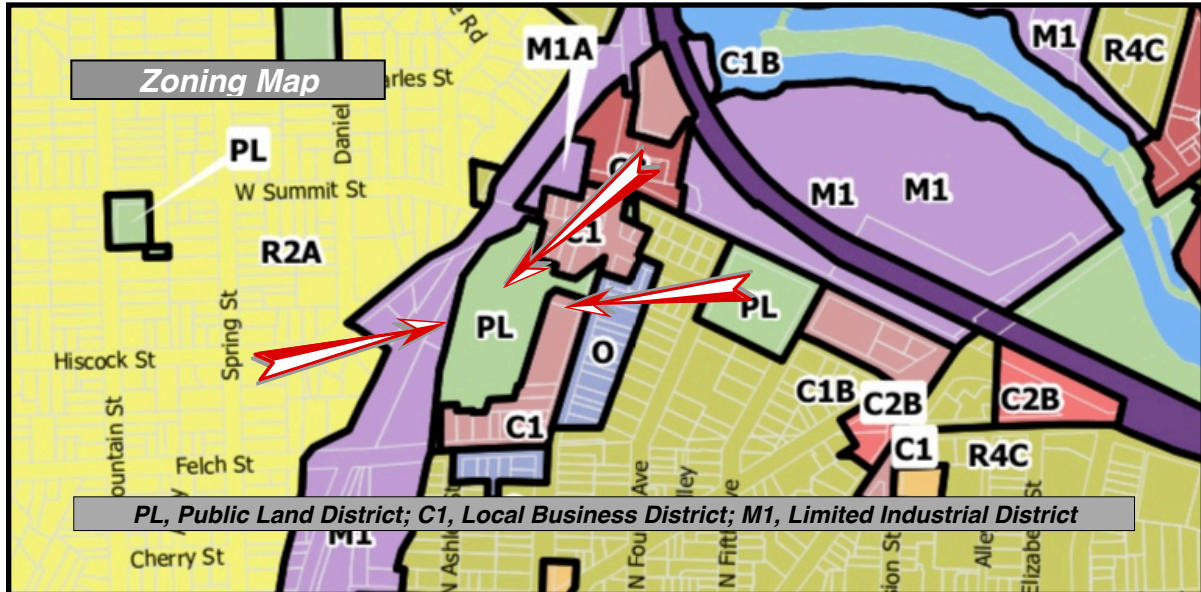




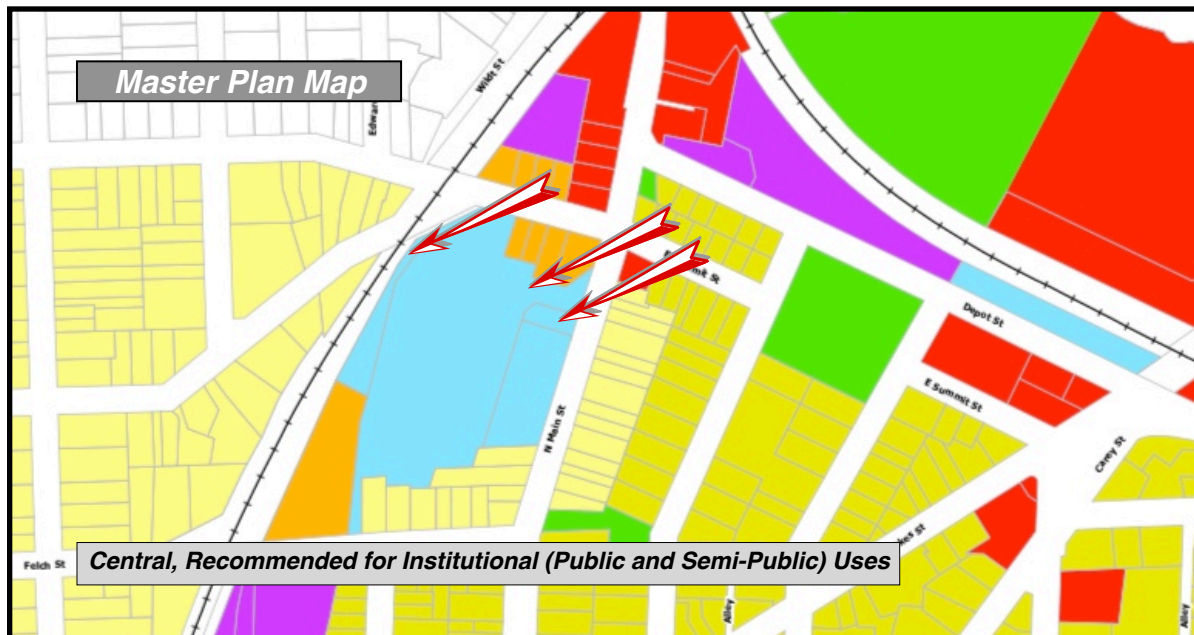


Zoning

As shown in the following graphic, the central subject property ending in tax code -006 is currently zoned PL, Public Land District; the easternmost property ending in tax code -026 is currently zoned, C1, Local Business District; and the westernmost property ending in tax code -027, is zoned, M1, Limited Industrial District.



The appraisal properties are uniformly master-planned for institutional (private and semi-private) uses within the Central Area Future Land Use map.



As noted in the Hypothetical Condition subsection of this report, valuation is predicated upon assumption of C1, Local Business (for both properties) and O, Office Districts. Following are discussions of those districts.

Office District

The zoning ordinance states that the intent of this “district is primarily for office buildings. The office district classification will be applied as a transitional use buffer between residential uses and uses which would be incompatible in direct contact with residential districts.”

Permitted principal uses in the office district include business offices; offices of physicians, dentists and other health practitioners; legal, engineering, architectural and other; finance, insurance, real estate; travel bureau; banks; government offices; a variety of businesses, such as advertising and consumer credit agencies, among other services; nonprofit, member, political and religious organizations; veterinary hospitals and kennels; beauty salons; any permitted use in the “R” dwelling district, subject to all regulations of the district in which it occurs; indoor court game facilities; artists’ studios; funeral homes; private colleges and universities, among other uses.

Permitted accessory uses include those allowed in the R3 district(which include townhouses, any permitted use in the R2A two-family dwelling district, and child care and nursery schools) and incidental services within office buildings.



The office district requires a minimum site area of 6,000 square feet and a minimum lot width of 50 feet; maximum 40 percent allowance of useable floor area in percentage of lot area; maximum height of 40 feet and three stories; and 25-foot front setback; 20-foot side setback for that open space abutting residentially-zoned land, otherwise none; and 30-foot rear setback for that open space abutting residentially zoned land, otherwise none.

Local Business District

The ordinance states that the C1 district “is designed solely to serve the needs of the surrounding residential neighborhood, providing goods that are day-to-day needs and are classed by merchants as ‘convenience goods and services’”

This district allows for several types of uses including most retail activities (providing that they do not have a gross floor area in excess of 8,000 square feet); any permitted use in the O, Office district; personal service uses; and any permitted use under the ‘R’ dwelling districts, of no greater density than permitted under R4. The minimum lot size requirement is 2,000 square feet, with a minimum lot width of 20 feet; the maximum usable floor area in percentage of lot area is 40 percent; the maximum story height is limited to two.

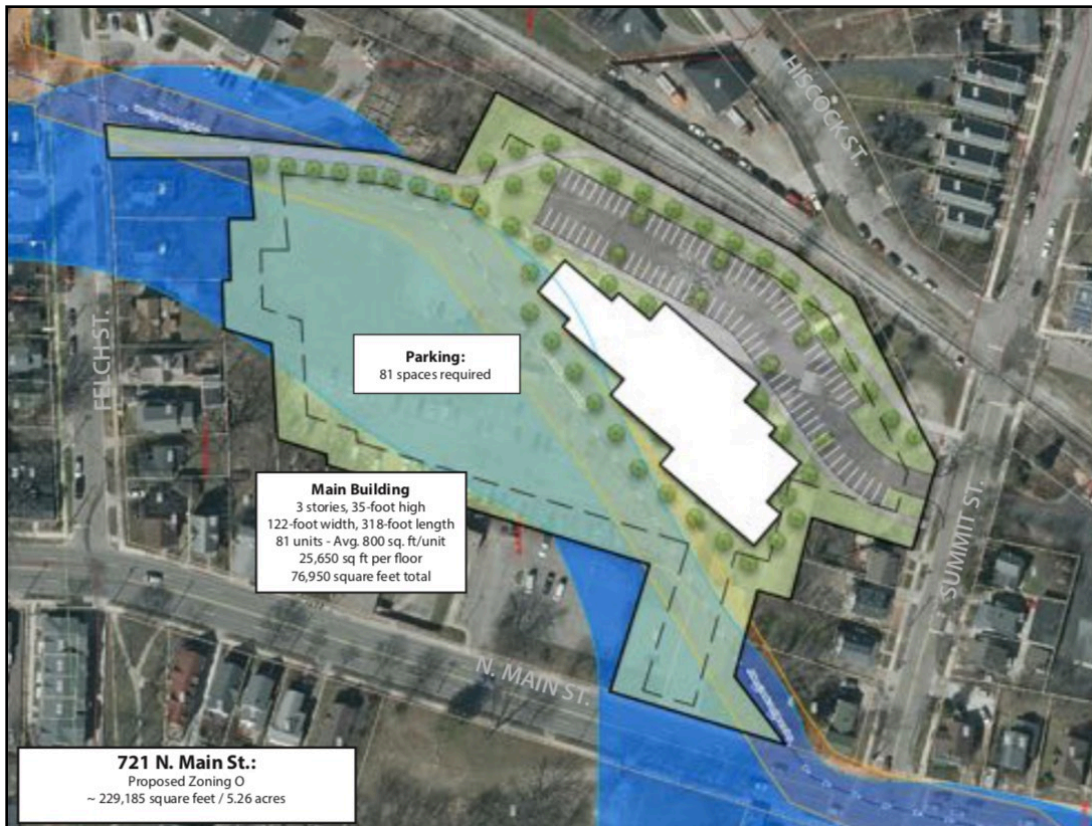
Following are zoning requirements for C1 and O districts as well as respective development potential projections under each parameter specific to the subject sites, prepared by Carlisle Wortman Associates for the Ann Arbor Housing Commission.

Scenario 1 (C1, Local Business District)

As shown in the following graphics, the C1 district allows a maximum FAR of 75 percent of lot area, with a maximum building height of three stories, or 35 feet. After consideration for flood way, treeline and parking requirements, the 5.26-acre site is proposed to support 81 800-square-foot apartment units in a three-story building comprising 79,950 gross square feet, with 81, or one surface parking space per unit. As the reader will notice, the development plan incorrectly indicates a hypothetical O, rather than C1 designation.



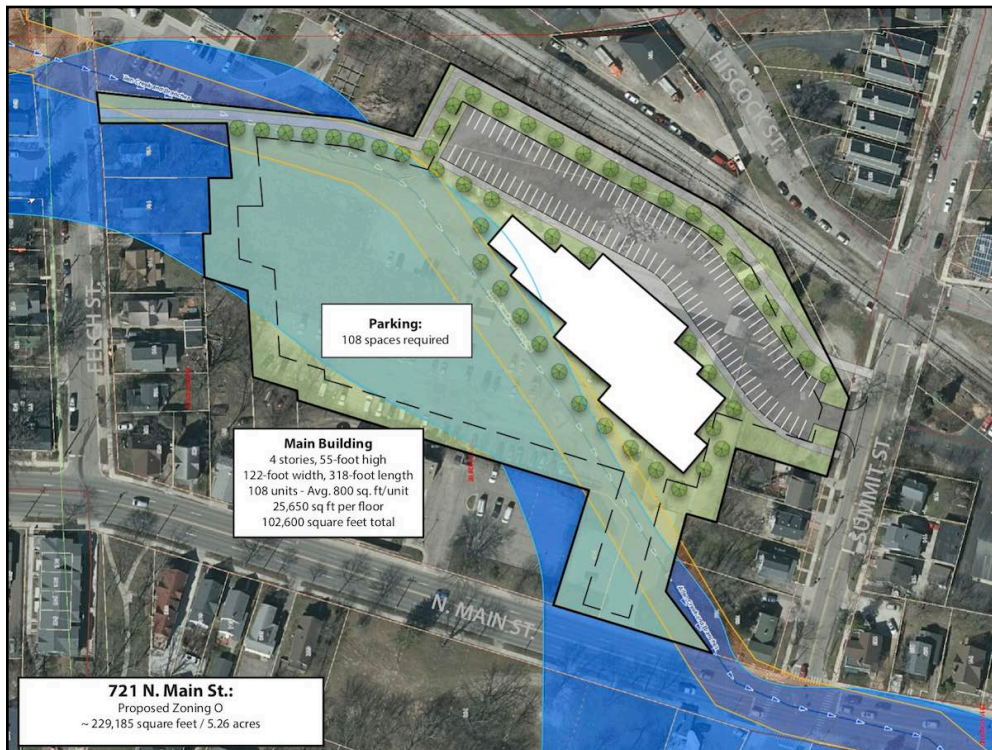
Zoning Requirements	
Lot Area	229,185 sq/ft (5.26 acres)
Setbacks	<p>Front: 10 feet minimum, 25 feet maximum</p> <p>Side: 30 feet where abutting residentially zoned land, otherwise none plus + 1 foot of additional setback for each foot of Building Height above 30 feet when abutting residentially zoned land.</p> <p>Rear: 30 feet where abutting residentially zoned land, otherwise none plus + 1 foot of additional setback for each foot of Building Height above 30 feet when abutting residentially zoned land.</p>
Maximum Building Coverage	None
Floor Area Ratio (FAR) Base	75% of lot area (FAR)
Character Area	None
Building Height Max	3 stories, 35-feet
Parking	<p>Vehicular: 1 space per dwelling unit.</p> <p>Bike: 1 space per 5 dwelling units (50% enclosed, 50% fixed, hoop style)</p>
Floodplain/Floodway	Yes
Consistent with Master Plan Future Land Use Element	Yes
Treeline Dedication	Yes





Scenario 2 (O, Office District)

Zoning Requirements	
Lot Area	229,185 sq/ft (5.26 acres)
Setbacks	Front: 15 feet minimum, 40 feet maximum Side: 30 feet where abutting residentially zoned land, otherwise none plus + 1 foot of additional setback for each foot of Building Height above 30 feet when abutting residentially zoned land. Rear: 30 feet where abutting residentially zoned land, otherwise none plus + 1 foot of additional setback for each foot of Building Height above 30 feet when abutting residentially zoned land.
Maximum Building Coverage	None
Floor Area Ratio (FAR) Base	100% of lot area (FAR).
Character Area	None
Building Height Max	55 feet and 4 stories because within 300 feet of residentially zoned land
Parking	Vehicular: 1 space per dwelling unit. 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



721 N. Main St.:
 Proposed Zoning O
 ~ 229,185 square feet / 5.26 acres



As shown in the preceding graphics, the Office district allows a maximum FAR of 100 percent of lot area, with a maximum building height of four stories, or 55 feet. After consideration for flood way, treeline and parking requirements, the 5.26-acre site is proposed to support 108 800-square-foot apartment units in a three-story building comprising 102,600 gross square feet, with 108, or one surface parking space per unit.

Easements and Deed Restrictions

As detailed in the “Hypothetical Condition” subsection of this report, value is predicated upon the assumption the the appraisal property is not subject to any uncited adverse easements or deed restrictions. A portion of the property will be dedicated to a treeline, which is assumed not to impact the property beyond an enhanced view amenity and useable area reduction, hypothesized to be reflected in the number of units proposed. The treeline is presumed to be maintained by the City.

Three properties under valuation are analyzed as a single entity, comprising 5.26 gross acres, more or less. The appraisers have been provided with current title work prepared by Absolute Title, Inc. effective date May 31, 2019, identifying two of three tax codes under valuation (09-09-20-409-006 and -026, correlating to 721 and 717 North Main, respectively), subject to right-of-way agreement for sewer purposes (Liber 895, Page 513) and Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39). The current title work indicates that assessed tax descriptions for the cited parcels do not accurately describe the subject sites. The Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39) document (which legal description appears to incorporate the property at 717 North Main), dated March 4, 2013, identifies building and deed restrictions pertaining to the floodway on the two cited parcels indicating restrictions for use over a 2.56-acre floodway. The third parcel under valuation, ending in tax code -027, does not lie in a floodway and the appraisers are not aware of deed restrictions to this site. The appraisers are unable to locate the right-of-way agreement for sewer purposes with documentation provided and valuation is predicated on the assumption that it is a typical utility easement.

The appraisers express no opinion as to the existence of other 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 other 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. As stated in the Hypothetical Condition subsection of this report, valuation is predicated upon the absence of environmental hazards affecting the property.



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.

While this section typically discusses current national, regional, and local trends for the type of property under valuation, the subject property is analyzed as hypothetically vacant, not suitable for comparison to larger, investment-grade, properties. The property is suitable for intense development and there are no national or regional trends for such properties.

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.

⁸ Ibid



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 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 just north of Ann Arbor's Downtown Central Business District and northwest of the University of Michigan Campus. This is an area that is dominated by residential uses, interspersed with office and retail uses, as North Main Street segues to a gateway function. There have been numerous recent residential developments in the immediate area of the subject on North Ashley, Kingsley and Felch Streets. 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

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



improved.” The analysis addresses the property as hypothetically vacant and the as improved analysis is not considered.

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 assumed zoning scenarios 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 5.26 gross acres, intersected by a 2.56-acre floodway. Topography is generally level. All municipal utilities are available to the property. After consideration of flood hindrances, the property is typical of other office and residential sites in the area, although a property of this size is generally scarce. The site has adequate to limited frontage on North Main, West Summit and Felch Streets. To the best of the appraisers’ knowledge, information, and belief, there are no physical characteristics of the property, after consideration of an intersecting floodway, 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 assumed commercial and office zoning designations.

Legal restrictions, as they apply to the subject property, involve the public restrictions of the assumed zoning in addition to utility easements and road right-of way easements. The assumed office designation permits a variety of office and some residential uses. The assumed commercial designation permits a variety of commercial, office and some residential uses with varying density allowances. The property is appraised as though vacant; ready for development without environmental hazards; and, is not subject to any uncited adverse easements or deed restrictions. The property is subject to city-specified treeline dedication. Building and Use Deed Restrictions documentation (Liber 5000, Page 39), identifies building and deed restrictions for use pertaining to a 2.56-acre floodway. There are no known private deed restrictions that affect the subject or the surrounding sites. The potential uses that meet the requirements of legal permissibility are most uses allowed under the varying codes assumed herein. Future commercial, office or multiple-family development in the fee simple interest appear to have most viability, under the zoning parameters hypothetically presumed herein.

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 have recently entered the market with more development proposed in the CBD. The subject lies in a logical path of development opportunity, as projects expand into more outlying areas of the city, owing to scarcity of land.

Of the possible uses to the appraisal property as though vacant, multiple-family development as allowed by varying codes assumed herein 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

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.



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 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 separately in the analyses of the subject property as though hypothetically vacant, assuming Local Business and Office zoning parameters.

¹¹AIREA, p. 30.



Effective Dates

The date of the appraisal report is December 5, 2019. The effective current date of valuation is August 31, 2019, the date of property inspection.



Scenario 1 C1 Sales Comparison Approach

Scenario 1 is predicated upon Hypothetical Condition that the property is zoned C1, Local Business District and ready for development as proposed. The C1 district allows a maximum FAR of 75 percent of lot area, with a maximum building height of three stories, or 35 feet. After consideration for flood way, treeline and parking requirements, the 5.26-acre site is proposed to support 81 apartment units, each 800 square feet in size, in a three-story building comprising 79,950 gross square feet, with 81, or one surface parking space per unit.

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 multiple-family development land is the price per proposed or developed number of units. 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:

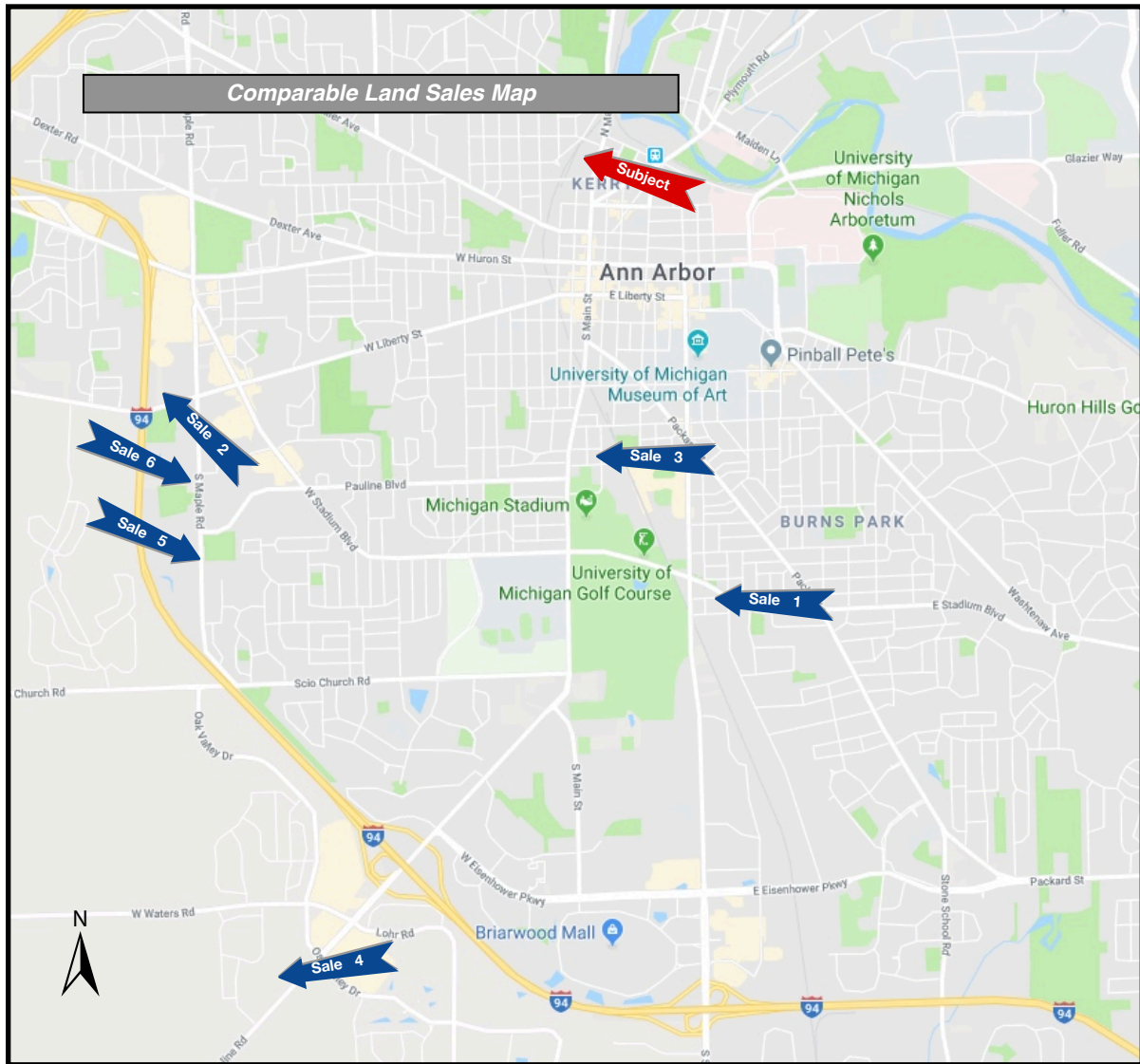
Transaction Items

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

Physical Items

- Location
- Topography/ Cover
- Zoning
- Utilities
- Development Potential
- Number of Units

The six sales considered to best represent the subject market are provided in detail and are summarized and adjusted at "Scenario 1, C1 Hypothetical Condition: 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 Multi-Family Development Land Sale



Photograph Date:

Location: 814, 818, 824 and 830 Henry Street, Ann Arbor, Washtenaw County, MI

Sale Date: July 2018

Sale Price: \$1,601,000 Cash

Purchaser: Prentice Partners of Ann Arbor LLC

Seller: Copi Samuel M, Jam II Investments, LLC, MacMullan Marcia & Donald Trust

Site: These sites are located on the southwest corner of Henry Street, E Stadium Blvd, and South Industrial intersection. The parcels total 0.58 acres or 25,264.8 square feet. The individual sites are rectangular in shape. The three rental houses total 6,048 sf of GBA.

Zoning: R4C, Multiple Family

Utilities: All Municipal

Tax Code: 09-09-33-316-010, -009, -008, -007

Occupancy: Vacant

Comments: The buyer plans to demolish the existing three rental houses. Estimated demo costs are \$30,000. The assemblage is proposed for a \$5.5 million student apartment complex. There will be 26,000 square feet and 11 units within a 3-story building with 6 bedrooms per unit for a total of 66 beds. There will also be 18 parking spaces and 20 bicycle parking spaces as well.

Individual sales were:

814 Henry 7/25/2018 \$351,000 Jam II (Deed 5267/786)

818 Henry 7/18/2018 \$625,000 Copi (Deed 5266/702)

824-830 Henry 3/27/2018 \$625,000 MacMullan (Deed 5251/186)

Source: MLive, Ann Arbor Assessor's Records

Indicators: \$ 63.37 per square foot

\$62.73 per square foot of proposed building area, including demolition



Comparable 2

MARKET DATA

Vacant Multi-Family Development Land Listing



Photograph Date:

Common Name: Liberty Townhomes

Location: 2658 West Liberty Street, Ann Arbor, Washtenaw County, Michigan

Sale Date: September 2019

Sale Price: \$1,650,000 Cash or Equivalent

Purchaser: Active

Seller: MCP Liberty Devco., LLC (Trowbridge Companies)

Site: The subject site is irregular-shaped and contains 4.66 acres, or 202,990. Topography is generally level with the western property line abutting the I-94 expressway. According to City Engineer, Troy Baughman, there are no connection charges slated for this parcel. Any additional offsite expense for development is not known. The parcel is in the Ann Arbor School District.

Zoning: R4B, Multiple Family Residential (Max Density 15 Units / Acre)

Utilities: All Municipal

Tax Code: 09-08-25-400-015

Exposure Time: 10 months

Occupancy: Vacant

Comments: The property sold in March 2017 for \$650,000, or \$3.20 per square foot of land area at which time the buyer acquired the property with 68 preliminarily approved units, but revised to 52 townhouse style rental units with attached garages.

The property is currently listed for \$1,650,000 and marketed as a development opportunity with potential for 72 apartment units among six three-story buildings.

Source: Jack Johns, CBRE, Inc., (248) 351-2018

Indicators: \$ 8.13 per square foot

\$ 354,077 per acre

\$ 22,917 per unit



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) sold 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 closed 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.

Sept. 2019 Redico website describes 167-unit multi-family development with retail and underground parking.

Source: Assessment Record/ Confidential

Indicators: \$95.75 per square foot

\$4,171,779 per acre

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



Comparable 4

MARKET DATA

Vacant Residential Mix Use Sale



Photograph Date:

Location: 3240 and 3300 Ann Arbor-Saline Rd., Pittsfield Township, Washtenaw County,

Sale Date: March 2018

Sale Price: \$6,882,500 Cash to mortgage

Purchaser: Uptown Ann Arbor, LLC

Seller: Tracey E. Coates / Bruce & Stephanie Benz

Site: The two-parcel assemblage is irregular in shape, with 15.08 gross acres or 656,885 gross square feet. The site has 406 feet of frontage on Ann Arbor-Saline Road and about 454 feet of frontage along Oak Valley Drive.

Zoning: FB, Form Based Ann Arbor-Saline Area District - Site Type A

Utilities: All Municipal

Tax Code: L-12-07-200-014, L-12-07-200-021

Exposure Time: 44 months

Occupancy: Vacant

Comments: The two parcels were purchased in March and June of 2018 to construct the Uptown Ann Arbor apartment and retail mixed-use development, consisting of 197 apartment units and 17,220 square feet of retail space comprised of 9 units.

As of September 2019 assessment records show the property identified as 3300 Ann Arbor-Saline Road (L-12-07-200-025) with total building area of 171,949 square feet among eight buildings. The price per square foot of building area is \$40.04.

Source: GAC #19097

Indicators: \$ 10.48 per square foot

\$ 456,399 per acre

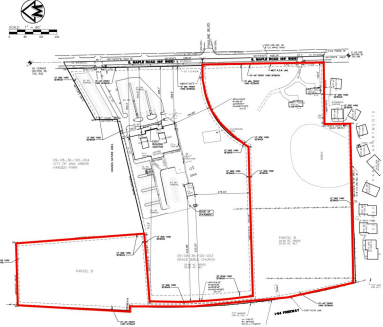
\$ 33,410 per unit

\$40.04 per square foot of building area



Comparable 5

MARKET DATA
Vacant Multi-Family Development Land Sale



Photograph Date:

Common Name: Midtown Ann Arbor
 Location: WS S. Maple Road at Pauline Boulevard, Ann Arbor, Washtenaw County, MI
 Sale Date: December 2017
 Sale Price: \$4,880,000 Cash to mortgage
 Purchaser: Midtown Ann Arbor, LLC
 Seller: Grace Bible Church

Site: The irregular shaped site contains 20.46 gross or 20 net acres with 608.34 feet of frontage along the west side of S. Maple Road and a depth along the southern boundary of 1,141 feet. Topography is rolling (representing the highest elevation within the city) and partially wooded. Site configuration is such that the northern pod, encompassing rough 5 acres, will be mitigated for wetland development, thus, allowing clustering of development of the southern region and the replacement of scattered low-quality wetlands. Soils are Miami loam over the southern region.

Zoning: R4B, Multiple Family Residential District (15 UPA)
 Utilities: All Municipal
 Tax Code: 09-08-36-100-009
 Occupancy: Vacant

Comments: With initial municipal review, no formal submission for preliminary plan approval has been made. The initial site layout featured 256 side-by-side and stacked condominium units, for a net density of 12.80 units-per-acre. However, given tight configuration, initial planning suggests a reduction of developable units. **As of 3/20/19: Midtown Ann Arbor Condominiums proposal under review for 253 units in 14 buildings with 385,685 square feet of buildings area.**

As part of sale agreement, Grace Bible Church will allow for development of an above ground storm water detention basin within its western region, paid for by Midtown Ann Arbor.

Two houses will be demolished in conjunction with development, with an estimated expense of \$20,000, which is not included in the sale price.

Source: File 18720, City of Ann Arbor Assessor
 Indicators: \$ 244,000 per net acre
 \$ 5.60 per net square foot
 \$ 19,289 per unit
 \$12.65 per square foot of proposed buildings area, before demolition

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Comparable 6

MARKET DATA

Vacant Multi-Family Development Land Sale



Photograph Date:

Common Name: Under Construction for Hickory Way Apartments

Location: 1110 and 1132 South Maple Road (to Become 1120 South Maple), Ann Arbor,

Sale Date: March 2018

Sale Price: \$995,000 Cash to mortgage

Purchaser: Avalon Nonprofit Housing Corporation

Seller: Harry Gable Jr., and Erik and Mary Hansen

Site: Two contiguous sites, together configure to an elongated rectangle and contain 4.937 gross acres, with 178.26 feet of frontage on the west side of South Maple Road, between Adrienne Drive and St. Charles Street, north of West Liberty Street. The maximum depth of the site is 1,206.84 feet. Topography is level and coverage consists of woodlands and two older homes dating to 1948, together comprising 2,803 square feet. Estimated cost to demolish the non-contributory improvements is \$20,000.

Zoning: R4B, Multiple-Family Dwelling District (15 UPA)

Utilities: All Municipal

Tax Code: 09-08-36-100-010 and -011

Occupancy: Owner Occupied

Comments: As of March 2019, the property is under construction for development to a two phase 70-unit affordable housing apartment complex comprising 92,281 square feet, housed in two three-story buildings with elevators and 105 parking spaces, equating to 1.5 spaces per unit. Thus the project equates to 14 UPA. The first phase with 34 units has received an \$8 million tax credit for Michigan State Housing Development Authority (MSHDA) and other funding is in process.

The transactions from separate sellers occurred on the same day.

Source: Assessment Record, M-Live, Avalon Housing, (734) 663-5858

Indicators: \$ 201,539 per acre

\$ 4.63 per square foot

\$ 14,214 per unit

\$10.78 per square foot of proposed buildings area, before demolition



"Scenario 1, C1 Hypothetical Condition: Land Sales Adjustment Grid"

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale Price		\$1,601,000	\$1,850,000	\$6,800,000	\$6,882,500	\$4,880,000	\$995,000
Date of Sale		Jul 1, 2018	Active List	Jun 1, 2019	Mar 1, 2018	Dec 1, 2017	Mar 1, 2018
Buyer Expenditures		\$30,000	\$0	\$200,000	\$0	\$20,000	\$20,000
Property Rights Transferred		0%	0%	0%	0%	0%	0%
Conditions Of Sale		0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Market Conditions	0.3333%	4.33%	-10.00%	0.67%	5.67%	6.67%	5.67%
Adjusted Price		\$1,701,677	\$1,485,000	\$7,046,667	\$7,272,508	\$5,226,667	\$1,072,517
Site Size In Units	81	38	72	167	206	253	70
Adjusted Price Per Unit		\$44,781	\$20,625	\$42,196	\$35,303	\$20,659	\$15,322
Location	N. Main, W. Summit, Feich	Henry, E. Stadium	W. Liberty, I-94	E. Hoover, Brown, Green	Ann Arbor-Saline	S. Maple	S. Maple
Township	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Pittsfield Twp	Ann Arbor	Ann Arbor
Adjustment		0.0%	10.0%	-10.0%	0.0%	10.0%	10.0%
Topography/ Cover	Level/ Treeline, RR	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Wood
Adjustments		0.0%	0.0%	0.0%	0.0%	0.0%	10.0%
Zoning	C1	R4C (20 UPA)	R4B (15 UPA)	C2B, R4C to C2B	FB	R4B (15 UPA)	R4B (15 UPA)
Adjustment	Proposed for 15.40 UPA	Prop for 18.97 UPA	Marketed for 15.45 UPA	Proposed for 102 UPA	Proposed for 13.66 UPA	Proposed for 12.37 UPA	Approved for 14 UPA
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%
Development Potential	49% Floodway	No Hindrance	Shape	No Hindrance	No Hindrance	25% Wetland Mitigation	Shape
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Number of Units	81	38 Equivalent	72	167	206	256	70
Adjustment		-5.0%	0.0%	5.0%	10.0%	15.0%	0.0%
Gross Adjustments		5.0%	10.0%	25.0%	15.0%	25.0%	20.0%
Net Adjustments		-5.0%	10.0%	-15.0%	5.0%	25.0%	20.0%
Adjusted Sale Price Per Unit		\$42,542	\$22,688	\$35,866	\$37,069	\$25,823	\$18,386

High	\$42,542
Mean	\$30,386
Median	\$30,845
Low	\$18,386

Index of Comparable Land Sales

1. 814, 818, 824 and 830 Henry Street, Ann Arbor
2. 2658 West Liberty Street, Ann Arbor
3. 145, 147 & 151 E. Hoover; 917 & 919 Brown; and 910 Green, Ann Arbor
4. 3240 and 3300 Ann Arbor-Saline Road, Pittsfield Township
5. WS South Maple Road, Ann Arbor
6. 1110 and 1132 South Maple Road, Ann Arbor



Adjustments:

The appraisers note that Sale One is being developed with 11, six-bedroom units which are intended for student housing. Typical average bedroom count is 1.5 to 2.0 beds per unit. Using a 1.75 ratio yields approximately 38 units as an equivalent estimate for this analysis.

Buyer Expenditures: Buyer expenditures include the costs incurred by the buyers immediately following the purchase of a property. Sales One, Three, Five and Six are adjusted for various buyer expenses. The remaining presented data do not require adjustment.

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 20 months of the current date of valuation. As discussed in the "Current Market Conditions and Trends" subsection of this report, the development land sector is trending upward and adjustment is predicated upon four percent per annum, or 0.003333 percent per month, for those properties located outside of Ann Arbor's CBD. Downward adjustment is applied to Comparable Two, an active listing, 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 limited visibility and exposure characteristics in a mixed-use area, north of the city CBD, suitable for rejuvenation. No adjustment is applied to Comparable One, close to campus and planned for student housing, and Comparable Four, located in a high traffic area, convenient to interstate access. Downward adjustment is applied to Comparable Three, identifying with demand in the Michigan Stadium area, close to campus and CBD. Upward adjustment is applied to the remaining presented data on an overall basis, having inferior locational characteristics.

Topography and Cover: The subject property features level topographical characteristics with predominantly clear coverage; a treeline amenity is offsetting to proximity of a railroad.



Upward adjustment is applied to Comparable Six, with a wooded site, which would require clearing. No adjustment is applied to the remaining presented data on an overall basis.

Zoning: Scenario 1 is predicated upon the assumption that the property is zoned C1, Local Business district, allowing a density of development of 75% FAR (before consideration of floodway hindrance), proposed for development to 81 units equating to 15.40 UPA. Downward adjustment is applied to Comparable Three, to be rezoned from mixed designations to all C2B, allowing 200 percent FAR, proposed for 102 UPA and some retail space, which commands higher rent. Sale Four has a similar density but also allows some retail use, for which downward adjustment is applied. No adjustment is applied to the remaining presented data, with variable zoning designations, proposed for similar density levels and use.

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

Development Potential: The appraisal property is hindered by 49 percent floodway, presumed to overlap with treeline donation. It is also adjacent to a railroad right-of-way. While the presented data present variable lesser or no hindrance to development, no adjustment is applied for the differentials, which are effectively reflected in the following “Number of Units category for proposed, marketed or approved development potential. Additional adjustment within this category would amount to a double penalization.

Number of Units: As predicated in Scenario 1, the subject is presumed approved for development to 81 apartment units. (The appraisers note that, based upon a prior development study by Carlisle and Wortman, the site was thought to be capable of supporting 167 units under a C1 parameter if flood hindrances did not exist.) A tenet in the real estate industry indicates that that as the number of units increases, the value per unit decreases. The presented data are proposed for development to 11 to 256 units. In the case of Comparable One, 11 units with 66 beds is an atypical configuration. Based upon average bedroom to unit ratios found in the market, the development equates to about 38 units for analysis purposes and downward adjustment is applied. No adjustment is applied to Comparables Two and Six. Variable upward adjustment is applied to Comparables Three through Five, proposed for higher unit count.

Summary: After all adjustments, the comparable land sale prices range from \$18,386 to \$42,542, with a mean of \$30,396 and a median indicator of \$30,845 per unit. Comparable Six adjusts to the low end of the spectrum. Comparable One adjusts to the high end of the spectrum and represents a typical unit equivalency, based upon bedroom count. If the high and low adjusted indicators are discarded, the remaining indicators average \$30,362 per unit.



The appraisers resolve to a market indicator of \$30,000 per unit. Such conclusion equates to \$20.66 per square foot of usable land area, assuming a 2.56-acre floodway. Thus,

$$81 \text{ units @ } \$30,000 \text{ per unit} = \$2,430,000 \text{ (rd.)}$$

It is the appraisers' opinion that the current market value of the appraisal property, based upon hypothetical condition associated with Scenario 1 assuming an C1, Local Business District zoning designation and development proposal, pertaining to fee simple title interest, as of August 31, 2019, is:

Two Million Four Hundred Thirty Thousand (\$2,430,000) Dollars

Scenario 2 Office Sales Comparison Approach

Scenario 2 is predicated upon Hypothetical Condition that the property is zoned O, Office District and ready for development as proposed. The Office district allows a maximum FAR of 100 percent of lot area, with a maximum building height of four stories, or 55 feet. After consideration for flood way, treeline and parking requirements, the 5.26-acre site is proposed to support 108 apartment units, each 800 square feet in size, within a three-story building comprising 102,600 gross square feet, with 108, or one surface parking space per unit.

The appraisers refer the reader to the foregoing analysis of Scenario 1, wherein the method, technique, data, and adjustments and conclusion are the same as that for Scenario 2, and are not reiterated here. Following is a discussion of the grid and conclusion to value for Scenario 2 analysis. The Number of units discussion is repeated because of differing detail.

Number of Units: As predicated in Scenario 2, the subject is presumed approved for development to 108 apartment units. (The appraisers note that, based upon a prior development study by Carlisle and Wortman, the site was thought to be capable of supporting 215 units under an O parameter if flood hindrances did not exist.) A tenet in the real estate industry indicates that that as the number of units increases, the value per unit decreases. The presented data are proposed for development to 11 to 256 units. In the case of Comparable One, 11 units with 66 beds is an atypical configuration. Based upon average bedroom to unit ratios found in the market, the development equates to about 38 units for analysis purposes and downward adjustment is applied. No adjustment is applied to Comparables Two and Six. Variable upward adjustment is applied to Comparables Three through Five, proposed for higher unit count.



"Scenario 2, Office Hypothetical Condition: Land Sales Adjustment Grid"

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Sale Price		\$1,601,000	\$1,650,000	\$6,800,000	\$6,882,500	\$4,880,000	\$995,000
Date of Sale		Jul 1, 2018	Active List	Jun 1, 2019	Mar 1, 2018	Dec 1, 2017	Mar 1, 2018
Buyer Expenditures		\$30,000	\$0	\$200,000	\$0	\$20,000	\$20,000
Property Rights Transferred		0%	0%	0%	0%	0%	0%
Conditions Of Sale		0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Market Conditions	0.3333%	4.33%	-10.00%	0.67%	5.67%	6.67%	5.67%
Adjusted Price		\$1,701,677	\$1,485,000	\$7,046,667	\$7,272,508	\$5,226,667	\$1,072,517
Site Size In Units	108	38	72	167	206	253	70
Adjusted Price Per Unit		\$44,781	\$20,625	\$42,196	\$35,303	\$20,659	\$15,322
Location	N. Main, W. Summit, Feich	Henry, E. Stadium	W. Liberty, I-94	E. Hoover, Brown, Green	Ann Arbor-Saline	S. Maple	S. Maple
Township	Ann Arbor	Ann Arbor	Ann Arbor	Ann Arbor	Pittsfield Twp	Ann Arbor	Ann Arbor
Adjustment		0.0%	10.0%	-10.0%	0.0%	10.0%	10.0%
Topography/ Cover	Level/ Treeline, RR	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Clear	Level/ Wood
Adjustments		0.0%	0.0%	0.0%	0.0%	0.0%	10.0%
Zoning	O	R4C (20 UPA)	R4B (15 UPA)	C2B, R4C to C2B	FB	R4B (15 UPA)	R4B (15 UPA)
Adjustment	Proposed for 20.53 UPA	Prop for 18.97 UPA	Marketed for 15.45 UPA	Proposed for 102 UPA	Proposed for 13.66 UPA	Proposed for 12.37 UPA	Approved for 14 UPA
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%
Development Potential	49% Floodway	No Hindrance	Shape	No Hindrance	No Hindrance	25% Wetland Mitigation	Shape
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Number of Units	108	38 Equivalent	72	167	206	256	70
Adjustment		-5.0%	0.0%	5.0%	10.0%	15.0%	0.0%
Gross Adjustments		5.0%	10.0%	25.0%	15.0%	25.0%	20.0%
Net Adjustments		-5.0%	10.0%	-15.0%	5.0%	25.0%	20.0%
Adjusted Sale Price Per Unit		\$42,542	\$22,688	\$35,866	\$37,069	\$25,823	\$18,386

Index of Comparable Land Sales

1. 814, 818, 824 and 830 Henry Street, Ann Arbor
2. 2658 West Liberty Street, Ann Arbor
3. 145, 147 & 151 E. Hoover; 917 & 919 Brown; and 910 Green, Ann Arbor
4. 3240 and 3300 Ann Arbor-Saline Road, Pittsfield Township
5. WS South Maple Road, Ann Arbor
6. 1110 and 1132 South Maple Road, Ann Arbor

High	\$42,542
Mean	\$30,386
Median	\$30,845
Low	\$18,386



Summary: After all adjustments, the comparable land sale prices range from \$18,386 to \$42,542, with a mean of \$30,396 and a median indicator of \$30,845 per unit. Comparable Six adjusts to the low end of the spectrum. Comparable One adjusts to the high end of the spectrum and represents a typical unit equivalency, based upon bedroom count. If the high and low adjusted indicators are discarded, the remaining indicators average \$30,362 per unit. The appraisers resolve to a market indicator of \$30,000 per unit. Such conclusion equates to \$27.55 per square foot of usable land area, assuming a 2.56-acre floodway. Thus,

$$108 \text{ units @ } \$30,000 \text{ per unit} = \$3,240,000 \text{ (rd.)}$$

It is the appraisers' opinion that the current market value of the appraisal property, based upon hypothetical condition associated with Scenario 2 assuming an O, Office District zoning designation and development proposal, pertaining to fee simple title interest, as of August 31, 2019, is:

Three Million Two Hundred Forty Thousand (\$3,240,000) Dollars

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—comprising three contiguous sites—is analyzed in accordance with two development proposals put forth within the body of the text and at exhibit B herein, hypothetically assuming C1, Local Business or O, Office zoning district scenarios, presuming the property is vacant and ready for development without environmental hazards; and, is not subject to any uncited adverse easements or deed restrictions. A portion of the property will be dedicated to a treeline, which is assumed not to impact the property beyond an enhanced view amenity and useable area reduction, hypothesized to be reflected in the number of units proposed. The treeline is presumed to be maintained by the City. Valuation predicated upon any other condition, could impact the value conclusions reported herein.

Extraordinary Assumptions

1. Three properties under valuation are analyzed as a single entity, comprising 5.26 gross acres, more or less. The appraisers have been provided with current title work



prepared by Absolute Title, Inc. effective date May 31, 2019, identifying two of three tax codes under valuation (09-09-20-409-006 and -026, correlating to 721 and 717 North Main, respectively), subject to right-of-way agreement for sewer purposes (Liber 895, Page 513) and Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39). The current title work indicates that assessed tax descriptions for the cited parcels do not accurately describe the subject sites. The Building and Use Deed Restrictions for 721 North Main Floodway (Liber 5000, Page 39) document (which legal description appears to incorporate the property at 717 North Main), dated March 4, 2013, identifies building and deed restrictions pertaining to the floodway on the two cited parcels indicating restrictions for use over a 2.56-acre floodway. The third parcel under valuation, ending in tax code -027, does not lie in a floodway and the appraisers are not aware of deed restrictions to this site. The appraisers are unable to locate the right-of-way agreement for sewer purposes with documentation provided and valuation is predicated on the assumption that it is a typical utility easement. It is an assumption of this report that gross, net and restricted site areas delineated herein roughly conform to actual (hypothetically vacant) condition; if not, the value conclusions 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 subject soils are suitable for commercial-type construction similar to that proposed or found on surrounding parcels. If such is not the case, the value conclusions could be impacted.

Sales History Analysis

Municipal records indicate the property (identified under three tax codes) 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.

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.

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

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 December 5, 2019.

Effective Date(s) of Value

The effective date of the current valuation is August 31, 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 August 31, 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 written in a cursive, flowing style.

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, appearing to read "Lorie Alcock". The signature is fluid and elegant, with a long, sweeping tail on the final letter. It is positioned above a horizontal line.

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 West Summit, 2013
Online Subdivision Valuation, 2013
Contemporary Topics For Appraisers Involving the MI Tax Tribunal, 2014
Great Lakes Chapter Economic West 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 West 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

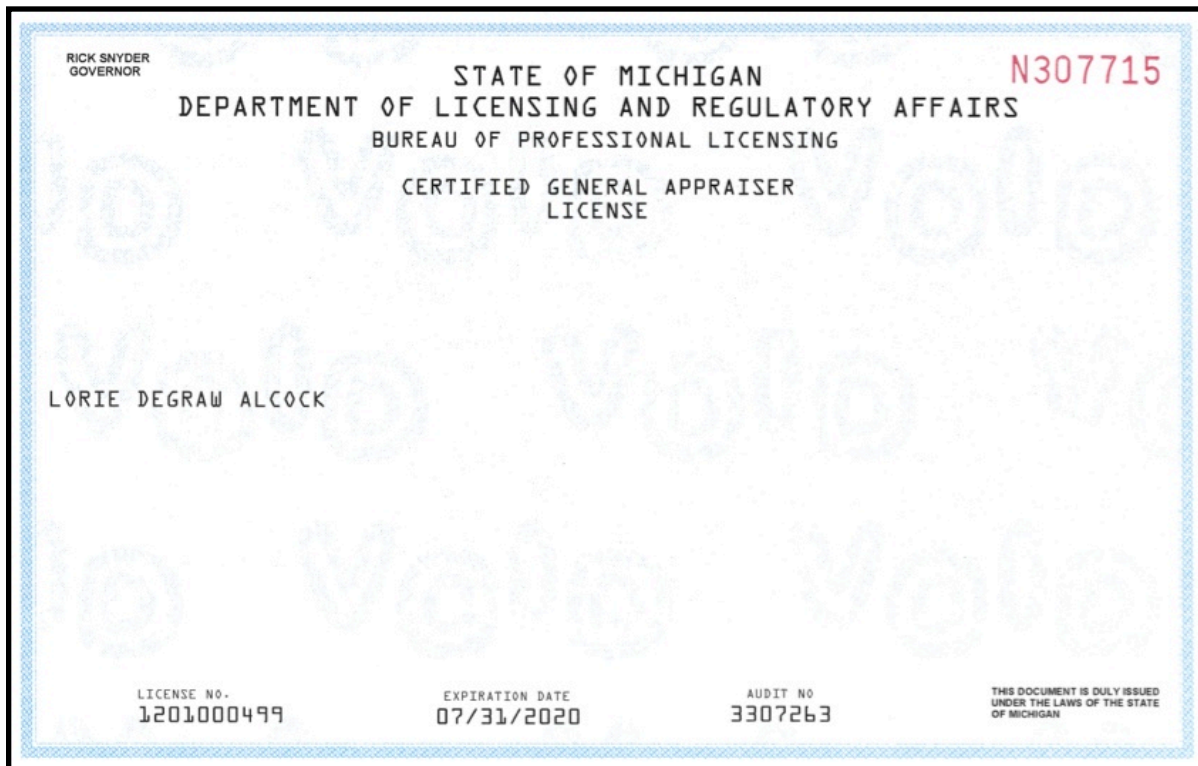
1986 – present Staff Appraiser, Gerald Alcock Company, L.L.C.
1982 – 1986 Production Artist, Group 243, Incorporated
1980 – 1982 Art Teacher, Superior Recreation Department

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

721 N MAIN ST Ann Arbor, MI 48104 (Property Address)
 Parcel Number: 09-09-20-409-006



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 TRANSPORTATION 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	0	State Equalized Value	\$0
User Alpha 1	No Data to Display	Date of Last Name Change	12/14/2012
User Alpha 3	No Data to Display	Notes	Not Available
Historical District	No	Census Block Group	No Data to Display
User Alpha 2	No Data to Display	Exemption	No Data to Display

Principal Residence Exemption Information

Homestead Date No Data to Display

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

LOTS 5, 22, 27, & 28 AND W 100 FT OF LOTS 16 & 17, ALSO W 90 FT OF LOT 15, AND SLY 50 FT OF LOTS 25 & 26, ALSO THAT PRT OF LOTS 19, 20, & 21 LYING W OF A LINE PARALLEL WITH AND 126.31 FT MEASURED PERPENDICULAR FROM EL OF SAID LOTS 19, 20, & 21, ASSESSORS PLAT NO 22

Land Division Act Information

Date of Last Split/Combine	No Data to Display	Number of Splits Left	Not Available
Date Form Filed	No Data to Display	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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717 N MAIN ST Ann Arbor, MI 48104 (Property Address)
 Parcel Number: 09-09-20-409-026



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 Part of 721 N Main * 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	06/06/2007
User Alpha 3	No Data to Display	Notes	Not Available
Historical District	No	Census Block Group	No Data to Display
User Alpha 2	No Data to Display	Exemption	No Data to Display

Principal Residence Exemption Information

Homestead Date No Data to Display

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	C1	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 21 EXC THAT PRT W OF LINE PAR WITH & 126.31 FT MEAS PERPENDICULAR FROM E L SD LOT 21 ASSESSORS PLAT NO 22

Land Division Act Information

Date of Last Split/Combine	No Data to Display	Number of Splits Left	Not Available
Date Form Filed	No Data to Display	Unallocated Div.s of Parent	0
Date Created	No Data to Display	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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175 HISCOCK ST Ann Arbor, MI 48103 (Property Address)
 Parcel Number: 09-09-20-409-027



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 721 N Main * 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	06/06/2007
User Alpha 3	No Data to Display	Notes	Not Available
Historical District	No	Census Block Group	No Data to Display
User Alpha 2	No Data to Display	Exemption	No Data to Display

Principal Residence Exemption Information

Homestead Date	No Data to Display		
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	M1	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 30 AND 31, ASSESSORS PLAT 22

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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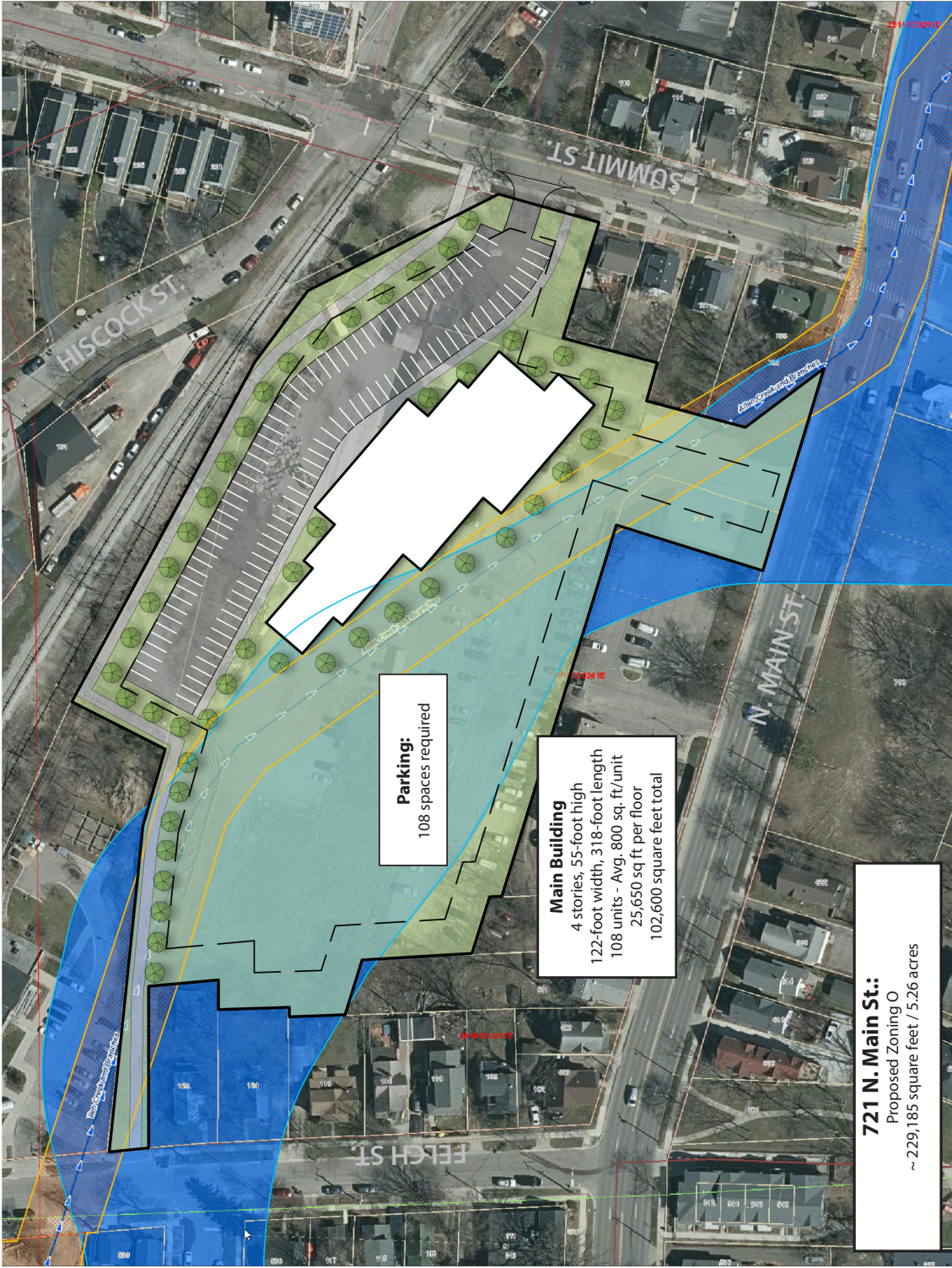
Private Documents



Parking:
81 spaces required

Main Building
3 stories, 35-foot high
122-foot width, 318-foot length
81 units - Avg. 800 sq. ft/unit
25,650 sq ft per floor
76,950 square feet total

721 N. Main St.:
Proposed Zoning O
~ 229,185 square feet / 5.26 acres



Parking:
108 spaces required

Main Building
4 stories, 55-foot high
122-foot width, 318-foot length
108 units - Avg. 800 sq. ft/unit
25,650 sq ft per floor
102,600 square feet total

721 N. Main St.:
Proposed Zoning O
~229,185 square feet / 5.26 acres