

December 2009

Ann Arbor, MI

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December 11, 2009

Mr. Peter Allen  
University of Michigan  
Stephen M. Ross School of Business  
701 Tappan Street  
Ann Arbor, MI 48109

Dear Peter,

We are pleased to present our proposal for City Center, a forward-thinking, mixed-use development that will enliven downtown Ann Arbor and enrich the community at large. Located on the corner of Fifth and William Streets, City Center aims to be a lively gathering place for Ann Arbor's diverse populations – families, young professionals, active seniors, and university students – and adds many unique elements currently missing from the city. Through its modern urban residential and hotel offerings, sophisticated shopping experience, and active public plaza, City Center is a true “destination” for locals and visitors alike.

This report is a thorough description of our site's assets and impacts, as well as a well-researched assessment of the project's setting, stakeholders, and financial and political viability. We have given special attention to providing the region with a product that incorporates sustainable design and mixed-use development best practices, as well as one that will easily integrate into the Ann Arbor fabric, complement surrounding properties, and appeal to investors.

City Center is the culmination of the past semester's education on what it takes to create a vibrant, walkable, mixed-use development that meets a high sustainability standard. We thank you for your dedication to these ideals and for sharing your knowledge with us.

Many thanks for your consideration of City Center.

Sincerely,

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## I - Executive Summary

### A - Project Objectives

Located on the corner of Fifth and William Streets in the heart of Ann Arbor, City Center will be a vibrant, mixed-use urban development that serves as the focal point of downtown. City Center's unique combination of contemporary urban living and hotel accommodations with an old-world European shopping experience will draw residents and visitors from around the region and set an aspirational tone for Ann Arbor's future as a major American destination.

#### Ann Arbor

Ann Arbor presents the perfect, growing urban environment for the City Center site. Located in Washtenaw County (population 322,895),<sup>i</sup> the city of Ann Arbor (population 115,299) is 28 square miles of rich culture and vibrant activity. In addition to its lively downtown, Ann Arbor has more than 150 public parks, scenic bike trails, picturesque ponds, and well-maintained public pools and playgrounds.<sup>ii</sup> A culinary destination, Ann Arbor is home to more than 200 restaurants and the renowned year-round Kerrytown Farmers' Market. The University of Michigan's flagship campus is located in Ann Arbor, enlivening the downtown with 40,000 students and Big 10 sports and spirit. Ann Arbor is also a great place to work, with hundreds of high-tech and life science businesses in the area and a friendly entrepreneurial environment. Ann Arbor boasts one of the most highly skilled, highly educated work forces in the nation.

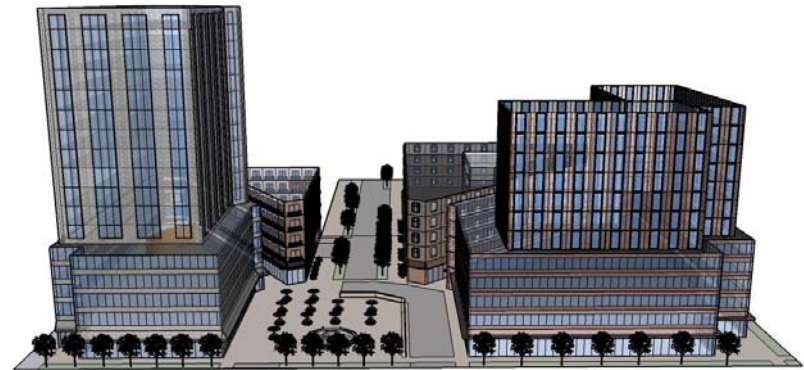
#### City Center Vision

***"Create a cutting-edge development which serves as an exemplary model for sustainable, community-focused urban living."***

- With more than 30 retailers, City Center will become a shopping destination with an exciting retail mix which not only provides basic amenities, but also brings new local, national, and

international retailers to the downtown Ann Arbor area drawing University students, area residents, and out-of-town visitors.

- Through four distinct buildings with sophisticated residential options, City Center will appeal to both young professionals desiring a lively, walkable urban environment and "Baby Boomers" seeking an active and convenient retirement setting.



- Through a 250-room, well-positioned stand out hotel product, City Center will fulfill the need for business-friendly, short-term, and extended-stay accommodations for business travelers, as well as pleasure and "weekend football" visitors.
- By using best-in-class design, City Center will be an architecturally-significant location which can serve as a "third place" community gathering spot that effectively combines public amenities with private retail, office, residential, and hotel space and serves as a city focal point, tying together the Kerrytown, Main Street, State Street, and Midtown districts.

## B - Program Overview and Phasing

City Center’s unique site provides the opportunity to create a hub for the downtown Ann Arbor region. City Center aims to incorporate the library lot site, the current site of the library (the library will be moved across the street into a new building), and the current site of the credit union. With more than 660,000 square feet of useable space, City Center will be one of the largest mixed use developments in downtown Ann Arbor.

City Center will include nearly 100,000 square feet of retail space, hosting a variety of mid to up-scale local specialty shops and national retailers with a mix of restaurants and cafés, apparel, beauty, and home décor retailers, as well as a mid-size grocery store and specialty food shops.

City Center will also provide 60,000 square feet of office space, fulfilling the need for Class A facilities in downtown Ann Arbor.

City Center	
Program Total Sq. Ft.	
Retail	95,916
Hotel	173,025
Office	59,982
Residential	<u>332,926</u>
<b>Total</b>	<b>661,849</b>

The development will be home to a more than 170,000 square foot hotel that caters to business travelers and extended stay guests. The hotel will feature 250 guest rooms, meeting and event space, business services, and a state-of the art fitness center.

City Center will feature more than 330,000 square feet of residential space catering to young professionals and retiring “baby boomers” with sophisticated tastes. The more than 300 residences will offer potential residents a variety of living options, including loft-style apartments, traditional apartments, and penthouse living accommodations. Residential options will include primarily studio, one, and two-bedroom apartments, as well as a select number of three and four bedroom apartments.

## C - Design and Project Elements

The design approach capitalizes on the site location by creating a hub and spoke layout focused on a common plaza reminiscent of the best European and American city plans, such as La Fontaine’s vision for Washington D.C. The concept consists of four buildings, separated by pedestrian friendly streets that run, SW to NE, W to E, and NW to SE with little or no car traffic. Each building has street level retail, creating three separate retail streets, each with their own theme.

- The European Market:** The northern most pedestrian-only street will have an old-world European market feel with home, kitchen, and specialty food stores intended to complement the presence of a grocery store located in One City Center, the northernmost building. Importantly, this street will tie together the park located on the corner of Division and Liberty Streets with City Center public plaza, providing a new pedestrian corridor. One City Center, the northernmost building, will be home to retail on the ground level and second floors, followed by several floors of office space and capped with several floors of residential apartments.



Rue Mouffetard, Paris  
Photo: www.pps.org

- Restaurant Row:** The middle street will be known as “Restaurant Row,” offering mid to upscale dining opportunities with a unique mix of both well-known national chains and local restaurants. The cobblestone street will be open to limited one-way car traffic providing access to the parking garage from the hotel drop-off area. Two City Center, a five-story building located on the North side of Restaurant Row, will offer traditional studio, one, and two-



West Village, NYC  
Photo: www.pps.org

bedroom apartment options on floors three to five overlooking the Plaza, the European Market, and Restaurant Row. Building Three, a five-story building on the South Side of Restaurant Row, will also offer retail on the ground floor with contemporary loft apartments on the floors above.

- **Fashion Avenue:** The southern-most pedestrian-only street running NW to SE will be “Fashion Avenue,” with national and international apparel, accessories, and beauty retailers that appeal to all ages, with a particular emphasis on serving Ann Arbor’s young professionals and soon-to-be young professionals, the college-age demographic. Example stores could include such retailers as Ann Taylor Loft, H&M, and Bath and Body Works.



Grafton Street, Dublin  
Photo: www.davidsanger.com

- **The Hotel:** Four City Center, located on the Westside of Fashion Avenue, will be home to a contemporary hotel which will serve business travelers on both short and extended-stay visits and leisure travelers in town for football games and graduation. The hotel lobby will be located on the corner of the plaza. The hotel will include such amenities as a fitness facility, meeting space, outdoor rooftop garden and event space, and business services. Residents in City Center’s buildings One, Two, and Three will have access to hotel amenities. Restaurants along restaurant row will provide catering for the hotel.
- **The Plaza:** All streets converge at the City Center plaza, which will serve as a community gathering place with open air cafes, public events, and all-seasons programming. At the center of the plaza will lie an architecturally-significant fountain and water works with which children, families, and curious viewers can interact.
- **Parking:** More than 900 spaces of parking will be provided for residents, hotel guests, and day-time shoppers. The City of Ann Arbor

is currently building a 700 space under-ground parking garage located at the future sites of One City Center and Two City Center. Two-floors of additional underground parking will be located under Three and Four City Center.

- **The Library:** The new library will lie across Fifth Street in a vibrant and architecturally-significant building similar to the downtown libraries in Salt Lake City or Seattle. Importantly, the design of the library’s open space will be created to continue the hub effect of the City Center plaza.



Central Park, NYC  
Photo: www.pps.org

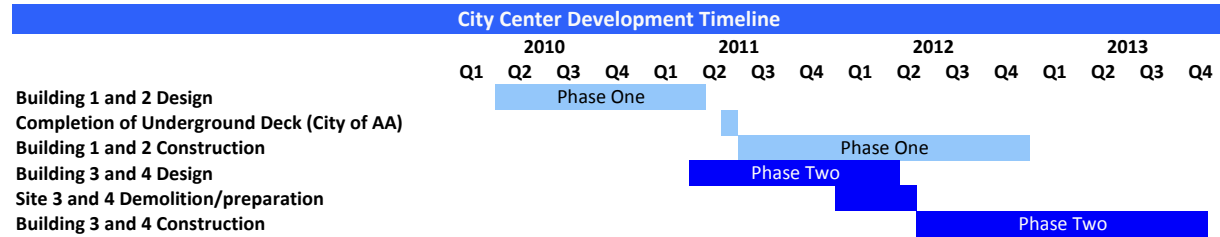
- **Sustainable Design:** The Ann Arbor City Center Development will contribute to the vitality of the Ann Arbor Community with more retail, residential, hotel, and office space; however, the development must be done in a way that minimizes effects on the environment and contributes to a sustainable way of life. The basis for incorporating sustainable design practices will be the United States Green Building Council’s Leadership in Energy and Environmental (LEED) system. It is the intention to achieve certification under the LEED for Neighborhood Development System for the entire development and achieve certification for each individual building under the LEED for New Construction System.

## D - Development Timeline

City Center will take approximately four years to complete, from design to the opening of the final building. The project has been divided into two phases focused on design and construction of One City Center and Two City Center, followed by design and construction of Three and Four City Center. The following table provides a timeline of the project.

## E - Key Figures

The following table highlights key financials and figures for City Center. Notably, we anticipate that this development will return an impressive return on investment averaging approximately 15 percent during the first five years of operation. The Net Present Value of the project's after-tax cash flow, including the sale of the development, is \$44 million, an impressive 42 percent return.



Key Figures						
	2013	2014	2015	2016	2017	
Gross Scheduled Income (Rental Only)	\$ 10,443,633.50	\$ 10,756,942.51	\$ 11,079,650.78	\$ 11,412,040.30	\$ 11,754,401.51	
NOI (Rental + Hotel)	\$ 11,434,016.58	\$ 11,787,967.32	\$ 12,152,809.84	\$ 12,528,877.73	\$ 12,916,514.74	
Before Tax Cash Flow (Rental + Hotel)	\$ 4,318,747.92	\$ 4,672,698.67	\$ 5,037,541.19	\$ 5,413,609.08	\$ 5,801,246.09	
After Tax Cash Flow (Rental + Hotel + Property Sale)	\$ 5,899,883.68	\$ 6,105,419.52	\$ 6,315,158.63	\$ 6,529,087.64	\$ 91,014,163.25	
Debt Coverage Ratio	171%	177%	182%	188%	194%	
Expense Ratio	20.93%	20.83%	20.73%	20.63%	20.53%	
Cash on Cash Equity	12.85%	13.80%	14.78%	15.79%	16.83%	
Return on Asset	10.01%	10.32%	10.64%	10.97%	11.31%	
After Tax ROI	14.91%	15.43%	15.96%	16.50%	230.04%	
Exit Returns			Program Figures			
NPV (BTCF @ 7.5% discount rate)	\$52,503,308.98	Hotel Rooms	250 Square Feet (rentable)		438,413.00	
NPV (ATCF @ 7.5% discount rate)	\$44,576,676.57	Hotel ADR	\$131 Avg Sq Ft/Unit		1,289.45	
IRR	42%	Residential units	306	Avg Rent/Sq Ft	\$ 23.13	
		Retail units	33	Avg Cost/Sq Ft	\$ 199.26	
		Office sq ft	59,982	Avg Unit Cost	\$ 387,881.81	

## II - Market Analysis

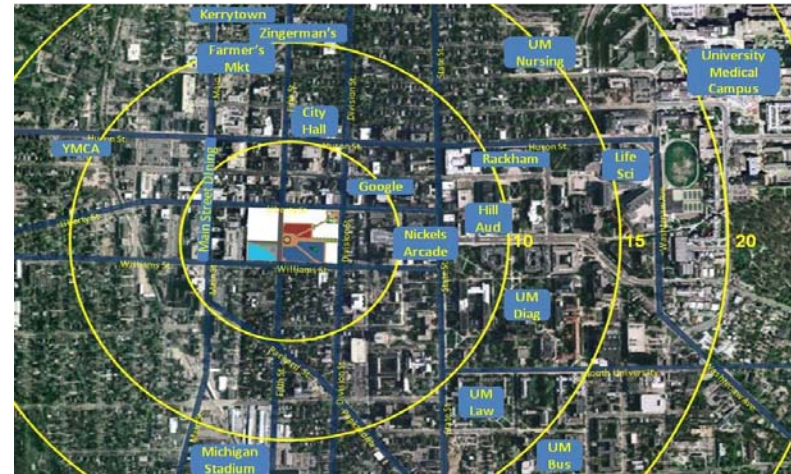
### A - Target Audience

Inspired by the Michigan “Cool Cities” Initiative’s T.I.D.E. concept, (Talent, Innovation, Diversity, Environment), City Center’s primary target is young knowledge workers or “Generation Y.”<sup>iii</sup> This demographic (educated individuals aged 22-35) seeks a vibrant, creative, energetic community with a true sense of place. Young knowledge workers have not only been identified by Governor Jennifer Granholm as a driving force for economic development and growth in Michigan, but they also create the kind of lively, culturally rich environment sought after by young families and active seniors looking for a comfortable and accommodating, yet bustling and creative lifestyle. With a median age below 28 (below the national average) and high percentage of singles (more than 50%), Ann Arbor is the prime location for this demographic.

*“Where young adults settle is no small thing. People 18 to 29 are the most mobile age group, and their past migration patterns have defined the future of regions, from the long rural exodus of the 1900s to the Silicon Valley boom of the 1990s. Youth-magnet cities gain an enviable cultural allure and a labor-market edge.”*

*-Wall Street Journal, September 30, 2009*

While City Center’s target resident is Gen Y, the entire development caters to wide range of Ann Arborites – meeting the variety of needs of the city’s diverse population and serving as a focal point for city activity. City Center is a nexus for the Ann Arbor community. In close proximity to Main Street’s Dining Row, Liberty Street’s prime retail, University of

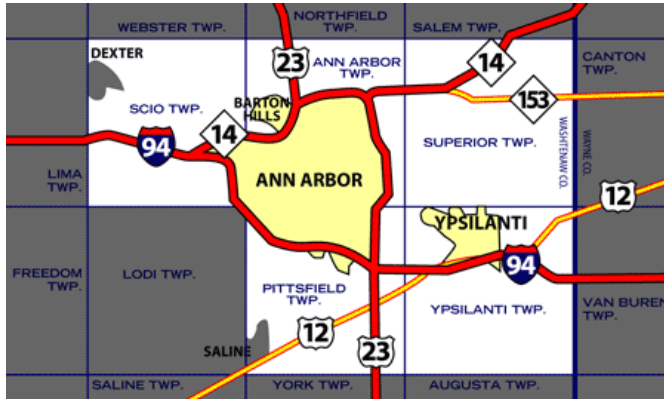


\*Numbers indicate walking times (in minutes)

Michigan’s Central Campus, and the Ann Arbor Public Library, City Center’s retail, residential, hotel, and plaza settings provide essential services and a welcoming environment for the many populations in Ann Arbor. Our project also appeals to visitors to downtown Ann Arbor, both “football weekend” tourists and extended-stay guests. Currently, the Ann Arbor market provides few attractive and convenient options for these visitors. City Center is more than “just a place to stay.”







## B - Ann Arbor Community Description

Located in Washtenaw County (population totaled 322,895),<sup>iv</sup> the city of Ann Arbor (population 115,299) is 28 square miles of rich culture and vibrant activity. In addition to its lively downtown, Ann Arbor has more than 150 public parks, scenic bike trails, picturesque ponds, and well-maintained public pools and playgrounds. A culinary destination, Ann Arbor is home to more than 200 restaurants and the renowned year-round Kerrytown Farmers' Market. The University of Michigan's flagship campus is located in Ann Arbor, enlivening the downtown with 40,000 students and Big 10 sports and spirit. Ann Arbor is also a great place to work, with hundreds of high-tech and life science businesses in the area and a friendly entrepreneurial environment. Ann Arbor boasts one of the most highly skilled, highly educated work forces in the nation.



Ann Arbor is:<sup>v</sup>

- \*Ranked No. 10 on the Best Places to Live and Work in America list, compiled by BestJobsUsa.com, 2002
- \*Ranked No. 2 on the "Most Wired Cities" list, compiled by Media Audit, 2002
- \*Ranked No. 3 on the "Best Cities for Women" list (small cities), Ladies' Home Journal, 2002

### Local festivals include:

- Summer Festival
- Art Fairs
- Ann Arbor Film Festival

## C - Economic Landscape

Ann Arbor's workforce is nearly 200,000 strong and earns a mean annual salary of \$48,880. The University of Michigan is Ann Arbor's largest employer, accounting for nearly 10 percent of all city jobs. The University's medical system is an especially strong source of economic activity, adding 400 jobs annually and attracting 1.6 million clinic visits each year. Remaining employment is split between manufacturing, health care, automotive, information technology, and biomedical research fields.<sup>vi</sup>

Ann Arbor is an anchor of high-tech industry, supported by the resources and educated workers of the University of Michigan and nearby Eastern Michigan University in Ypsilanti. The State of Michigan has recognized the Ann Arbor/Ypsilanti region as one of ten high-tech centers with the potential to create jobs of the future. The region is also strong in IT, business services, and computer and data processing, with Ann Arbor's numerous software companies supplying a significant amount of the computer programming and devices used in the auto industry. Ann Arbor is also a great place to start a new business – Ann Arbor Spark, the city's non-profit economic development agency, encourages the development of start-ups in the region, both through assistance in navigating bureaucracy and getting a company established and through the SPARK Regional

Incubator Network, which provides space, essential services, and business development advice to new companies.<sup>vii</sup>

Ann Arbor is an emerging tourist destination, supported by a robust statewide tourism initiative. Tourism is an \$18.1 billion industry in Michigan, and state lawmakers are committed to strengthening this sector of the state's economy, devoting \$37.5 million to marketing in 2008 and 2009. The "Pure Michigan" ad campaign, designed to boost the Michigan economy by encouraging tourists to vacation in the state, was named by Forbes Magazine as one of the ten best tourism campaigns of all time.<sup>viii</sup>

*"We are putting into place the most aggressive marketing of Michigan we have ever seen. This unprecedented investment will allow us to promote our state in new markets and trumpet to a whole new audience what we already know - that Michigan is a great vacation destination and a great place to do business."*  
 -Governor Jennifer Granholm, April 18, 2008

Ann Arbor is committed to boosting tourism as well.<sup>ix</sup> The Ypsilanti and Ann Arbor Convention and Visitors Bureaus have contributed \$26 million to the "Pure Michigan" campaign, supporting new billboards and radio spots in Cleveland, Cincinnati, and South Bend, Indiana. The Ypsilanti/Ann Arbor visitor bureaus have also partnered to bring 23 travel writers to Washtenaw County during the Ann Arbor street art fairs. City Center's innovative design and unique services will add to the growing "buzz" around Ann Arbor and is perfectly positioned to both attract and benefit from an increase in visitors to the city.<sup>x</sup>

**Rental Market Analysis**

Residential - The greater Ann Arbor area is home to more than 100 apartment communities, containing primarily one, two, and three bedroom units ranging from 700 to 2,000 square feet. Average rents are \$750 (one-bedroom), \$1,000/month (two-bedroom), and \$1,300/month (three-bedroom) in the entire Ann Arbor area. Rental units within the

downtown area is estimated to command a premium (please see Comparable Retail Listings table).

In the first quarter of 2009, the Ann Arbor apartment market had a 6.9% vacancy rate, up from 2.7% 1Q08.<sup>xi</sup>

Commercial - Within the downtown Ann Arbor market, rental rates on commercial range from the low \$20s per square foot (triple net) to low \$50s (triple net), with State Street obtaining the highest rents. Vacancy rates in 2009 reached 12.9 percent due to the current economic recession.

Comparable Retail Listings (April 2009)

**Retail space for lease**

**Selected retail space listed for lease downtown:**

Building/address	Square feet available	Asking rent	Lease type
Liberty Lofts 305 W. Liberty	19,000	\$24 per square foot	NNN
Handicraft Building 339 E. Liberty	13,600	\$36-42 per square foot	NNN
1114 S. University	3,600	\$35 per square foot	modified gross
329 S. Main	2,750	\$23 per square foot	NNN
209 N. Main	2,400	\$16.50 per square foot	NNN
307 S. State	2,250	\$46 per square foot	gross
211 E. Liberty	1,711	\$25 per square foot	NNN

Source: CPIX

Source: Rigg, Sarah A., "Vacancies persist, rents fall around Ann Arbor's downtown." www.mlive.com. April 30, 2009

## Hotel Landscape

Current hotel supply in downtown Ann Arbor is limited. There are an estimated 270 hotel rooms in downtown, all of which are controlled by one private owner. In the larger Ann Arbor area, there are an estimated 12 hotels, but cars are required to reach any attractions or amenities. The majority of these hotels are located approximately 3 miles from downtown next to Interstate 94. These hotels are budget hotels or motels and include Four Points Sheraton, Holiday Inn Express, and Residence in Marriott.

There are no vacancy rates available for downtown Ann Arbor hotels. Available information indicates average hotel occupancy rates in the Washtenaw County was 63 percent in 2008.<sup>xii</sup> Washtenaw County recently doubled its tourism marketing budget in an effort to attract more visitors and conventions to the area to help increase occupancy rates during the recession.

## D - Competition

The following section outlines the existing hotel and residential properties in the downtown Ann Arbor area that are potential competitors for City Center.

### Hotels

**The Bell Tower** (1.4 miles from site): 66 guest rooms, traditional English décor, small restaurant, located on the edge of UM campus. Accommodates small conference events (less than 30 people). Rates: \$185-\$244.

**Campus Inn** (.6 miles from site): 208 guest rooms, classic décor, full-service Victors Restaurant, event and conference space (up to 220 people), very close to UM campus. Rates: \$204-\$234.

## Residential Properties

**Ashley Terrace** (.5 miles from site): Ten-floor condominium complex at the edge of downtown, studios, one- and two-bedrooms, underground parking included, granite countertops, some units with balconies. Rental units are also included. Rents are estimated to begin at \$1150 for one-bedrooms.

**University Towers** (1.2 miles from site): High-rise tower on edge of UM campus, catering mostly to students. Studios through three-bedrooms. Amenities include furniture, fitness center, swimming pool, study lounge, and TV lounge. Rents: One Bedrooms: \$950-1300; Two Bedrooms: \$1200-1400

**411 Lofts** (.4 miles from site): Targeted mainly to students, offering one- through four-bedroom furnished apartments. Amenities include sky-lounge, fitness center, and underground parking. Rents: \$785 (one room in a four-bedroom, equivalent to a total monthly rent of \$3140 for a 4 bedroom)) - \$1,450 (one-bedroom).

**Zaragon Place** (.9 miles from site): Located in downtown adjacent neighborhood. Example of new residential construction and amenities. Nine-story, 248 unit high-rise on south side of UM campus. Two, four, and six-bedroom apartments. Amenities include furnishings, flat HDTVs, washer and dryer in each unit, fitness center, underground parking, vegetated roof. Rents: Individual leases start at \$995 per bedroom.

**Liberty Lofts** (.4 miles from site): 68 unit condominium complex in a former downtown factory. Amenities include fitness center, underground parking garage, and private balconies. One- and two-bedroom units from \$279,900. Many units are rented by individual owners.

## E - Project Feasibility & Risk Mitigation

The development of City Center considered thirteen potential risk and feasibility factors and studied how each of these factors could impact overall project viability or introduce risk to the project timeline. Six factors were identified as having the potential to impact the progress of the

project. Risk mitigation strategies were developed for these six elements and are discussed in the following sections.

**Economic Growth** – In the current recession, the timing for City Center requires fortitude and reflection. Many economic opinions say that the worst of the financial crisis, “The Great Recession,” has passed. Economic indicators show that a recovery has begun, albeit slowly. Ann Arbor has weathered the crisis better than many areas in southeast Michigan because of the vibrancy of the University of Michigan and its broad educational and medical services.

Ann Arbor has long sought a bridge to span the four short blocks between State Street and Main Street. The current opportunity represents the most comprehensive proposal to date. With the nascent economic recovery underway and with the expected growth of corporate partners like Google and the expansion of the University of Michigan into the former Pfizer location, the local economy is poised to outpace regional growth for the foreseeable future. City Center is an opportunity created for and uniquely suited to the Ann Arbor economy and is poised to deliver its product to the market during the economic upswing.

**Market and Financial** - The development team (resumes are included in the appendix) has experience in development both in and around Ann Arbor. Extensive research of the local market was undertaken by the team. Research revealed low demand for condominium offerings, but a significant need for downtown rental apartments to support expected growth and to deliver a true urban living experience. In addition, a clear lack of hotel options in or near downtown Ann Arbor for business and leisure travelers was also revealed.

The project mix of retail, office, residential, and hotel is designed to diversify financial risk and create broad community appeal. The blend of revenue streams creates immediate stability as the rental units come on market and deliver revenue while the retail and hospitality offerings are established. The combination of residential and street level retail provides an open and accessible invitation for residents and the local community and will be a positive amenity for hotel guests.

**Political Approvals** – As the City Center site is located on existing public land, the City Center team believes it of the utmost importance to create mutually beneficial partnerships with the Ann Arbor Planning Commission, Ann Arbor City Council, Ann Arbor District Library, the University of Michigan Credit Union, and other stakeholders. The scope of City Center aims to maximize the development potential of the new A2D2 zoning. The project represents the largest proposed source of new property tax for the city of Ann Arbor. Construction of the new Ann Arbor District Library has been scheduled to allow usage of the current facilities until the new library would be completed in 2012. The new location also positions the library for greater visibility and accessibility adjacent to the Blake Transportation Center. Additionally, the University of Michigan Credit Union will be offered space in One City Center that would be completed prior to demolition of its current location.

**Community Response** – City Center is positioned to integrate the Midtown community and adjacent residential neighborhoods with the State and Main Street commercial corridors. At its proposed new location, the Ann Arbor District Library would deliver improved access and visibility, a key demand of library supporters. The new site also gives the library a key role in City Center’s activity and traffic flow, increasing its presence in the community and allowing it to benefit from the project’s “buzz.” The City Center Plaza will be a safe and desirable place for Library patrons to read and linger and a prime location for Library programming and events.

Ann Arbor has a highly educated population with a strong voice in community development. Openness and transparency of the City Center project is very important. Community outreach, including meetings and informational mailings, will be conducted throughout the project timeline to keep the community informed. A City Center web site will provide access to project information. Construction will proceed on a phased basis and will be largely limited to daytime hours. Potential disruptions to the Ann Arbor District Library and the University of Michigan Credit Union have received significant attention in the project planning effort and have been minimized whenever possible.

**Equity and Loans** – At the current moment, there is little lending of large construction loans. We anticipate that institutional lenders will begin to lend in this area again as the market recovers. However, interest rates as banks increase lending are largely uncertain. Therefore, City Center’s financial analysis includes modeling and financial viability at varying interest rates. Also, we anticipate City Center is well-timed to take advantage of the market recovery. As we move from the design phase to construction, we believe lending will again be available for high quality projects such as City Center.

**Legal Relationships** – Along with the critical political and zoning factors, the legal relationships associated with City Center are important to the project’s future. The city, major stakeholders, and the community at large have either an ownership interest or a significant influence on the project approval process. The development team is aware of the need to secure stakeholder buy-in on both a conceptual as well as a legal basis to mitigate potential legal risks. City Center will work with all of the major stakeholders to address any concerns before the project receives approval from the Ann Arbor Planning Commission.

### III - Stakeholder Analysis

The following section provides an overview of stakeholders the City Center team will be working with and developing positive relationships to ensure successful project completion and smooth on-going operations.

Ann Arbor Library: With nearly 700,000 visits annually,<sup>xiii</sup> the Ann Arbor Public Library is in need of a modern, 21<sup>st</sup> century media facility able to serve Ann Arbor’s diverse population. Location is vital to the institution’s success. Moving to the opposite side of South Fifth Avenue will improve access and visibility for the library. The public plaza will host library



programming and provide a comfortable place for families. New cafes will attract visitors to the area and encourage them to visit more often. With its high traffic, 24-7 activity, a hotel adds vibrancy and safety to the library’s surroundings and “is the one use that makes sense [for the lot],” says library director Josie Parker.

Downtown District Association (DDA): The City of Ann Arbor and the Ann Arbor DDA have begun work on a new 700 car underground parking structure, water mains, and electric improvements in the library lot area. As the new parking structure will be fully paid for with parking revenues generated by the public parking system, the city has a keen interest in the success of City Center.



City of Ann Arbor: Ann Arbor aims to brand itself as Michigan’s source of vitality and innovation, able to attract young knowledge workers, foster entrepreneurship, and provide a high quality of life. The City wants downtown to retain its character, while becoming a modern, service-oriented hub with progressive and sustainable design elements.



City Council: The City Council desires a project that will benefit both businesses and residents in Ann Arbor. With its own investment in the new downtown parking structure, the City Council wants to encourage development that will invigorate downtown with services and amenities that add value to both downtown and the Ann Arbor community at large.

Planning Commission: With an interest in maintaining the downtown’s aesthetic integrity and establishing precedent for future development, the Ann Arbor Planning Commission is likely to support a progressive project that is in line with its new zoning and design standards and of little nuisance to surrounding neighbors.

First Martin Corporation:<sup>xii</sup> To create the pedestrian mall connection to East Liberty Street, City Center will need the First Martin Corporation to grant an easement through its property. This will not significantly disturb First Martin’s operations during or after construction. First Martin will benefit from the vibrant commercial activity City Center brings to the area, resulting not only in an improved neighborhood environment for First Martin but also an increase in its property value.



TCF Credit Union: City Center will be constructed on the current Credit Union site. City Center will work with TCF to find a temporary location during construction and will guarantee it a prime location in the new facility.

Midtown Area Neighbors, including Earthen Jar and Jerusalem Garden restaurants: Neighboring tenants will experience temporary disruptions in area traffic patterns and increased sound levels during project construction, but will remain open for business.



University of Michigan: Any upgrade to downtown benefits the University. A new hotel and improved retail amenities for residents will help in luring faculty and talent seeking a more urban lifestyle. A thriving downtown with high quality services and amenities will improve Ann Arbor’s image as an attractive place to live, work,

and study. Keeping the University abreast of project development will be important as City Center progresses.

Local Businesses: Businesses surrounding City Center stand to gain from the improved traffic pattern, new public pedestrians thoroughfares, and increased connectivity between downtown neighborhoods. City Center

offers mostly complementary, not competitive, retail tenants, and local businesses will gain from the increase in foot traffic and “buzz” generated by City Center. As the project will be constructed on mostly vacant land, neighborhood interference will be minimal.

Area Residents: Area residents have shown both a concern for construction noise and changes in the character of downtown, yet want retail and residential options. A new grocery store, restaurants and cafes, mid-market to high-end retail, and well-maintained public spaces will significantly enhance downtown life for residents. With City Center’s increase in services, living downtown will become more appealing, especially without a car. The Ann Arbor lifestyle will be more about walkability, accessibility, and a lively, sophisticated downtown and less about driving to malls and parks for recreation and culture.

*“There is a market need for a hotel and conference center in downtown Ann Arbor. Currently, our organizations are spending their conference dollars elsewhere. Such a facility would be good for the community.”*  
 - Mike A. Finney, President and CEO, Ann Arbor SPARK, Interview November 18, 2009

Germantown: Residents of Ann Arbor’s Germantown area, living just east of the project site, have been vocal advocates for maintaining a neighborhood feel in their historic district. They will be strong proponents for the new buildings to be in scale with existing structures and for any new development to include green space with trees. Germantown residents will also be directly affected during project construction.

## IV - Site Analysis

### A - Physical Description/Current Site

The total City Center project site consists of five major parcels: 1) former YMCA site located between Fourth and Fifth Avenues on William, 2) current Ann Arbor Library site located on the southwest corner of Fifth and Williams Streets 3) UM Credit Union site on the north side of William

between Fifth and Division 4) Library Lane parcel connecting the site to Division and 5) the library lot located in the middle of the block on Fifth between Liberty and William Streets.

In addition to the five major parcels there are several additional properties that will either be redeveloped or require the granting of easements for pedestrian traffic. These include the city park at the northeast corner of Liberty and Division Streets and two additional privately held parcels on Division between William and Liberty. The city park will be redeveloped and brought to street grade while the two private parcels will need to grant easements to allow construction of the pedestrian mall connecting the park to the main development.

**B - Parking and Transportation**

City Center is easily accessible via a variety of transportation options. Located one block from bus service at the Blake Transit Center, City Center is also less than one mile from Ann Arbor’s Amtrak station. In the heart of downtown Ann Arbor, City Center is within walking distance of prime retail, restaurants, and recreation, as well as historic Kerrytown, the University of Michigan’s Central Campus, and Michigan Stadium. City Center also offers ample parking for its patrons, residents, and hotel guests, as it is close to the 700 public spaces in the city’s new underground parking garage.



**C - Zoning Considerations**

City Center is fully compliant with Ann Arbor’s new “A2D2” zoning changes and design guidelines. The project is located in the newly rezoned D1 (“core”) area of downtown, specifically the neighborhood known as Midtown. City Center is aligned with the Character Overlay Zoning requirements for the Midtown District.

<b>Uses<sup>xiv</sup></b>	Mixed uses allowed by right; Retail required on street level on designated shopping streets; Auto-oriented uses require special exception use approval
<b>Maximum Floor Area (FAR)</b>	400-500% by right 700-800% w/premiums 900% w/affordable housing premiums Below-grade floor area not counted in FAR calculation Above-grade parking structures used for required parking not counted in FAR calculation Public or shared parking not counted in FAR calculation (see Premiums)
<b>Premiums *</b>	Green building/LEED certification Public or shared parking Affordable housing (below 80% AMI) Residential Transferred development rights Historic preservation
<b>Height</b>	None
<b>Setback (side or rear) min</b>	None, except new construction abutting residential zones = setback required in the adjacent residential zoning district for a building of the same height (per existing Section 5:62)**
<b>Off-street parking (min)</b>	No off-street parking required for by-right floor area. One space for each 1000 sq. ft of premium floor area (residential) and 500 sq. ft (commercial), to be provided on-site or by a fee-in-lieu payment.
<b>Parking design</b>	At-grade structured parking must be wrapped with occupiable space at street level; Maximum 20 spaces in surface parking lot(s), but in no case may the parking lot(s) exceed 25% of the lot area Structured private parking is not subject to parking stall and width requirements

**D - Tax/Public Financing Considerations**

The departure of Pfizer Pharmaceutical has created a 4% drop in Ann Arbor's property tax revenue. City Center has an opportunity to return three large city owned parcels to the tax rolls and to significantly reposition the taxable value the University of Michigan Credit Union site as part of the overall development.

Based on preliminary construction costs estimates for City Center, the NPV of property taxes generated over the first 25 years is in excess of \$34 million. Nearly \$19 million of this total will be allocated to the Ann Arbor School District and the remaining \$15 million will be available to the Ann Arbor Downtown Development Authority. City Center is seeking to partner with the DDA to capture roughly 30% of the NPV available to offset the majority of costs associated with the public spaces in and around City

**CALCULATION OF TIF MONEY CAPTURED**

Total Construction Cost	\$121,820,846	Interest Rate	4.5%
Property Tax Rate	2.60%	Amortization	15
Property Taxes (2003 \$)	\$3,167,342	Present Value	1000
		Payment/yr	(\$93)
Breakdown of Property Taxes		Mortgage Constant	9.3%
School Portion (55%)	\$1,742,038		
DDA Portion (45%)	\$1,425,304		

**Present Value of School Portion of Property Taxes for 25 Years**

Today through Year 25 \$18,708,698

**Present Value of Non-School Portion of Property Taxes for 25 Years**

Today through Year 25 \$15,307,116

**Present Value of Total Property Taxes for 25 Years**

Today through Year 25 \$34,015,814

Economic Dev. Loan **\$15,307,116** **TOTAL VALUE OF TIF**

- \$1,800,000 2/3 Cost of constructing City Center Plaza
- \$450,000 Reconstruction of park at SW corner of Liberty and Division Streets
- \$1,200,000 Construction of Pedestrian Malls and Plaza Lane
- \$300,000 New side walks on Fifth & William, eliminate street parking, landscaping
- \$750,000 Demolition and clearing of Library lot and U of M Credit Union lot

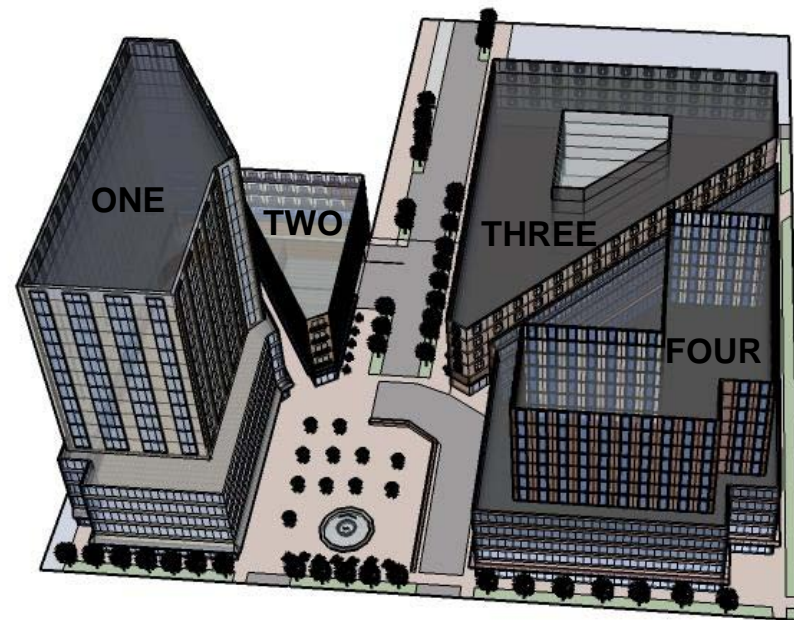
**\$4,500,000 TOTAL TIF FUNDING FROM ANN ARBOR DDA**

Center.

In addition, the Ann Arbor Parks Department will provide up to 25% funding for the reconstruction of the city park on the southwest corner of Liberty and Division Streets. Finally, consideration was given to the potential for federal funding under the American Recovery and Reinvestment Act passed in March 2009. Because construction cannot begin until mid-2011, funds from the ARRA will no longer be available.

**V - Project Design**

City Center's overarching vision is to create a cutting-edge development which serves as an exemplary model for sustainable, community-focused urban living. Through best-in-class design, City Center will be an structurally-significant place which can serve as a "third place" community





gathering place that effectively combines public amenities with private retail, office, residential, and hotel space and serves as a city focal point, tying together the Kerrytown, Main Street, State Street, and Midtown districts.

### A - Design Objectives

In developing the plan for City Center, there were many “best” design practices that were considered and incorporated as extensively as possible. These practices are derived from many sources, including the Project for



Public Spaces, the Urban Land Institute, and the City of Ann Arbor Design Guidelines. David Sucher, renowned planner and author, proposes three rules for sidewalks that have been incorporated into the development:

- 1 – Build to the sidewalk: The City Center Development incorporates this by taking the building perimeter walls to the sidewalk or to the plaza which is intended to be an attractive gathering place for residents.
- 2 – Permeable building front: The facades of the building will be open to the street through glass walls and through the use of incorporating outdoor seating for restaurants or outdoor displays for retailers.
- 3 – No parking in front: The development will have no parking in front. The only parking will be underground in the city parking deck.

The Restaurant Row lane and hotel drop-off lanes are the only vehicular areas in the project. These are necessary to provide access to the city’s underground parking deck, as well as to provide front door drop off service to the hotel. In designing these streets, the Project for Public Spaces’ “Ten Qualities of a Great Street” has been consulted. The ten qualities are: attractions & destinations; identity & image; active edge users; amenities; management; seasonal strategies; diverse user groups; traffic, transit, & the pedestrian; blending of uses and modes; and protect neighborhoods. It is in the best interests of the development to incorporate these qualities. The development will put retailers and restaurants near the street level. If the street is an attractive location for pedestrians to visit, it will mean a greater level of economic success for the businesses.

The City of Ann Arbor also has best design practices for new developments. City Center development will strive to achieve the intentions of these practices. City Center aims to enhance an urban lifestyle and concentrates activities in a walkable community through the mixed use format of the development. The buildings use and physical design contribute to the character of the neighborhood. The brick, stone and glass facades strive to integrate with the plazas and sidewalks to attract pedestrians and passersby into the stores and restaurants. The architectural design of the building seeks to create a unique development within the Ann Arbor community that the residents can enjoy. An

extremely important aspect of the project is accessibility through walking access, well hidden vehicular access through the existing underground parking, and mass transit via the central bus station across the street.

## B - Program Summary

City Center's unique site provides the opportunity to create a hub for the downtown Ann Arbor region. City Center aims to incorporate the library lot site, the current site of the library, and the current site of the credit union. With more than 660,000 square feet of useable space, City Center will be one of the largest mixed use developments in downtown Ann Arbor.

City Center will include nearly 100,000 square feet of retail space, hosting a variety of mid to up-scale local specialty shops and national retailers with a mix of restaurants and cafés, apparel, beauty, and home decor retailers, as well as a mid-size grocery store and specialty food shops.

City Center will also provide 60,000 square feet of office space fulfilling the need for Class A facilities in downtown Ann Arbor.

The development will be home to a more than 170,000 square foot hotel that caters to business travelers and extended stay guests. The hotel will feature 250 guest rooms, meeting and event space, business services, and a state-of-the-art fitness center.

City Center will feature more than 330,000 square feet of residential space catering to young professionals and retiring "baby boomers" with sophisticated tastes. The more than 300 residences will offer potential residents a variety of living options including loft-style apartments, traditional apartments, and penthouse living accommodations. Residential options will include primarily studio, one-bedroom, and two-bedroom apartments, as well as a select number of three and four bedroom luxury apartments.

## C - Retail

City Center will be home to nearly 100,000 square feet of retail. The goal is to provide three distinct types of retail experiences: food, home and amenities stores, mid-scale restaurants, and fashion and apparel stores. Three separate retail environments will be created within the



Restaurant Row looking West towards City Center Plaza

development: a European market, the Restaurant Row, and Fashion Avenue. The themed and lively avenues will be one of the key appeals attracting shoppers to the destination.

- **The European Market:** There are currently few options for groceries and amenities located in walking distance of downtown Ann Arbor. The northern most pedestrian-only street will have an old-world European market feel with home, kitchen, and specialty food stores

intended to complement the presence of a grocery store located in Building One. Specialty retailers could include such stores as Sur le Table, West Elm, and more. The anchor grocery will be located in a 25,000 sq ft space ideal for a mid-sized regionally-renowned grocer such as Plum Market.



- Restaurant Row:** The middle street which traverses the development from East to West, will be known as “Restaurant Row” offering mid to upscale dining opportunities with a unique mix of both well-known national chains and local restaurants. The cobble-stone street will provide an ideal and intimate setting for outdoor seating. Potential restaurants could include such names as Bonfish Grill and McCormick and Schmicks.



- Fashion Avenue:** The southern-most pedestrian-only street running NW to SE will be “Fashion Avenue” with national and international apparel, accessories, and bath and body retailers that appeal to all ages with a particular emphasis on serving Ann Arbor’s young professionals and soon-to-be young professionals, the college-age demographic. Example stores could include such retailers as Ann Taylor Loft, Lululemon Athletica, Apple, H&M, and Bath and Body Works.

## D - Residential

City Center features more than 300 stylistic and sophisticated residential dwellings located on the top floors of City Center One, Two, Three, and Four and totaling more than 325,000 square feet. Each building offers a unique stylistic option catering to the tastes of today’s young professional and active retiree. All residents will have the option to access hotel fitness and event facilities and underground parking.

- The Skyline Apartments at One City Center “Live. Work. Play”**

Just steps from One City Center’s commercial offices, the Skyline apartments offer potential residents the perfect opportunity to eliminate their commute and situate themselves in the heart of Ann Arbor’s lively downtown. The Skyline apartments will offer 139 studio, one, two, and three-bedroom residences, as well as a limited number of four bedroom residences. The well-appointed apartments will feature plaza and city views with well-designed and space effective layouts. Designed to meet the discerning tastes of today’s young professional and active retiree the

### The Skyline

Units	Description	Unit Size (SF)	Total
8	Small Studio	411	3,288
14	Large Studio	572	8,008
19	Small One Bedroom	685	13,015
24	Large One Bedroom	818	19,632
10	Small Two Bed/One Bath	921	9,210
17	Large Two Bed/One Bath	1,105	18,785
19	Small Two Bed/Two Bath	973	18,487
4	Large Two Bed/Two Bath Penthouse	1,650	6,600
16	Small Three Bed/Two Bath	1,249	19,984
4	Large Three Bed/Two Bath	1,491	5,964
2	Large Three Bed/Two 1/2 Bath	1,530	3,060
2	Four Bedroom/Two 1/2 Bath	1,700	3,400
139		931	129,433

apartments will feature wood finishes, full height windows, and spacious floor plans. The apartments come in a variety of sizes to allow potential residents to find the perfect apartment to fit their needs. Residents will have access to a rooftop garden and outdoor event space located on the fifth floor, underground parking, and the fitness center and event space located in the hotel. With nearly 130,000 square feet in residential space and 139 units, the Skyline is City Center's largest residence.

■ **The Parisian at Two City Center “Old world charm in the heart of downtown”**

The Parisian, a five-story residence, is located at Two City Center on the North side of Restaurant Row. The Parisian's European style apartments evoke memories of Paris' Left Bank and Latin Quarter. Located in the heart of City Center, Parisian residents will feel the vibrant street energy from the European market, plaza, and Restaurant Row, just steps from their door. The studio, one, and two-bedroom apartments, located on floors two through five, feature French doors, crown moldings, and iron balconies overlooking the Plaza, the European Market, and Restaurant Row. The Parisian will feature 26 units totaling more than 14,000 square feet of residential space.

### THE PARISIAN

Units	Description	Unit Size (SF)	Total
14	European Studio	411	5,754
9	European One Bedroom	685	6,165
3	European Two Bed/One Bath	921	2,763
26		565	14,682

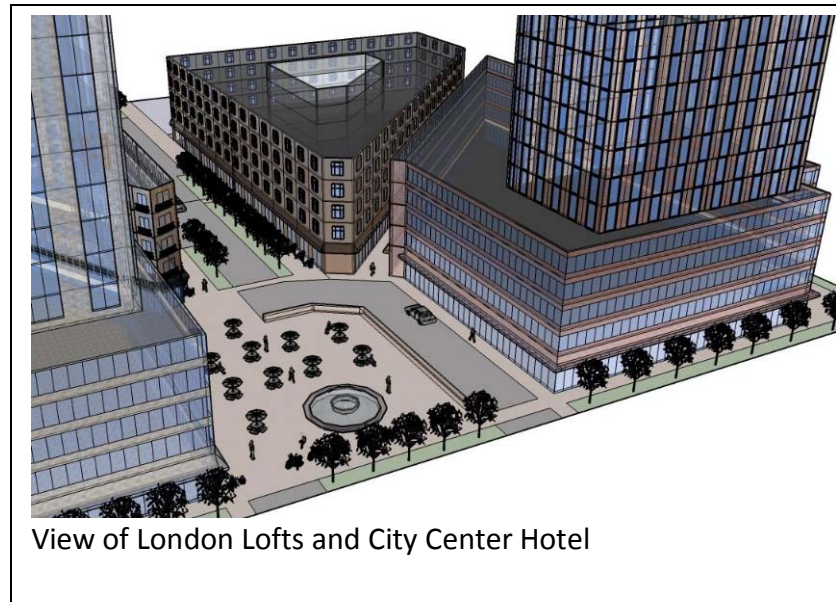
■ **The London Lofts at Three City Center “Chic Living. Trendsetting.”**

The London Lofts located at Three City Center between Restaurant Row and Fashion Avenue bring Soho to Ann Arbor. The studio, one, two, and three bedroom loft style apartments feature exposed ceilings and brick walls, open floor plans, and contemporary finishes. The five-story building features ground floor retail and more than 112 residential units

overlooking cafes, boutiques, and a courtyard perfect for sunny summer days.

### London Lofts

Units	Description	Unit Size (SF)	Total
20	Large Studio	572	11,440
36	Loft One Bedroom	766	27,576
12	Small Two Bed/One Bath	921	11,052
12	Small Two Bed/Two Bath	973	11,676
16	Large Two Bed/Two Bath	1,175	18,800
16	Medium Three Bed/Two Bath	1,360	21,760
112		913	102,304



View of London Lofts and City Center Hotel

■ **H Residence at Four City Center “The Luxury of Urban Zen”**

The H Residences will be located on the top floors of the hotel and are harmoniously designed to bring a relaxed Zen-like quality to hectic urban

life. The luxury one, two, three, and four bedroom apartments cater to the tastes of discerning professionals and will feature spacious layouts, city and plaza views, and natural finishes. The hotel's concierge services will be available to keep the small items, from dry cleaning to reservations, from taking over the lives of Ann Arbor's successful professional. Residents will have access to the hotel's event and fitness facilities.

## H Residences

Units	Description	Unit Size (SF)	Total
4	Luxury One Bedroom	818	3272
16	Luxury Two Bed/Two Bath	1,175	18800
2	Luxury Two Bed/Two Bath Penthouse	1,650	3300
4	Luxury Three Bed/Two Bath	1,491	5964
2	Luxury Three Bed/Two 1/2 Bath	1,530	3060
1	Luxury Four Bedroom/Two 1/2 Bath	1,700	1700
29		1,245	36,096

## E - Hotel

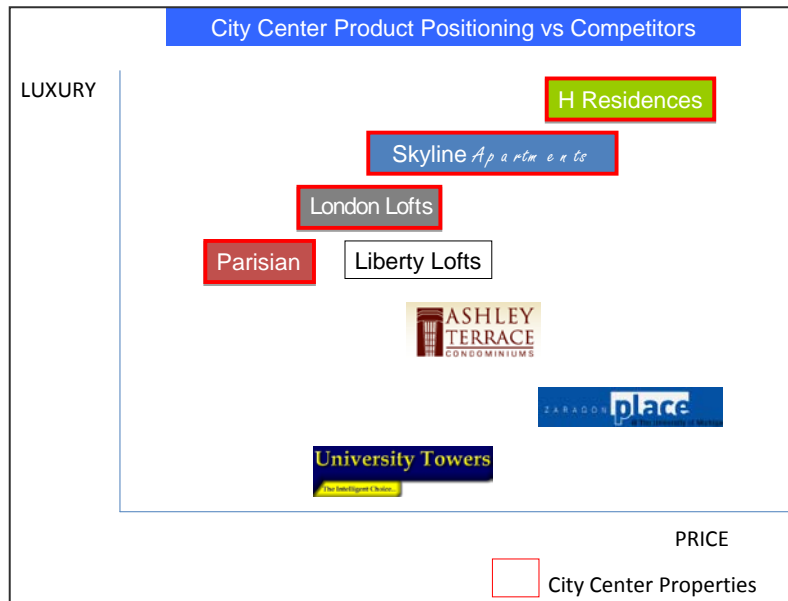
Four City Center, located on the Westside of Fashion Avenue, will be home to a contemporary hotel which will serve business travelers on both short and extended-stays as well as leisure travelers in town for football games and University events. The hotel lobby will be located on the corner of the plaza. The hotel will include such amenities as a fitness facility, meeting space, outdoor rooftop garden and event space, and business services. Residents in One, Two, and Three City Center will have access to hotel amenities. Restaurants along restaurant row will provide catering for the hotel.



Floor Plan Hotel Tower

City Center is seeking the perfect hotel brand to operate the hotel, providing the region with a contemporary, hip, and convenient lodging option. Several overseas operators have perfected providing recognizable value with sophisticated design that appeals to today's business traveler and young professional. Importantly, these brands have utilized technology to improve customer service, reduce costs, and increase overall margins. Operators under consideration include:

**25h** 25hours is a boutique hotel chain TWENTY FIVE HOURS originating in Germany. The brand stands for fun in design and hospitality. 25hours offer their guests a contemporary hotel experience in individual, design oriented boutique hotels. 25hours is geared to the standards of the luxury hotel industry and paraphrases service in a contemporary way. It concentrates on



service attributes important to their customers and can therefore offer a balanced price/performance ratio.



Design-led hotels offer people who value design at an affordable price. Hotel Indigo is an upscale boutique brand that delivers a refreshing and inviting guest experience that is truly reflective of the local community. A brand of IHG, there are currently 31 Hotel Indigos in the U.S. and Canada with 59 more under development.



Launched in June 2004, Ginger and its Smart Basics™ concept created a revolutionary hotel chain from India. A category of hotels targeting the Millennial generation, they signify simplicity, convenience, informality, style, warmth, modernity and affordability. The concept was developed in association with renowned corporate strategy thinker, Dr C. K. Prahalad of the University of Michigan. Ginger is a part of the Tata Group, one of India's largest and most respected business conglomerates.

**F - Office**

City Center is the perfect option for employers looking to create a great working environment for their current and potential employees. The Center's dining, shopping, fitness, and residential options provide valuable additional benefits for employees. One City Center will feature three floors of Class A office space totaling nearly 60,000 square feet. The nearly 20,000 sq ft floor plates present an excellent chance for the area's growing businesses and medium size employers to consolidate their workers on one floor.

**G - Plaza**

All streets converge at the City Center plaza, which will serve as a community gathering place with open air cafes, public events, and all-seasons programming. At the center of the plaza will lie an architecturally-significant fountain and water works with which children, families, and curious viewers can interact.



**H - Sustainability**

City Center will contribute to the vitality of the Ann Arbor community with more retail, residential, hotel, and office space; however, the development must be done in a way that minimizes effects on the environment and contributes to a sustainable way of life. The basis for incorporating sustainable design practices will be the United States Green Building Council's Leadership in Energy and Environmental (LEED) system. It is the intention to achieve certification under the LEED for Neighborhood Development System for the entire



development and achieve certification for each individual building under the LEED for New Construction System.

The LEED for Neighborhood Development Rating System is still in final roll-out phases and due out in 2010. Since City Center will not be complete until 2013, the development will be able to apply for certification at completion. The Neighborhood Development Rating consists of three



primary components: smart location and linkage; neighborhood pattern and design; and green infrastructure and building. The City Center Development will fulfill all twelve of the pre-requisites. In reviewing the neighborhood development credits as conservatively as possible, the silver threshold is extremely possible. With certain additions, the gold threshold is attainable as well. One such addition is to use geothermal wells for heating and cooling to reduce energy use. The City of Ann Arbor has been willing to discuss geothermal wells as part of the underground parking lot development if the developer is interested.

As part of the LEED Neighborhood Development Rating and as part of the City Center development in general, it will be the intention to have all four buildings LEED for New Construction Certified. Many of the credits for Neighborhood Development are positively influenced by attaining certain New Construction credits. These include site selection, energy management, and water management. Through getting the architect-engineer involved early in the design process and specifying green-friendly amenities as part of the design, the cost impacts of LEED for New Construction will be mitigated as much as possible. Studies by the USGBC show if a project plans early on in achieving LEED Certification, the costs can be controlled.

Beyond the building simply being "green," LEED for New Construction affords many benefits to the buildings and it's occupants. There are five main components to the LEED for New Construction Certification: Sustainable Sites; Water Efficiency, Energy & Atmosphere; Materials &

Resources; and Indoor Environmental Quality. Many of the sustainable sites credits are fulfilled simply by the location being on a non-greenfield site in downtown Ann Arbor. A major emphasis of the development will be doing a cost-benefit analysis on life cycle costs. Two major areas that can affect the life cycle costs of a building are the mechanical and electrical systems. Paying a one-time cost premium at the construction of the project may save more money through reduced operating costs over the lifespan of the building. Waterless and low-flow lavatories will reduce the water demands of the facility. The building systems will use equipment that is energy star certified. These two features will directly affect the Water Efficiency and Energy & Atmosphere credit categories. The occupants of the buildings will get the most reward from the Indoor Environmental Quality credits. Ensuring a minimum level of control over lighting and thermal systems and designing a certain level of the spaces to have direct daylight and outdoor views will make the building more attractive to occupants and earn credits in the Indoor Environmental Quality category.

Ann Arbor's nickname of "Tree Town" shows the city's emphasis on being environmentally friendly and the emphasis on having green in downtown. The LEED Certification for both the entire development and each individual building shows dedication to keeping to and enhancing Ann Arbor's reputation by making the development sustainable, occupant friendly, and green.

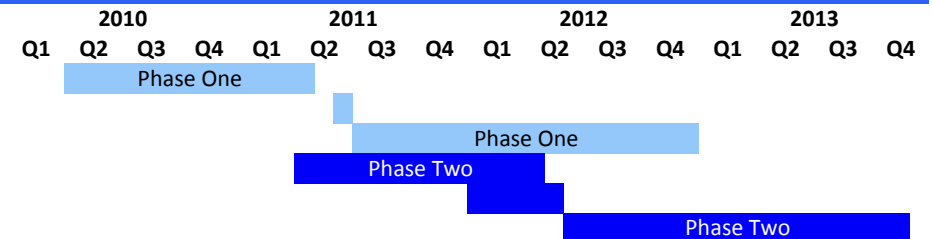
In addition, City Center will strive to enhance and contribute to the great walking environment of Ann Arbor. The pedestrian corridors connect many well-used streets and "break-up" the block from being one massive building with no sidewalks cutting through it. In addition, City Center is bike-friendly through the use of a multitude of bike racks on the plaza and bike storage locations within the buildings. The development will also feature the use of zipcars. This will allow residents who choose not to own a car access to a vehicle if they need one. The location near the Blake Transit Center will provide easy bus access to get around the area.

### I - Program Phasing

The construction of City Center will commence in July of 2011 and will be complete in November of 2013. There are many phases that will occur within that time period and in the preceding time before July 2011. The proposed development schedule and phasing is highlighted in the below table.

- Building 1 and 2 Design
- Completion of Underground Deck (City of AA)
- Building 1 and 2 Construction
- Building 3 and 4 Design
- Site 3 and 4 Demolition/preparation
- Building 3 and 4 Construction

City Center Development Timeline



- Reduce vacancy risk by offering an optimal range of well-positioned retail, residential, and commercial products.

The following sections provide a detailed analysis of estimated project costs and revenue, a project proforma, and a sensitivity analysis.

### A - Construction Costs

#### I - Overview of Program Costs

The overall development is expected to cost \$131.8 million dollars.

City Center is poised to benefit from the recent economic contraction in which construction costs have fallen nearly 13% in CY 2009.<sup>xii</sup> Previously, from 2004 through 2008 project costs had climbed steadily from an index of 655 to 908. In the first three quarters of 2009, the index has dropped 5.77%, 3.35%, and 2.02% respectively. A further drop of nearly 2.00% is predicted for the fourth quarter of 2009 and additional drops of 1.50% and 0.9% are predicted for the first two quarters of 2010. By the time construction begins in earnest in mid 2011, costs will have stabilized and are expected to grow at a more modest pace of 2-3% per year for the duration of building.

Ann Arbor and southeast Michigan are expected to see very low levels of commercial development as economic recovery for the area will lag that of the national economy. This factor will act to insulate the project for the strong growth in construction costs experienced over the previous decade.

### IV - Financial Analysis

City Center aims to not only become an exemplary model for sustainable, community-focused urban living, but also in the process we aim to meet specific financial goals:

- Create a financially responsible project that is resistant to economic cycles by incorporating a strategic product mix.
- Manage costs by making design decisions that offer the most utility and value to our potential customers per dollar spent – more is not always better.



**FINAL COST OF CONSTRUCTION ESTIMATE**

<b>Total Base Cost of Construction Estimate</b>			
Buildings, Landscaping, and Parking Structures	\$ 94,889,705	\$ 140.65	per SF Total
Library Lot Acquisition Cost	\$ 3,000,000	\$ 4.53	per SF Total
UM Credit Union Lot Acquisition Cost	\$ 1,800,000	\$ 2.72	per SF Total
Demolition and Removal Costs (not covered by TIF)	\$ 900,000	\$ 1.36	per SF Total
		\$ -	per SF Total
<b>Subtotal - Hard Construction Costs</b>	<b>\$ 98,789,705</b>	<b>\$ 149.26</b>	<b>per SF Total</b>
Construction Project Management Fees (2.75%)	\$ 2,716,717	\$ 4.10	per SF Total
Initial Site Survey	\$ 10,000	\$ 0.02	per SF Total
Soil Boring/Foundation Analysis	\$ 35,000	\$ 0.05	per SF Total
Architectural / Engineering Fees (6.0%)	\$ 5,927,382	\$ 8.96	per SF Total
Permit Fees (Per City of Ann Arbor Schedule)	\$ 593,469	\$ 0.90	per SF Total
Plan Review Fees (Per City of Ann Arbor Schedule)	\$ 237,388	\$ 0.36	per SF Total
LEED Gold/NC (3.0%)	\$ 2,963,691	\$ 4.48	per SF Total
Financing	\$ -	\$ -	per SF Total
Marketing (0.25%)	\$ 246,974	\$ 0.37	per SF Total
Legal (0.75%)	\$ 740,923	\$ 1.12	per SF Total
Construction Interest (4.5%)	\$ 4,445,537	\$ 6.72	per SF Total
Construction Loan Fees (0.30%)	\$ 296,369	\$ 0.45	per SF Total
<b>Subtotal - Soft Construction Costs</b>	<b>\$ 18,213,450</b>	<b>\$ 27.52</b>	<b>per SF Total</b>
<b>Total Project Hard and Soft Construction Costs</b>	<b>\$ 118,803,155</b>	<b>\$ 176.78</b>	<b>per SF Total</b>
Contingency Costs (3.0%)	\$ 3,017,691	\$ 7.96	per SF Total
<b>Total Project Hard and Soft Construction Costs w/ Contingency</b>	<b>\$ 121,820,846</b>	<b>\$ 184.74</b>	<b>per SF Total</b>
<b>Development Fees (10.0%)</b>	<b>\$ 10,058,970</b>		
<b>Total City Center Development Cost</b>	<b>\$ 131,879,817</b>		

The table highlights the estimated cost components of the project and average cost per square foot.

**II - Individual Building Costs**

Each building in City Center represents a different theme of design and architecture. As a result the construction cost factors will vary based on the exterior finishes selected, the overall height of the building, and the timeline required to satisfy the overall project schedule. The following building descriptions define the applied cost premiums for the retail, restaurant, office, and hotel areas. The residential cost premiums were developed separately and include the cost factor for each building.

**One and Two City Center:** For One and Two City Center, the premium costs factors are significantly mitigated because of the structural foundation provided by the underground parking structure now under construction by the City of Ann Arbor. Under normal market conditions One City Center would incur a minimal cost premium, while Two City Center would see a moderate cost premium driven by the building’s relatively small footprint and high cost exterior finishes (stone cladding and iron balconies). For our construction cost analysis, cost premiums have been offset by the discount provided by the foundation savings. This is inclusive for the Skyline Apartments in One City Center and The Parisian apartments in Two City Center.

**Three City Center:** The brick “warehouse” appearance and street level awnings represent a mid-level of exterior finishes for City Center. The overall shape of the building requires a greater amount of perimeter versus the other buildings and the cost of the central courtyard must be accounted for in the square footage allocated to the retail and residential. The relatively simple interior finishes of the London Lofts amply offset the mid-level exterior finishes. No cost premium is allocated.

**Four City Center:** In line with the image of the hotel as a chic, contemporary offering and the luxurious image of the H Residences, the construction cost of Four City Center will be above average. As the last building to be completed, Four City Center will require a more compact timeline for construction. Overall cost premium for the retail and hotel space as dictated by the building architecture is 4%. The cost premium for the H Residences is 15% above the market base and the hotel space is projected to be at 11% above the base.

**III - Retail**

Exteriors will be fully finished in accordance with each building’s overall design theme, including awnings (if applicable), landscape, and lighting. Interiors will be roughed-in with full utilities. Interior partitions to be added based on leasing demands, but full finishes will be the responsibility of the tenants. An internal service corridor will provide shared access to employee restrooms and loading areas. Stock areas will be the

responsibility of the tenants and must be managed within their leased space.

#### **IV - Restaurant space**

Leasable space for restaurants will have a similar fit-out to the retail space with the addition of roughed in plumbing, gas, and electrical to support the kitchen, bar, office, and restroom areas. The tenant will be 100% responsible for design and build out and will be required to submit all plans for review and approval.

#### **V - Office**

Each floor of office space at One City Center is to be roughed-in with appropriate electrical and communication utilities. Drop ceilings and lighting will be installed and eventually reconfigured as required by the tenant at the tenant's expense. A single bank of elevators and shared restrooms will be contained in a central lobby area and finished as part of the original build-out. The "incubator" office area will offer shared conference rooms and a central copy, printing, and fax area. A common "creative space" will feature flexible use furniture to allow tenants to configure the area for short term usage. In addition, there will be a variety of furniture and unassigned workstations to allow shared use on an "as needed" basis. The office partitions will be provided by City Center and configured according to individual tenant requirements. Wireless networking will be provided for remote printing and flexible work arrangements. As a result, the "incubator" office space will incur a slightly elevated construction cost.

#### **VI - Hotel**

An 11% premium is included for Four City Center to reflect a combination of the relatively short timeline for completion with an additional contingency planned until an operating partner has been selected and the design theme finalized.

#### **VII - Residential**

Cost for the residential finishes will vary based on the requirements of each unique residential product for both the interior and exterior finishes and is included in the cost premium of each building.

#### **VIII - Public Areas**

City Center is seeking to partner with the Ann Arbor Downtown Development Authority to capture 30% of the projected non-school tax benefit created by City Center. The projected \$15.3 million in tax revenue available to the DDA as part of a TIF proposal will provide \$4.5 million for construction of a majority of the public spaces.

## B - Revenue

### Revenue Summary

City Center has four main sources of revenue from residential, retail and office leases, and hotel income. We anticipate a monthly gross income of \$1.1 million dollars. Annual revenue by the end of year one is forecasted to be \$14.3 million. Please note, only hotel net income after expenses has been included in the calculation (please see the hotel income section for more details). The following sections discuss the different sources of income.

	Monthly	Year 1
Gross Income	\$ 844,954	\$ 10,443,634
Net Rental Income	\$ 774,482	\$ 9,572,601
Hotel Net Income	\$ 363,234	\$ 4,489,577
Other Income	\$ 26,000	\$ 321,360
<b>Effective Gross Income</b>	<b>\$ 1,163,717</b>	<b>\$ 14,383,537</b>

London Lofts, and H Residences. The Skyline is the largest revenue contributor, projected to produce \$2.3 million in net revenue per year. The H Residences has the highest annual price per square foot at \$23. Retail lease revenue is composed of rents for spaces located on Market Street, Restaurant Row, and Fashion Avenue, as well as space for a grocery tenant located in One City Center One. Fashion Avenue is projected to command the highest rents at \$36 per square foot, contributing more than \$1.1 million in net income per year. A 10 percent vacancy rate is assumed on retail and commercial leasable property and 7% vacancy rates are assumed on residential units.

## I - Rental Revenue

City Center's rental income is derived from residential, office, and retail leases. Residential rental income is the largest contributor with \$5.2 million in estimated net income, next is retail leases contributing \$2.6 million in estimated net income, followed by office leases at \$1.3 million. Residential rental units are located within The Skyline, The Parisian,

### Estimated Annual Rental Income and Sources

Description	Units	Unit Size (SF)	Total SF	Avg. Rent Per Mo	Annual Rent per Unit	Annual Rent All Units	Mo. Rent all units	Rent Per SF	Vacancy Rate	Actual Annual Income	Actual Mo. Income
<b>Residential</b>											
The Skyline	139	931	129,433	\$ 1,505	\$ 18,056	\$ 2,509,800	\$ 209,150	\$ 19	0.07	\$ 2,334,114	\$ 194,510
The Parisian	26	565	14,682	\$ 962	\$ 11,538	\$ 300,000	\$ 25,000	\$ 20	0.07	\$ 279,000	\$ 23,250
London Lofts	112	913	102,304	\$ 1,455	\$ 17,464	\$ 1,956,000	\$ 163,000	\$ 19	0.07	\$ 1,819,080	\$ 151,590
H Residence	29	1,245	36,096	\$ 2,424	\$ 29,090	\$ 843,600	\$ 70,300	\$ 23	0.07	\$ 784,548	\$ 65,379
<b>Total Residential Program</b>	<b>306</b>	<b>923</b>	<b>282,515</b>	<b>\$ 1,528</b>	<b>\$ 18,331</b>	<b>\$ 5,609,400</b>	<b>\$ 467,450</b>	<b>\$ 20</b>	<b>0.07</b>	<b>\$ 5,216,742</b>	<b>\$ 434,729</b>
<b>Retail</b>											
Market Street	11	1,772	19,488	\$ 4,577	\$ 54,921	\$ 604,128	\$ 50,344	\$ 31	0.10	\$ 543,715	\$ 50,344
Restaurant Row	7	2,143	15,000	\$ 5,893	\$ 70,714	\$ 495,000	\$ 41,250	\$ 33	0.10	\$ 445,500	\$ 41,250
Fashion Avenue	14	2,602	36,428	\$ 7,806	\$ 93,672	\$ 1,311,408	\$ 109,284	\$ 36	0.10	\$ 1,180,267	\$ 109,284
Grocery Store	1	25,000	25,000	\$ 41,667	\$ 500,000	\$ 500,000	\$ 41,667	\$ 20	0.10	\$ 450,000	\$ 41,667
<b>Total Retail Program</b>	<b>33</b>	<b>31,516</b>	<b>95,916</b>	<b>\$ 7,350</b>	<b>\$ 719,307</b>	<b>\$ 2,910,536</b>	<b>\$ 242,545</b>	<b>\$ 30</b>	<b>0.10</b>	<b>\$ 2,619,482</b>	<b>\$ 242,545</b>
<b>Office</b>											
<b>Total Office Program</b>	<b>1</b>	<b>59,982</b>	<b>59,982</b>	<b>\$ 134,960</b>		<b>\$ 1,619,514</b>	<b>\$ 134,960</b>	<b>\$ 27</b>	<b>0.1</b>	<b>\$ 1,457,563</b>	<b>121,463.55</b>
<b>Net Rental Income</b>	<b>340</b>		<b>438,413</b>			<b>\$ 10,139,450</b>	<b>\$ 844,954</b>		<b>0.1</b>	<b>\$ 9,293,787.00</b>	<b>\$ 774,482.25</b>

## II - Hotel Revenue

A third-party hotel operator will have profit and loss responsibility for the hotel component of Four City Center based upon a revenue sharing agreement. The annual estimated hotel revenue is approximately \$11.8 million with net operating income at \$4.8 million. Only hotel room revenue has been assumed. Based upon conservative estimates, we have not included revenue for conference and fitness facilities. It is foreseeable that these facilities will produce revenue streams upon operation. A hotel management fee based on gross income of 4 percent has been assumed, as well as an incentive fee of 10 percent of net operating income.<sup>xv</sup> EBITDA for the hotel portion of the project is expected to reach an annual amount of \$4.3 million after a full year of operation. ADR is expected to be \$131 with a 25 percent vacancy rate.

## III - Other Revenue

Parking and event fees are expected to make a nominal revenue contribution. Parking annual revenue estimates are expected to be approximately \$320,000 factoring in vacancy and allowances for retailers.

Assumptions		
Hotel Rooms	250	
ADR	\$	131
Expense Rate	55%	
Hotel Mgmt Fee (Gross Income)	4%	
Management Incentive Fee(Net Income)	10%	
Vacancy Rate	25%	

### Hotel Income Statement

	Monthly	Annual
Revenue		
Room Income	984375	\$ 11,812,500
Other Income	-	-
Total Revenue	\$ 984,375	\$ 11,812,500
Expenses		
Operational expenses	\$ 541,406	\$ 6,496,875
Hotel Management Fee	\$ 39,375	\$ 472,500
Total Expenses	\$ 580,781	\$ 6,969,375
Net Operating Income	\$ 403,594	\$ 4,843,125
Management Incentive Fee	\$ 40,359	\$ 484,313
<b>EBITDA</b>	<b>\$ 363,234</b>	<b>\$ 4,358,813</b>

## C - Proforma

The following proforma highlights expected income for the project from City Center's first year of operation. Effective gross income of leasable units is expected to reach \$11 million by 2017. As hotel profit and loss will be managed by a hotel operator, only hotel net income after expenses and management fees has been included as a line item, it is not considered in effective gross income. It is anticipated that the property will be held for five full years of operation and then sold. Net operating income (including hotel) is expected to reach \$12.9 million by 2017, leading to an expected market value of \$189 million for the property at sale. After tax cash flow is expected to reach more than \$6 million by 2017.

Estimated Income Statement and Cash Flow					
	2013	2014	2015	2016	2017
<b>Operating Revenues</b>					
Gross Scheduled Income	\$ 10,443,633.50	\$ 10,756,942.51	\$ 11,079,650.78	\$ 11,412,040.30	\$ 11,754,401.51
Net Rental Income	\$ 9,572,600.61	\$ 9,859,778.63	\$ 10,155,571.99	\$ 10,460,239.15	\$ 10,774,046.32
Other Income	\$ 321,360.00	\$ 331,000.80	\$ 340,930.82	\$ 351,158.75	\$ 361,693.51
Effective Gross Income	\$ 9,893,960.61	\$ 10,190,779.43	\$ 10,496,502.81	\$ 10,811,397.90	\$ 11,135,739.83
<b>Operating Expenses</b>					
Property Management Fees	\$ (478,630.03)	\$ (490,595.78)	\$ (502,860.68)	\$ (515,432.19)	\$ (528,318.00)
Other Expenses	\$ (1,707,419.47)	\$ (1,750,104.96)	\$ (1,793,857.58)	\$ (1,838,704.02)	\$ (1,884,671.62)
Total Op. Exp.	\$ (2,186,049.50)	\$ (2,240,700.74)	\$ (2,296,718.26)	\$ (2,354,136.22)	\$ (2,412,989.62)
<b>Net Operating Income (Rental)</b>	\$ 7,707,911.11	\$ 7,950,078.69	\$ 8,199,784.55	\$ 8,457,261.68	\$ 8,722,750.21
Hotel Net Income (ess mgmt fee)	\$ 3,726,105.47	\$ 3,837,888.63	\$ 3,953,025.29	\$ 4,071,616.05	\$ 4,193,764.53
<b>NOI (Rental + Hotel)</b>	\$ 11,434,016.58	\$ 11,787,967.32	\$ 12,152,809.84	\$ 12,528,877.73	\$ 12,916,514.74
Less Debt Service	\$ (7,115,268.65)	\$ (7,115,268.65)	\$ (7,115,268.65)	\$ (7,115,268.65)	\$ (7,115,268.65)
<b>Before Tax Cash Flow (Rental+Hotel)</b>	\$ 4,318,747.92	\$ 4,672,698.67	\$ 5,037,541.19	\$ 5,413,609.08	\$ 5,801,246.09
Plus Principal Reduction	\$ 1,449,927.19	\$ 1,547,031.50	\$ 1,650,639.07	\$ 1,761,185.42	\$ 1,879,135.27
Less Dep. Exp. - Building (Yrs)	\$ (3,592,352.91)	\$ (3,592,352.91)	\$ (3,592,352.91)	\$ (3,592,352.91)	\$ (3,592,352.91)
Less Interest	\$ (5,665,341.46)	\$ (5,568,237.15)	\$ (5,464,629.58)	\$ (5,354,083.23)	\$ (5,236,133.38)
<b>Taxable income</b>	\$ (3,489,019.25)	\$ (2,940,859.88)	\$ (2,368,802.23)	\$ (1,771,641.63)	\$ (1,148,104.92)
Taxes due	\$ (1,046,706)	\$ (882,258)	\$ (710,641)	\$ (531,492)	\$ (344,431)
After Tax Cash Flow (Operations)	\$ 5,365,453.70	\$ 5,554,956.63	\$ 5,748,181.86	\$ 5,945,101.57	\$ 6,145,677.57
Before Tax Cash Flow (Property Sale)					\$87,378,012
Tax (Property Sale)					(\$12,074,000)
After Tax Cash Flow (Property Sale)	\$ -	\$ -	\$ -	\$ -	\$75,304,012
<b>Total After Tax Cash Flow</b>	\$ 5,365,453.70	\$ 5,554,956.63	\$ 5,748,181.86	\$ 5,945,101.57	\$ 81,449,689.49

**Financing Assumptions**

Total Purchase	100.00%	\$	131,879,817
Owner's Equity	30.00%	\$	39,563,945
Balance to Finc	66.59%	\$	87,815,872
TIF	3%		4,500,000

	Annual	Monthly
Interest Rate	6.500%	0.542%
Amort Period	25	300
Payment	7,115,269	592,939

**I - Financing**

The project is expecting to invest 30 percent equity in the overall \$131 million cost of the project. It is anticipated that the project will be eligible for \$4.5 million in tax increment and will seek financing to cover the remaining \$87.8 million in project costs. Financing is assumed at a rate of 6.5 percent with annual debt service of \$7.1 million.

**Value of Property at Sale**

Selling price	\$189,187,771
Sales Proceeds	\$177,836,771
Loan Payoff	(\$79,365,791)
Before tax cash flow	\$98,470,980
Capital Gain Tax	(\$14,204,000)
After Tax Cash Flow	\$84,266,980

**Assumptions**

Inflation	3.00%
Exit Capitalization	7.50%
Tax Rates	
Federal Long Term Capital Gain (5+ years)	15.0%
Michigan Long Term Capital Gain	4.2%

**II - Cost and Revenue Assumptions**

The total project price is estimated at \$131.8 million, including \$1.8 million in land acquisition costs, \$18 million in soft costs 3 percent for contingency, and a 10 percent development fee. The sale of the property in year five is expected to produce \$84.2 million in after tax cash flow, based on a selling price of \$189 million derived from a 7.5% capitalization

**Cost and Revenue Assumptions**

Buildings	\$	94,889,705
Land & Demolition	\$	5,700,000
Soft Costs	\$	18,213,450
Contingency at 3%	\$	3,017,691
Development Fees at 10%	\$	10,058,971
Total	\$	131,879,817
Number of Units		340
Average Monthly Rent	\$	2,485
Gross Monthly Revenues	\$	844,954

rate on NOI.

**III - Return on Equity and Key Ratios**

City Center's unique value proposition is expected to produce considerable returns on investment. The project's net present value is estimated at \$52 million resulting in a total IRR of 42% based on before tax cash flows.

Additionally, debt coverage is expected to average approximately 170 percent. Cash on Cash equity returns is expected to average greater than 12 percent with a nearly 10 percent return on assets.

**Exit Returns**

NPV (BTCF @ 7.5% discount rate)	\$52,503,308.98
NPV (ATCF @ 7.5% discount rate)	\$44,576,676.57
IRR	42%

### Key Financial Ratios

	Year 1	Year 2	Year 3	Year 4	Year 5
Debt Coverage Ratio	161%	166%	171%	176%	182%
Expense Ratio	20.93%	20.83%	20.73%	20.63%	20.53%
Cash on Cash Equity	10.92%	11.81%	12.73%	13.68%	14.66%
Return on Asset	9.39%	9.68%	9.98%	10.28%	10.60%
Before Tax ROI	10.92%	11.81%	12.73%	13.68%	14.66%
After Tax ROI	13.56%	14.04%	14.53%	15.03%	205.87%

### Sensitivity Scenario Assumptions

	Base	Pessimistic	Optimistic
<u>Rental Income</u>			
Rent Per SF	100%	90%	110%
Vacancy Rate	8.0%	15.0%	4.0%
<u>Hotel</u>			
ADR	\$	131	\$ 114
Expense Rate	55%	60%	50%
Vacancy Rate	25%	35%	15%
<u>Construction Cost</u>			
Interest rate	6.50%	7.00%	6.00%

#### IV - Sensitivity Scenarios

The following tables provide a sensitivity analysis of project financials. The analysis revealed an overall IRR range of 7.5 percent in the most pessimistic case to 66 percent in the most optimistic case and an effective gross income for the entire projecting ranging from \$11.1 million to \$16 million. Variables incorporated in the sensitivity analysis include, construction costs, financing interest rates, rental rates per square foot, vacancy rates, hotel average daily rates, expense, and vacancy rates.

### Summary Operating Revenues

		PESSIMISTIC				OPTIMISTIC			
BASE									
	Monthly	Year 1		Monthly	Year 1		Monthly	Year 1	
Gross Income	\$ 844,954	\$ 10,443,634	Gross Income	\$ 760,459	\$ 9,399,270	Gross Income	\$ 929,450	\$ 11,487,997	
Net Rental Income	\$ 774,482	\$ 9,572,601	Net Rental Income	\$ 600,287	\$ 7,419,552	Net Rental Income	\$ 821,289	\$ 10,151,132	
Hotel Net Income	\$ 363,234	\$ 4,489,577	Hotel Net Income	\$ 276,413	\$ 3,416,459	Hotel Net Income	\$ 461,869	\$ 5,708,698	
Other Income	\$ 26,000	\$ 321,360	Other Income	\$ 26,000	\$ 321,360	Other Income	\$ 26,000	\$ 321,360	
<b>Effective Gross Income</b>	<b>\$ 1,163,717</b>	<b>\$ 14,383,537</b>	<b>Effective Gross Income</b>	<b>\$ 902,700</b>	<b>\$ 11,157,370</b>	<b>Effective Gross Income</b>	<b>\$ 1,309,158</b>	<b>\$ 16,181,190</b>	

### Acknowledgements:

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Tom Abdelnour, University of Michigan  
Mike Finney, Ann Arbor Spark

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- <sup>i</sup> 2000 U.S. Census  
<sup>ii</sup> Ann Arbor Spark (Ann Arborusa.org); City of Ann Arbor (a2.gov)  
<sup>iii</sup> [www.coolcities.com](http://www.coolcities.com)  
<sup>iv</sup> U.S. Census  
<sup>v</sup> [www.annarborusa.org](http://www.annarborusa.org)  
<sup>vi</sup> US Bureau of Labor Statistics, May 2008 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates  
<sup>vii</sup> Ann Arbor Spark, [annarborusa.org](http://annarborusa.org)  
<sup>viii</sup> [www.michigan.org](http://www.michigan.org)  
<sup>ix</sup> [www.michigan.org](http://www.michigan.org)  
<sup>x</sup> [www.annarbor.com](http://www.annarbor.com), JULY 23, 2009  
<sup>xi</sup> Red Lion Capital Group Report, May 2009  
<sup>xii</sup> Hotel management and incentive fees based on industry standards. See Paul, Hastings, Janofsky & Walker LLP “Negotiating Equitable Hotel Management Agreements. The negotiation over the rights and obligations of the owner and the manager in connection with the hotel manager’s duties is critical.” [www.hotelinteractive.com](http://www.hotelinteractive.com) Friday, May 03, 2002.  
Source: Reinhart Realty; Red Lion Capital Group Report, May 2009  
<sup>xiii</sup> Keeping, Juliana, “Hotel occupancy falls in Ann Arbor but county tourism tax hike yields bigger marketing budgets,” [www.annarbor.com](http://www.annarbor.com), July 23, 2009.  
<sup>xiiii</sup> Josie Parker, Ann Arbor District Library  
<sup>xv</sup> [www.a2gov.org](http://www.a2gov.org)  
<sup>xvi</sup> [www.firstmartin.com](http://www.firstmartin.com)  
<sup>xvii</sup> Turner Construction: 3<sup>rd</sup> Quarter 2009 Cost Factors



**CITY CENTER PROJECT - CONSTRUCTION COSTS**

<b>Property Location:</b>	Four parcels located at the northeast corner of Fifth and Williams Streets in Ann Arbor		
<b>Parcel Description &amp; Size:</b>	Current Library Site	Plat ID: 09-09-29-403-023	264' x 198' = 52,272 Square Feet
	UM Credit Union Site	Plat ID: 09-09-29-403-022	132' x 198' = 26,136 Square Feet
	Library Lot	Plat ID: 09-09-29-403-012	264' x 198' = 52,272 Square Feet
	Library Lane Site	Plat ID: 09-09-29-403-006	231' x 66' = 15,246 Square Feet
<b>Ann Arbor Cost Modifier:</b>	103.9		Total = 145,926 Square Feet

Development Data	One City Center	Two City Center	Three City Center	Four City Center
Condos / Apartments (Low Rise 1 to 3 Stories)		5,750	60,856	
Condos / Apartments (Mid Rise 4 to 7 Stories)	26,210	11,500	60,856	
Condos / Apartments (High Rise 8 to 24 Stories)	124,498			43,257
Offices (Low Rise 1 to 4 Stories)				
Offices (Mid Rise 5 to 10 Stories)	59,982			
Offices (High Rise 11 to 20 Stories)				
Hotel / Inn (57,000 SF to 150,000 SF Total Area)				173,025
Hotel / Inn (Over 150,000 SF Total Area)				
Retail Stores (Individual)	39,988	9,500	24,428	22,000
Restaurants				
Banks				
Greenspace (Landscaping)				
Hard Scape (Landscaping)				
Parking Decks (Under 150,000 SF Total Area / Above Grade)				
Parking Decks (Under 150,000 SF Total Area / Below Grade)			140,000	
<b>Total Building Area</b>	<b>250,678</b>	<b>26,750</b>	<b>146,140</b>	<b>238,281</b>
<b>Building Floor Area Ratio</b>	<b>411%</b>		<b>569%</b>	
<b>Total Development Area</b>	<b>661,849 SF</b>			
<b>Aggregate Floor Area Ratio</b>	<b>454%</b>			

Not included in FAR calculation

Development Data	Base Cost/SF	Base Cost				Premium Cost Upgrade % Applied				Total Base Cost				Cost/SF by Dev. Type				Cost/SF Average
		One City Center	Two City Center	Three City Center	Four City Center	One City Center	Two City Center	Three City Center	Four City Center	One City Center	Two City Center	Three City Center	Four City Center	One City Center	Two City Center	Three City Center	Four City Center	
Condos / Apartments (Low Rise 1 to 3 Stories)	\$ 93.23	\$ -	\$ 556,997	\$ 5,895,067	\$ -	1.00	1.00	1.00	1.15	\$ -	\$ 556,997	\$ 5,895,067	\$ -	NA	\$ 96.87	\$ 96.87	NA	\$ 9.75
Condos / Apartments (Mid Rise 4 to 7 Stories)	\$ 107.62	\$ 2,930,856	\$ 1,285,954	\$ 6,805,954	\$ -	1.00	1.00	1.00	1.15	\$ 2,930,856	\$ 1,285,954	\$ 6,805,954	\$ -	\$ 111.82	\$ 111.82	\$ 111.82	NA	\$ 16.65
Condos / Apartments (High Rise 8 to 24 Stories)	\$ 128.71	\$ 16,649,223	\$ -	\$ -	\$ 5,784,752	1.00	1.00	1.00	1.15	\$ 16,649,223	\$ -	\$ -	\$ 6,652,464	\$ 133.73	NA	NA	\$ 153.79	\$ 35.21
Offices (Low Rise 1 to 4 Stories)	\$ 100.30	\$ -	\$ -	\$ -	\$ -	1.00	-	-	-	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Offices (Mid Rise 5 to 10 Stories)	\$ 110.13	\$ 6,863,295	\$ -	\$ -	\$ -	1.00	-	-	-	\$ 6,863,295	\$ -	\$ -	\$ -	\$ 114.42	NA	NA	NA	\$ 10.37
Offices (High Rise 11 to 20 Stories)	\$ 140.35	\$ -	\$ -	\$ -	\$ -	1.00	-	-	-	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Hotel / Inn (57,000 SF to 150,000 SF Total Area)	\$ 126.83	\$ -	\$ -	\$ -	\$ -	-	-	-	-	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Hotel / Inn (Over 150,000 SF Total Area)	\$ 123.58	\$ -	\$ -	\$ -	\$ 22,216,404	-	-	-	1.11	\$ -	\$ -	\$ -	\$ 24,660,208	NA	NA	NA	\$ 142.52	\$ 37.26
Retail Stores (Individual)	\$ 90.73	\$ 3,769,613	\$ 895,552	\$ 2,302,793	\$ 2,073,909	1.00	1.00	1.03	1.04	\$ 3,769,613	\$ 895,552	\$ 2,371,877	\$ 2,156,866	\$ 94.27	\$ 94.27	\$ 97.10	\$ 98.04	\$ 13.89
Restaurants	\$ 176.45	\$ -	\$ -	\$ -	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Banks	\$ 197.04	\$ -	\$ -	\$ -	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Greenspace (Landscaping)	\$ 3.32	\$ -	\$ -	\$ -	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Hard Scape (Landscaping)	\$ 9.32	\$ -	\$ -	\$ -	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Parking Decks (Under 150,000 SF Total Area / Above Grade)	\$ 60.70	\$ -	\$ -	\$ -	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ -	\$ -	NA	NA	NA	NA	\$ -
Parking Decks (Under 150,000 SF Total Area / Below Grade)	\$ 77.40	\$ -	\$ -	\$ 11,258,921	\$ -	1.00	1.00	1.03	1.04	\$ -	\$ -	\$ 11,596,689	\$ -	NA	NA	\$ 82.83	NA	\$ 17.52
<b>Base Construction Cost Estimate</b>		<b>\$ 30,212,987</b>	<b>\$ 2,738,503</b>	<b>\$ 26,261,825</b>	<b>\$ 30,075,065</b>	<b>\$ 89,288,380</b>				<b>\$ 30,212,987</b>	<b>\$ 2,738,503</b>	<b>\$ 26,668,676</b>	<b>\$ 33,469,538</b>	<b>\$ 93,089,705</b>			<b>Average/SF</b>	<b>\$ 140.65</b>

Final Cost of Construction Estimate				
Total Base Cost of Construction Estimate		\$ 93,089,705	\$ 140.65	per SF Total
Library Lot Acquisition Cost		\$ 3,000,000	\$ 4.53	per SF Total
UM Credit Union Lot Acquisition Cost		\$ 1,800,000	\$ 2.72	per SF Total
Demolition and Removal Costs		\$ 900,000	\$ 1.36	per SF Total
		\$ -	\$ -	per SF Total
<b>Subtotal - Hard Construction Costs</b>		<b>\$ 98,789,705</b>	<b>\$ 149.26</b>	<b>per SF Total</b>
Construction Project Management Fees	2.75%	\$ 2,716,717	\$ 4.10	per SF Total
Initial Site Survey		\$ 10,000	\$ 0.02	per SF Total
Soil Boring/Foundation Analysis		\$ 35,000	\$ 0.05	per SF Total
Architectural / Engineering Fees	6.00%	\$ 5,927,382	\$ 8.96	per SF Total
Permit Fees (Per City of Ann Arbor Schedule)		\$ 593,469	\$ 0.90	per SF Total
Plan Review Fees (Per City of Ann Arbor Schedule)		\$ 237,388	\$ 0.36	per SF Total
LEED Gold/NC	3.00%	\$ 2,963,691	\$ 4.48	per SF Total
Financing		\$ -	\$ -	per SF Total
Marketing	0.25%	\$ 246,974	\$ 0.37	per SF Total
Legal	0.75%	\$ 740,923	\$ 1.12	per SF Total
Construction Interest	4.50%	\$ 4,445,537	\$ 6.72	per SF Total
Construction Loan Fees	0.30%	\$ 296,369	\$ 0.45	per SF Total
<b>Subtotal - Soft Construction Costs</b>		<b>\$ 18,213,450</b>	<b>\$ 27.52</b>	<b>per SF Total</b>
<b>Total Project Hard and Soft Construction Costs</b>		<b>\$ 117,003,155</b>	<b>\$ 176.78</b>	<b>per SF Total</b>
	4.50%	\$ 5,265,142	\$ 7.96	per SF Total
<b>Total Project Hard and Soft Construction Costs w/ Contingency</b>		<b>\$ 122,268,297</b>	<b>\$ 184.74</b>	<b>per SF Total</b>

## SARA JONES

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### EDUCATION UNIVERSITY OF MICHIGAN

Ann Arbor, MI

#### Stephen M. Ross School of Business

Master of Business Administration, May 2010

- Emphasis in Finance; Awarded merit-based scholarship-Consortium Fellow
- VP, Entrepreneur and Venture Club; Board Member, Real Estate Club

### NEW YORK UNIVERSITY

New York, NY

Bachelor of Arts; Art History and Political Science, January 2002

- Graduated Honors, GPA 3.7; Dean's List 1999-2002; NYU in Paris, Spring 2001
- Martin Luther King, Jr. Scholar- merit scholarship for tuition and travel, 1999-2002

### EXPERIENCE BONDS CAY COMPANY LTD.

New York, NY

#### 2009 Summer Associate

- Created new business plan for development of Bonds Cay, Bahamas into sustainable, luxury resort & artists retreat backed by Shakira & international artists.

### 2009 LAN AIRLINES PERU

Lima, Peru

#### IMAP Consultant

- Developed customer relationship management (CRM) strategy for senior management; benchmarked international best practices, interviewing leading Fortune 100 companies.

### 2004-2008

#### APCO WORLDWIDE

Seattle, WA

#### Project Manager, Strategic Communication & Public Affairs

- Developed communications, marketing and corporate responsibility strategies for Fortune 100 companies, public and NGO clients that effectively raised visibility, enhanced reputation and met business and social impact goals.
- Simultaneously directed multiple national and international cross-functional teams, from selecting members to ensuring projects were delivered on-schedule/on-budget.
- Managed client budgets of \$200k+, negotiating scopes of work and supplier contracts.
- Promoted from intern to manager in less than three years, nominated for PR News' "15 to Watch under 30," and selected for APCO President's Council and employee exchange program to Indonesia by APCO executives.
- Designed park and school renovation project attended by 400 senior executives to celebrate UPS' 100th anniversary.
- Conducted community and media relations for Starbucks and IKEA stores, and Enterprise Community Partners' developments.
- Led 15-member global team in benchmark research and ally development resulting in key international thought leader support for the Rural Development Institute.
- Planned and led 12-month campaign for WA State Governor's education initiative, helping create event with Bill Gates and generating 200+ news stories.
- Initiated positioning efforts for APCO Seattle, generating half a million dollars in new business (out of \$2 million annual office budget).

### 2003

#### INDEPENDENT CONSULTANT, COMMUNICATIONS/DEVELOPMENT

New York, NY

- Conducted development and marketing activities for public and private clients, including the Emerald Foundation and the National Audubon Society.

### 2002

#### UNITED NATIONS ASSOCIATION OF THE USA

New York, NY

#### Marketing and Development Associate, Adopt-A-Minefield

- Initiated creation of artists' committee of more than 50 celebrity supporters, including Harrison Ford, Oprah Winfrey and Leonardo DiCaprio.
- Cultivated donors for Annual Gala with Ambassador Paul McCartney, which raised \$750,000 and was named Variety Magazine's "Best Bash of the Year."

### 2002

#### OFFICE OF UNITED STATES SENATOR MARIA CANTWELL

Seattle, WA

#### Legislative Intern

### ADDITIONAL

- Pacific Northwest Ballet: Member, Board of Trustees, elected to 2008-2011 term
- ArtsFund: Board Member and Team Leader, Associates Program, 2005-2008
- United Nations Association, Seattle: Board Member, Communications Chair, 2004-05

# Jeff S. Russell

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## SUMMARY OF QUALIFICATIONS

- ◆ Excellent program manager with over eighteen years working in the automotive sector
- ◆ Exceptional oral, written, and interpersonal skills
- ◆ Unique combination of analytical and creative skills
- ◆ Extensive product development and production launch experience

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## EDUCATION/CERTIFICATIONS

- ◆ **Steven M. Ross School of Business**  
Master in Business Administration, June 2011
- ◆ **University of Michigan**  
Bachelor of Science in Mechanical Engineering, May 1991  
Honors: Graduated cum laude, Dean's List March 1989

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## PROFESSIONAL EXPERIENCE

### **Lead Engineer, DaimlerChrysler Corporation (8/00-present), Detroit, MI**

- Designed and developed sealing systems for the all new 2007 Jeep Wrangler with three piece removable hard top system.
- ◆ Developed and managed cost structure for weather-strip systems; established system requirements; developed source package requirements for sealing and glass systems.
  - ◆ Participated in studio development to create unique vehicle architecture; Freedom Top removable hard top.
  - ◆ Worked extensively with supplier to overcome challenges of shifting production sites during prototype build.
  - ◆ Consistently met challenge of material supply requirements deep into vehicle launch curve. Developed unique funding strategies to keep launch on time. Resulted in no delay or lost vehicles attributed to problems with the weather-strip systems.
  - ◆ Identified over \$29 in potential savings/vehicle. Initiated efforts resulting in \$11/vehicle savings in first year of production.

### **Design Engineer, MSX International – Contract to DaimlerChrysler (9/98-8/00), Detroit, MI**

- Principle engineer for all dynamic weather-strip systems for all new 2002 Dodge Ram pick-up.
- ◆ Conducted extensive reviews of vendor tooling at supplier and tool shop locations to develop collaborative solutions.
  - ◆ Developed supplier process to eliminate cost hurdles for critical design change on secondary seal system.
  - ◆ Supported three assembly plant launches spanning from Detroit, Michigan to northern Mexico.
  - ◆ Managed product changes through long supplier lines stretching from Quebec, Canada to Saltillo, Mexico
  - ◆ Participated in wind tunnel development of sealing systems at third party facilities in Georgia and Germany.
  - ◆ Mastered change management process and became valuable source of knowledge for fellow team members.

### **Design Release Engineer, Hawtal Whiting – Contract to General Motors (9/95 - 9/98), Pontiac, MI**

- Lead design and engineering efforts on several vehicle systems in Body Hardware/Body Exterior on GM pick-ups and SUVs.
- ◆ Worked with design studio engineers to develop luggage carriers, windshield moldings and quarter windows.
  - ◆ Saved \$11.41 by resourcing and revalidating luggage carrier system on Chevy/GMC Astro vans.
  - ◆ Authored Subsystem Design Specifications for roof top luggage carriers, windshields and fixed glass.
  - ◆ Worked extensively in the aero/thermal wind tunnel to develop low drag/low noise moldings and luggage carriers.
  - ◆ Member of GMs Glass and Glazing Technical Committee that recommended best practices for all truck programs.

### **Design Engineer, Carron & Company – Contract to Ford Motor Company (9/92-9/95), Inkster, MI**

- Supported Ford vehicle programs working both off-site and on-site in engineering and program management roles.
- ◆ Lead regular electric vehicle packaging reviews and facilitated efforts to resolve technical conflicts.
  - ◆ Supported prototype build of electric vehicle fleet of 100 vehicles.
  - ◆ Aided in development of prototype hybrid electric vehicle. Focused on body sheet metal and sealing systems.
  - ◆ Assisted program manager for Ford Motor Company Special Vehicle Office. F-150 program to develop low volume derivative product leveraging large Tier I supplier for design and development support.
  - ◆ Developed validation plan for F-150 program that saved over \$800K.

### **Mechanical Engineer, Abbott Laboratories (6/91-2/92), Waukegan, IL**

- Engineering Professional Development Program
- ◆ Conducted validation testing of laboratory piping and ventilation systems.
  - ◆ Developed field corrections for design interferences between piping and ventilation systems.
  - ◆ Conducted FDA revalidation of sterile manufacturing equipment.

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#### **COMMUNITY ACTIVITIES & PROFESSIONAL MEMBERSHIPS**

- ◆ Society of Automotive Engineers: Member (1992 – 1996)
- ◆ Licensed Residential Builder in State of Michigan

#### **EXTRACURRICULAR ACTIVITIES**

- ◆ April 2002-April 2003: Traveled through 22 countries on 4 continents. Spent extensive time in Eastern and Western Europe, New Zealand and Australia. Gained a deep appreciation of language and cultural experiences. Learned how to scuba dive; drive on the right hand side of the road and order beer in 25 languages. The experience of a lifetime.
- ◆ January 1998-present: Completely rebuilt and expanded a turn of the century house near downtown Northville, Michigan. Developed designed; acted as general contract and completed the work with help from family and friends.
- ◆ References Available Upon Request

## **STEPHANIE SIMON**

322 N. State Street, Apt. 103, Ann Arbor, MI 48104  
508-320-9757 slsimon@umich.edu

### **EDUCATION**

Sept 09-May 11

#### **TAUBMAN COLLEGE, UNIVERSITY OF MICHIGAN**

Master of Urban and Regional Planning

Ann Arbor, MI

Feb 08-May 09

#### **NEW YORK UNIVERSITY**

Coursework in Calculus and Accounting; GPA 3.8

New York, NY

Sept 02-May 06

#### **COLUMBIA UNIVERSITY**

Bachelor of Arts in Political Science; GPA 3.6; Dean's List  
University College London, UK; Spring 2005

New York, NY

### **EXPERIENCE**

Feb 09-Jul 09

#### **NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION**

Business Development Intern

New York, NY

- Supported projects to strengthen New York City's fashion/retail sector in an effort to grow fashion/retail revenue and diversify the city's economy.
- Contributed to planning, execution, and analysis of NYC Fashion Market Week, a new strategic initiative to increase wholesale buying at trade shows.
- Independently developed and implemented a global marketing strategy to promote new business-to-business website facilitating fashion-related commerce and activity in New York City.

Feb 07-Feb 09

#### **NEW YORK CITY DEPARTMENT OF EDUCATION**

Deputy Director of Communications

New York, NY

- Communicated Department policies through speeches, articles, press releases, web site content, and presentations for the largest public school system in the U.S.
- Collected, analyzed, and distributed data for intra- and interagency reports on the operating results of programs for the 1,400 schools and 1.1 million students in the system.
- Organized and led forums with principals and other key managers to review operational issues, share best practices, and collaborate on policy design and implementation.

Jul 06-Jan 07

#### **VIVALDI PARTNERS**

Research Analyst

New York, NY

- Supported creative and analytical market research projects for international brand management and marketing consultancy.
- Conducted extensive worldwide consumer and market research to quantify industry and competitive trends for \$50 billion international automobile manufacturer.
- Recommended modifications to corporate brand positioning and messages for multi-billion dollar appliance division of major retailer.

### **PERSONAL**

COMMUNITY Advisor, BELL National Academic Enrichment Program for Children in Urban Communities.  
Mentor, East Harlem Young Women's Leadership School.

## Andrew Wozniak, LEED® AP

[wozniaka@umich.edu](mailto:wozniaka@umich.edu)  
(770)-598-8555

### EDUCATION

Masters of Engineering in Construction Engineering & Management  
College of Engineering, University of Michigan, Ann Arbor  
Expected Graduation Date: December 2010

Graduate Certificate in Real Estate Development

Taubman College of Architecture and Urban Planning, University of Michigan, Ann Arbor  
Expected Graduation Date: December 2010

BSE in Civil Engineering – Construction Engineering and Management  
College of Engineering, University of Michigan, Ann Arbor

### EXPERIENCE

University of Michigan Department of Architecture, Engineering, and Construction  
Construction Intern December 2007 to Present

- Work part time during the academic year while still a full time student
- During April – September 2008 and 2009 worked full time
- Tasks include submittals, closeout document packages, change orders/directives, cost controls, scheduling, and interface with the end users.

Projects include:

- Walgreen Drama Center and Stamps Auditorium – A \$43 million Drama Center including state of the art theatre and auditorium
- Kellogg Eye Center Expansion – A \$132 million clinical and research expansion to the Kellogg Eye Institute
- Various University Health System Projects

Kajima Building & Design Construction Services, Inc.

- Office Engineer, Greensboro, NC May 2007-August 2007  
Involved in the FedEx Mid-Atlantic Hub at a cost of \$150,000,000, and 9 buildings including a 500,000 SF Package Sorting Building. Assisted the Project Executive and Project Managers. This included pricing design revisions, shop drawing submittals, requests for information, and preparing the scope of work for subcontracts. Daily contact with subcontractors, the Owner's Representatives, and with the architect.

- Field/Office Engineer, Atlanta, GA May 2006-August 2006  
Pre-Construction and Estimating Responsibilities for the FedEx Mid-Atlantic Hub in Greensboro, NC, a project Kajima successfully bid and subsequently negotiated.

- Field Engineer, Atlanta, GA May 2005-August 2005  
Project Management Responsibilities for 2 build to suit tilt-up concrete distribution centers (300,000 SF each) and a freight transfer facility with full maintenance shop and fueling systems.

### COMPUTER SKILLS

Programs: Microsoft Word, Microsoft Excel, Microsoft Project, Primavera Project Scheduling, Prolog Project Management Software

### AWARDS

Eagle Scout, Boy Scouts of America  
Leadership in Energy and Environmental Design (LEED)® Accredited Professional, May 2009

### ACTIVITIES

Michigan Marching Band - Tuba: 2005, 2006, 2007, 2008;  
Rank Leader: 2006, 2007, & 2008 Seasons  
Men's Basketball Team Band, 2005, 2006, 2007 and 2008

References Available Upon Request