

OFFERING MEMORANDUM

THE CITY OF ANN ARBOR



FEBRUARY 2015

CBRE

DOWNTOWN ANN ARBOR



THE VARSITY (2013)
425 E. WASHINGTON STREET

CITY HALL

STERLING 411 LOFTS (2009)
411 E. WASHINGTON STREET

GOOGLE

MICHIGAN THEATER

USPS & FEDERAL COURTS

LIBERTY STREET

LIBRARY

BLAKE TRANSIT CENTER

SITE

5TH STREET

WILLIAM STREET

FORMER YMCA LOT ("Y LOT") TO BE DEVELOPED



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EXECUTIVE SUMMARY

CBRE Group, Inc. (“CBRE”) on behalf of the City of Ann Arbor, Michigan is pleased to present this Offering Memorandum to acquire and develop the surface of the “Library Lot” parcel totaling approximately 35,112 square feet in downtown Ann Arbor at 319 S. Fifth Avenue. The property sits upon a 711 space, City-owned four-level underground parking garage that has been constructed to allow for high density development. The City will retain control of the underground parking garage. Located within one of the most vibrant growth corridors in the Ann Arbor Central Business District, the property is just steps from bustling commercial Main Street, Liberty Street and the University of Michigan.

The City’s goal is to provide for a disposition of the property to a private developer or development team for a high density, modern, sustainable urban redevelopment that contributes to the fabric and livability of downtown Ann Arbor. The City will transfer ownership of development area via sale of a condominium unit or other appropriate means as provided for under Michigan law.

Downtown Ann Arbor has among the strongest office, retail, housing and hospitality markets in the State of Michigan and Midwest. The City intends to leverage the redevelopment of the property to further its goals to spur the continued growth of its fast-emerging high-tech sector and to sustainably integrate this property into its vibrant live/work/play downtown.

SITE	The Property consists of 35,112 square feet.	OFFERING MEMORANDUM ISSUANCE DATE:	February 27, 2015
PRICE	Market	NON-MANDATORY OFFERING MEMORANDUM INFORMATION MEETING:	2:00 PM EST Wednesday, March 11, 2015, at Ann Arbor Downtown Development Authority, 150 S. Fifth Street, Suite 301. Interested parties may also participate via conference call.
OWNER	The City of Ann Arbor (the “City”)	OFFERING MEMORANDUM QUESTIONS:	Accepted beginning on Wednesday February 27, 2015. Answers will be posted to the City’s website as addenda to the Offering Memorandum.
PROPERTY ADDRESS	319 S. Fifth Avenue Ann Arbor, MI 48107	OFFERING MEMORANDUM RESPONSES DUE:	No later than 5:00 PM EST on Friday, May 15, 2015.
ACREAGE	0.806 gross acres more or less.	OFFERING MEMORANDUM FORMAT	Please submit response in electronic PDF format via e-mail to CBRE: John Latessa at john.latessa@cbre.com with a copy to Gordon Hendry at gordon.hendry@cbre.com.
CURRENT ZONING	D-1- Downtown Core District (base district)/Midtown (character overlay district)		
POTENTIAL USES	Commercial development with retail, office, residential housing and/or hotel/hospitality.		
PARKING	The City is entitled to make available up to 200 monthly parking permits in the underground garage for the exclusive use of a developer. The remaining spaces may be secured by individual users on a monthly or daily basis. There is also ample parking in nearby garages and surface lots.		



ANN ARBOR AREA OVERVIEW

Ann Arbor is a scenic, thriving and livable city located about 40 miles west of Detroit, Michigan and is home to the University of Michigan. Famously called “Tree Town” for its natural beauty, Ann Arbor is rich in culture, architecture, culinary experiences, and the arts. It is known as a quintessential Big Ten college town with a world class research university and highly rated athletic sports teams, the Gerald R. Ford Presidential Library, and the award-winning annual Ann Arbor Art Fairs.



The University of Michigan, considered one of the top public universities in the country, serves as a primary engine for growth and stability, employing over 28,000 workers, including its medical center. Eastern Michigan University’s presence further enhances Ann Arbor’s economy.

Economy

Ann Arbor area’s economy has moved from recovery to expansion, becoming the first of Michigan’s metro areas to do so. Ann Arbor boasts one of the Midwest’s lowest unemployment rates and one of the highest per capita incomes in the State of Michigan.

The unemployment rate is currently at 3.2% (BLS, December 2014 preliminary) and has been falling since the height of the recession in 2010. According to Moody’s Analytics, the gross metro product for the Ann Arbor region will grow steadily from 2014 through 2017 at rates close to or in excess of 3.0% with personal income growth.

Ann Arbor is a technology-based economy with several employers drawn to the area by the University of Michigan’s research and development capabilities, and its supply of highly educated graduates. Google is just one of the many notable technology companies located in Ann Arbor.

The region is home to a diverse business community that excels in software and information technology; life sciences, biotech and health care; as well as automotive design, research and engineering. Leading companies and corporations such as Google, Domino’s, Trinity Health, Hyundai/Kia, Truven Health, Toyota, Thomas Reuters, CitiMortgage, Integrated Health Associates, Citizens Insurance, DTE, and Pro Quest call Ann Arbor home.

Ann Arbor and Washtenaw County claim approximately 119,000 and 350,000 residents respectively, and population growth in both are among the strongest in Michigan and the Midwest. The community has young, affluent and highly educated residents, with 46% of the population between 18-34 years of age, an average household income of \$76,093 and 74% of the population holds an associates degree or higher.

TOP EMPLOYERS	# OF EMPLOYEES (EE)
University of Michigan Medical Center	20,000 EE
University of Michigan	18,191 EE
Trinity Health Corporation	5,648 EE
Eastern Michigan University	1,866 EE
Faurecia North America	1,650 EE
Toyota Technical Center	1,500 EE
VA Medical Center	1,235 EE
Thomson Reuters	1,100 EE
Citi Mortgage	1,100 EE
Integrated Health Associates Inc.	1,016 EE
Terumo Cardiovascular Systems	800 EE
Citizens Insurance Co.	750 EE
Truven Health Analytics	730 EE
JAC Projects Inc.	674 EE
Edwards Brothers Malloy Inc.	630 EE
Zingermans’ Family of Business	590 EE
Sheridan Books, Inc.	580 EE
DTE Energy Co.	577 EE

Source: Moody’s Analytics, 2014

Ann Arbor consistently ranks among the top cities in the U.S.:

America’s Best Main Streets, Fodor’s Travel, 2014
#4 Most Walkable City, Governing.com, 2013
Ranked 13th & 14th Best Place to Live in 2013 and 2014, respectively, Livability.com
#2 Top College Town in 2013, Livability.com
Ranked 6th Smartest American City, VentureBeat, 2014
One of Ten Coolest Cities in the Midwest, MSN Travel, 2013



Access to Ann Arbor

Ann Arbor is connected to the world via a network of air, highways, bus and rail transportation.

Air Transportation

Detroit’s Metropolitan Airport (“DTW”), which consistently ranks in the top 20 airports in the nation for the number of passengers served, is located within 20 minutes from Ann Arbor along eastbound I-94. In 2010, DTW ranked 11th in the nation and 16th in the world for the number of aircraft operations. Recently, *Travel and Leisure* ranked DTW as the third best airport in the country.

The Ann Arbor Airport is situated just south of I-94 at the intersection of State and Ellsworth Roads. This airport operates 24 hours a day, and serves business, corporate, public, and private flights, air ambulance service, flight instruction and charter services.

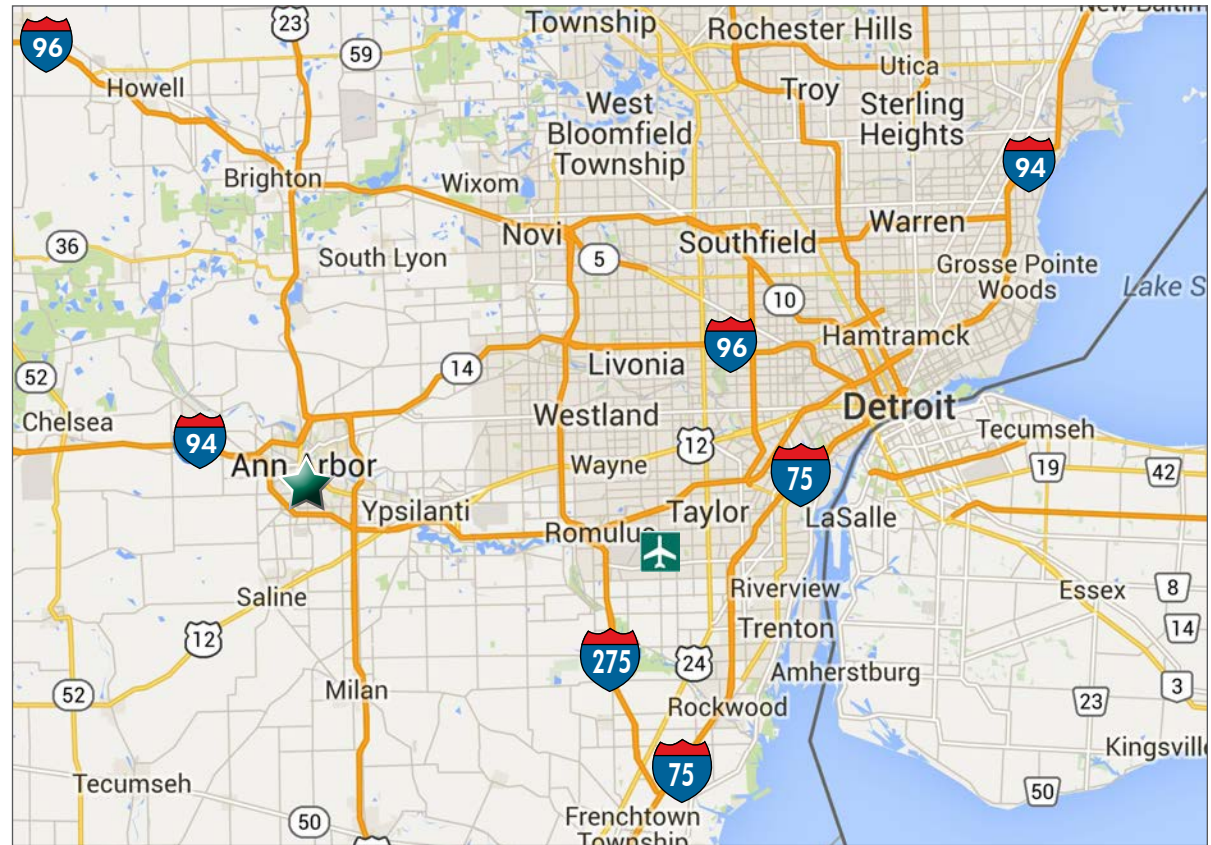
Interstate / Highway Transportation

Ann Arbor is supported by a strong highway system with US-23, M-14, and I-94 encircling the City and providing immediate access to the surrounding areas. US-23 travels in a north/south direction from Flint and connects with I-75 leading into Ohio. Traveling in an east/west direction, M-14 connects with I-94 and I-275, respectively. M-14 to the east connects with I-275, which travels in a north/south direction, and links Ann Arbor to Detroit’s suburban areas. I-94 traverses the area in an east/west direction from Port Huron to Chicago.

Bus and Rail Transportation

The Blake Transit Center, the hub of The Ride - the Ann Arbor Area Transportation Authority - recently opened at new \$8.1 million LEED Gold facility immediately across the street from the subject property, providing outstanding connectivity to the entire region. The AAATA is one of Michigan’s best public transit services and has substantial ridership. Between October 2013 and September 2014, more than 6.3 million fixed route rides were taken.

A number of rail lines serve the Ann Arbor region, including Amtrak, Ann Arbor Railroad, Norfolk Southern and Great Lakes Central Railways.





The Property

The Property is located in Downtown Ann Arbor, a celebrated urban lifestyle community with an eclectic mix of the city’s most popular dining and entertainment options. The primary commercial corridor in Ann Arbor, Main Street, is just two blocks away from the site and the University of Michigan’s central campus is enmeshed in downtown. Other major draws include City Hall, the Michigan Theater, The Ann Arbor District Library and Michigan Stadium.

RECENT NEARBY SIGNIFICANT COMMERCIAL REAL ESTATE DEVELOPMENTS	
Ann Arbor City Apartments (201 S. First)	155 Units
Zaragon West (401 Thompson Street)	99 Units/199 Beds
Landmark (1300 S. University)	606 Beds
Sterling 411 Lofts (411 Washington Street)	96 Units/345 Beds
618 S. Main - under construction	164 Units/195 Beds
The Foundry - under construction (413 E. Huron Street)	209 Units/513 Beds
ArborBLU - under construction (624 Church Street)	123 Units/234 Beds
414 N. Main - under construction	18 Units
121 Kingsley West - under construction	22 Units
Residences at Montgomery House - under construction (212 S. Fourth)	30 Units/48 Beds
Residence Inn - under construction (120 W. Huron Street)	Retail & 110 Room Hotel
Ruth’s Chris Steakhouse (314 S. Fourth Avenue)	Restaurant
The Varsity 425 E. Washington Street	181 Units/415 Beds





UNIVERSITY OF MICHIGAN OVERVIEW

The University of Michigan provides a stable source of employment and income for Ann Arbor residents. The University of Michigan is the state’s oldest university, established in 1817, and in 2014 was called one of “The World’s Top 25 Universities” by *Forbes*. The institution now has campuses in Ann Arbor, Dearborn and Flint. Ann Arbor is known as one of the best college towns in the country, with a campus that encompasses 3,244 acres and serves as the main hub to 19 of the university’s 28 schools. The three campuses together house 616 major buildings and more than 42,000 students.

The University of Michigan is home to one of the largest health care complexes in the world, the University of Michigan Health System (also known as University of Michigan Hospital). It has been the site of many ground-breaking medical and technological advancements since the Medical School first opened in 1850. According to *U.S. News and World Report*, it’s among the best in the nation in a broad range of adult and pediatric specialties. The health system features three hospitals, 40 outpatient locations and more than 120 clinics and 919 beds. Michigan receives over \$374 million in research expenditures annually, the largest research expenditure for any university in the country.

The continued expansion of the University of Michigan is encouraging. The University is spending greater than \$1.7 billion on renovation projects and new construction in Ann Arbor in coming years. New projects include:

- Munger Graduate Residences, an eight-story, 600 bed facility, is one of just two new dormitories the university has constructed since 1980, a \$185 million investment.
- Stephen M. Ross School of Business, includes the construction of a new academic building and renovations to existing buildings.
- Biology Building, a \$261 million investment, represents the largest new construction project (in planning phase).
- School of Nursing facility, a \$50 million investment.

Academic Profile

The University of Michigan has a Fall 2014 enrollment of 43,625 students (approximately 28,400 undergraduates) in 215 academic programs. Students come from 50 states and the District of Columbia with more than 6,000 students from 114 countries. There are over 6,200 members of the faculty, including National Academy members and Nobel and Pulitzer Prize winners.



The University excels in its nationally ranked schools of Medicine, Law, Business, along with the humanities, social sciences and STEM fields. Michigan has more than 200 undergraduate majors, 100 doctoral and 90 master’s degree programs. The Stephen M. Ross School of Business is considered one of the best undergraduate business programs in the nation.

The University is currently ranked #20 in Research Universities, #4 in the Midwest and #30 Overall on the America’s Top Colleges list by *Forbes* and was ranked #28 on the Best Colleges list by *U.S. News* in 2014.



Cultural Mecca

Ann Arbor is home to world-class arts, cultural and entertainment facilities on campus, including the University of Michigan Museum of Art, Hill Auditorium, the Lydia Mendelssohn Theatre and the Power Center for the Performing Arts. The school offers hundreds of performances and public lectures a year, most of which are free to attend. Ann Arbor is home to diverse street festivals, including the world famous Ann Arbor Art Fair, and Michigan Theater, one of the official venues for Sundance Film Festival USA. Ann Arbor is also home to the Gerald R. Ford Presidential Library.

Sports

Forbes has named Ann Arbor one of the number one college sports towns in the country. The University of Michigan is in the Big Ten Conference, with 27 men’s and women’s varsity teams. The campus hosts numerous major sporting events each year. Michigan is known for its outstanding tradition in collegiate athletics, including men’s basketball, football, hockey, track and field, baseball, tennis, swimming and soccer.

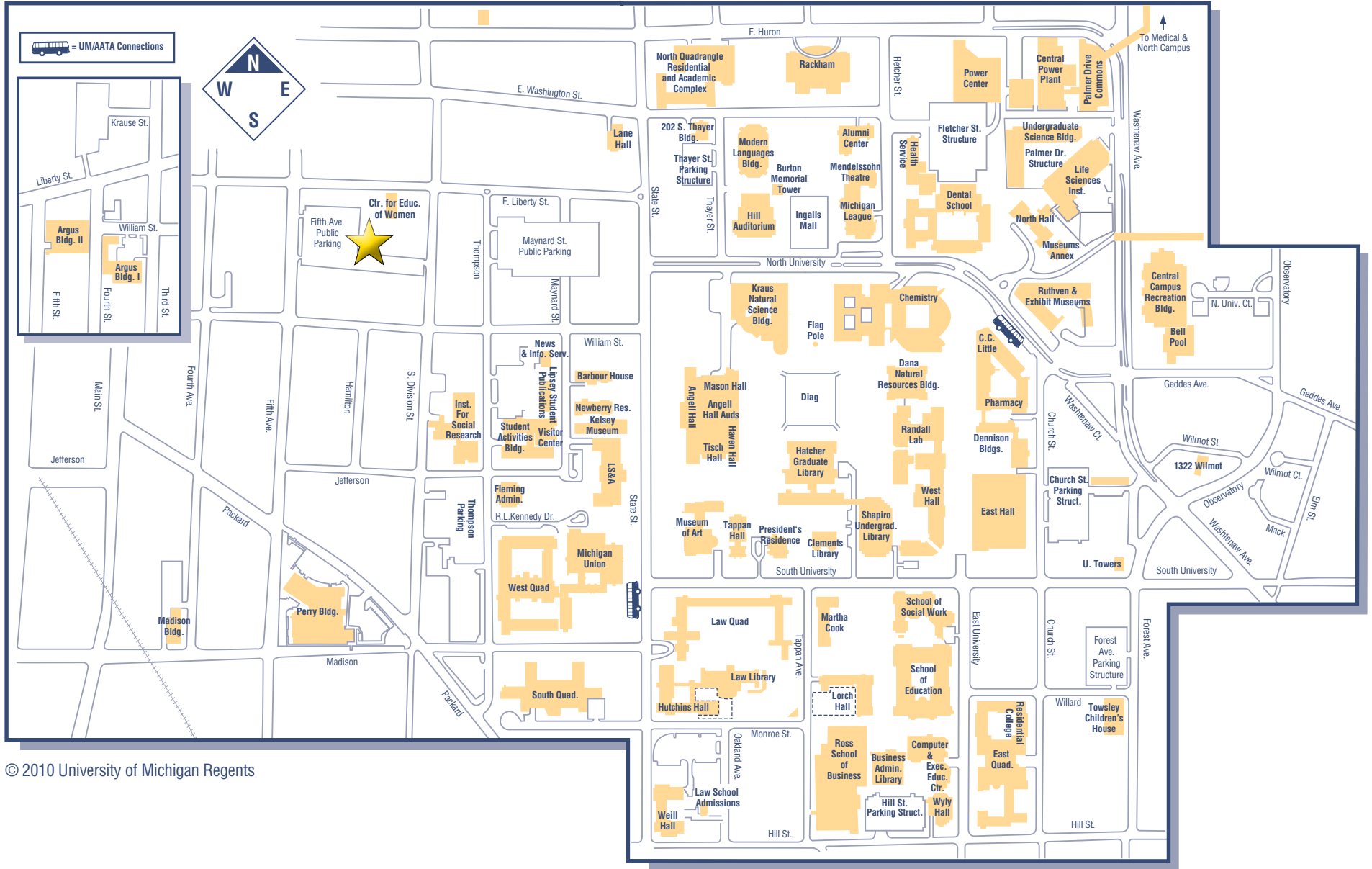
Athletic facilities include the largest football stadium in America, Michigan Stadium – the “Big House” with 109,901-seats (capable of hosting over 115,000), 12,707-seat Crisler Center, Yost Ice Arena, Cliff Keen Arena, Wilpon Baseball and Softball Complex, Canham Natatorium, U-M Soccer Stadium, Varsity Tennis Center and U-M Golf Course, among others. Michigan’s recreational sports program for its students is recognized as being among the best in the nation.

Nearby Detroit provides abundant professional sports, including the NFL’s Detroit Lions, NBA’s Detroit Pistons, MLB’s Detroit Tigers and NHL’s Detroit Red Wings.





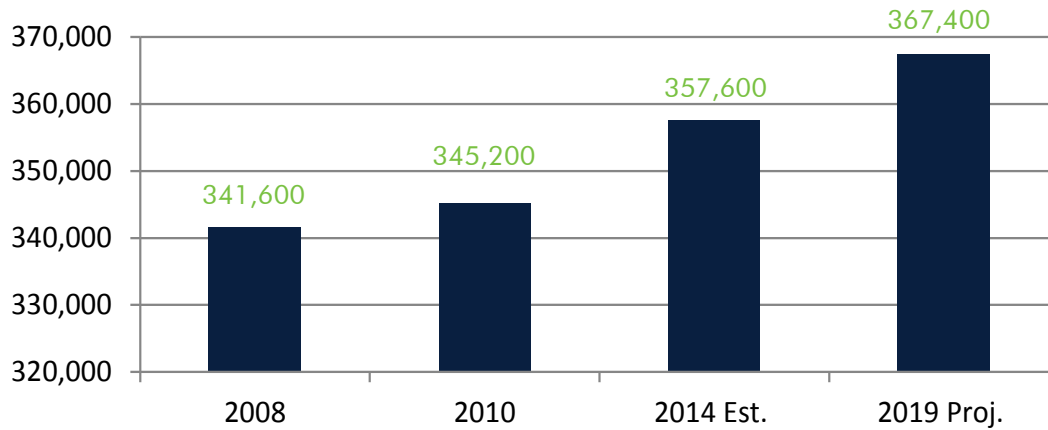
University of Michigan Central Campus



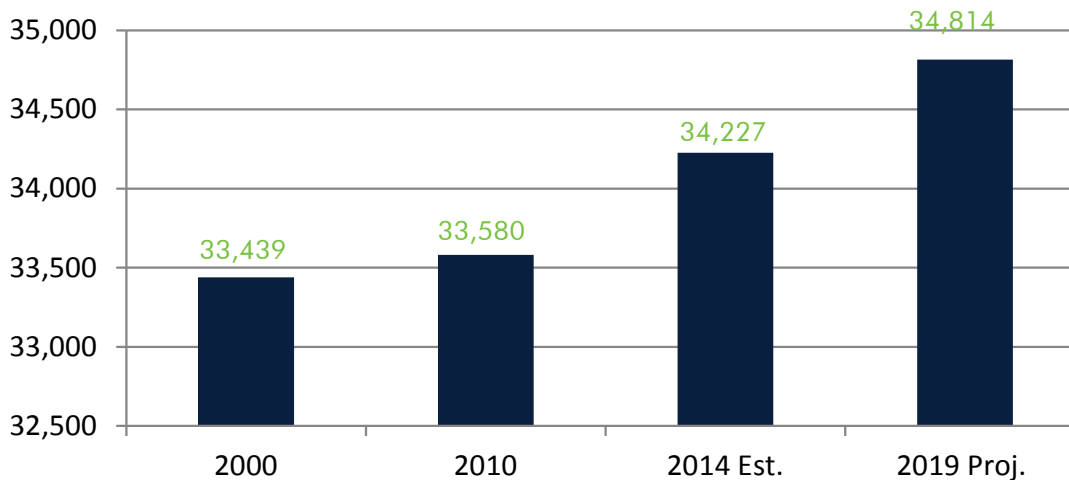
© 2010 University of Michigan Regents



WASHTENAW COUNTY MARKET OVERVIEW | POPULATION TRENDS



POPULATION WITHIN 1-MILE RADIUS OF SUBJECT SITE



UNIVERSITY OF MICHIGAN TOTAL ENROLLMENT

2014 -2015	22,111	Non-Michigan	43,625 Total Students
2013 -2014	21,763	Non-Michigan	43,710 Total Students
2012 -2013	21,148	Non-Michigan	43,426 Total Students
2011 -2012	20,121	Non-Michigan	42,716 Total Students
2010 -2011	19,338	Non-Michigan	41,924 Total Students
2009 -2010	18,313	Non-Michigan	40,166 Total Students
2008 -2009	18,058	Non-Michigan	39,534 Total Students
2007 -2008	18,070	Non-Michigan	39,564 Total Students
2006 -2007	17,488	Non-Michigan	38,681 Total Students



27.5

Ann Arbor Median Age
in 3 mile radius of subject site



46% Population

Between 18-34 years of age



Enrollment

11.28%

Increase from
2006/2007 - 2014/2015
Academic Years



Enrollment

26.4%

Increase in
Non-Michigan
Residents



\$76,093

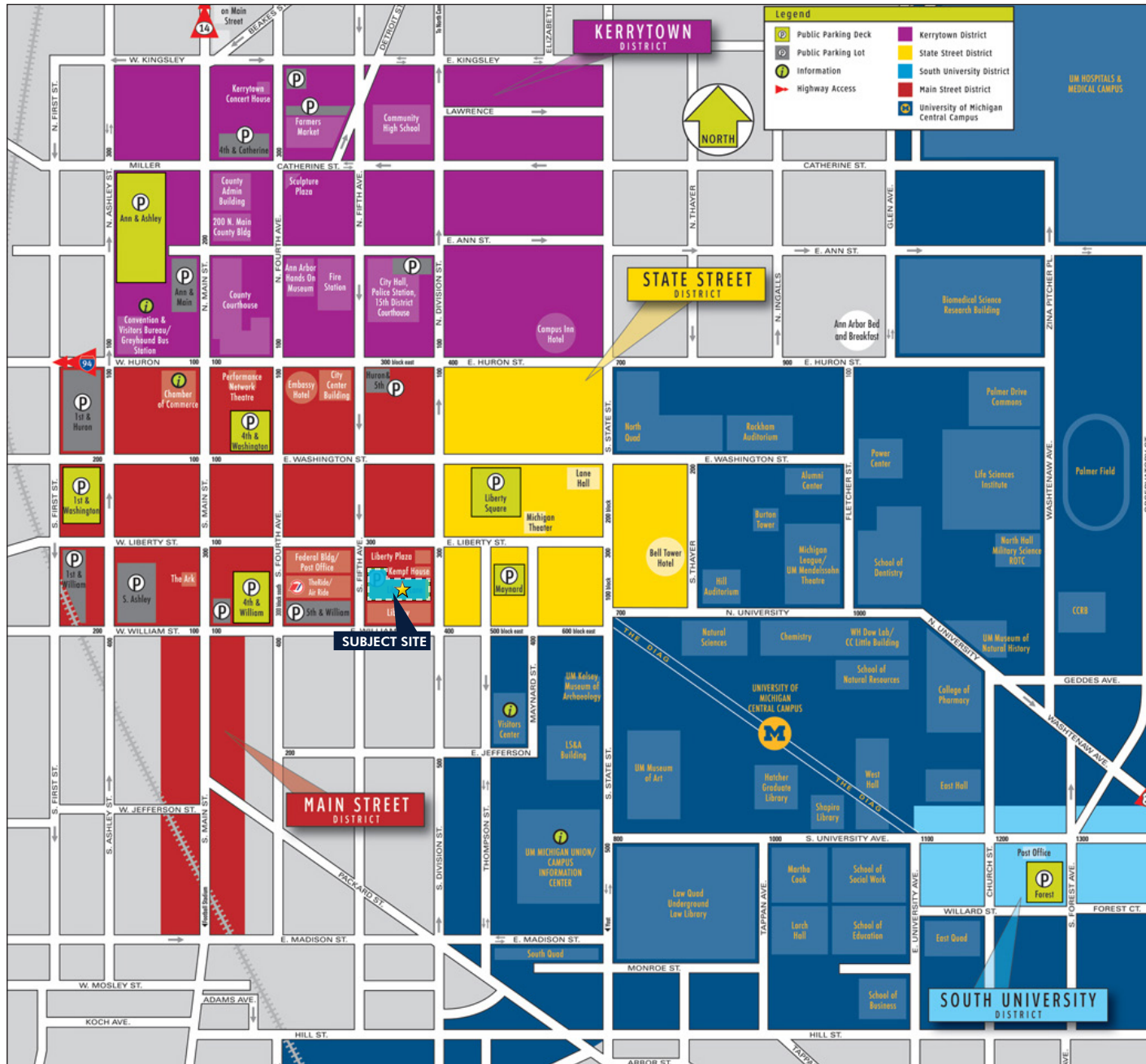
Average Household
Income



74%

Hold Associates Degree
or higher





Source: <http://www.a2dda.org/wp-content/uploads/Walkmap.pdf>



GETTING AROUND THE FAIR

ART FAIR TROLLEY

- Trolley links all fairs (see map for stops/route)
- Trolley tickets (ride all day), \$1
- Five and younger ride free



PARKING AND PARK & RIDE OPTIONS

(See map for routes & stops. Complete info online including directions to shuttle lots, www.theannarborartfair.com)

Downtown parking structures and lots

- Parking fee: \$12 per day; \$6 after 5pm



ALL PARK & RIDE SHUTTLES

- Frequency & Service: 10-15 minutes
- Wed-Fri 9am-10pm; Sat 9am-7pm
- Five and younger ride free
- Pets not allowed; service animals welcomed

AAATA ArtFairRide, www.theride.org



- Two locations: Pioneer High School and Briarwood Mall
- Parking free
- Round-trip \$3; One-way \$1.50
- Students grade K-12, age 6-18, student I.D. required upon request & Fare Deal cardholders, One-way \$.75
- Seniors age 65+ with an AAATA issued Good as Gold card and ARide cardholders ride free
- Shuttle stops: Main St. at William and State St. at Madison (see map for stops/routes)
- Buses return to both parking locations from either shuttle bus stop



Trinity Westside & Northside Art Fair Park & Ride Shuttles

- Parking free • Round-trip \$3
- Westside: Maple Village (155 N. Maple Rd 48103)
Shuttle stops: Washington at Main and at State
- Northside: Huron High School (2727 Fuller Rd 48105)
Shuttle stops: Washington at Fletcher and Forest at S. University (see map for stops)

Buses & Trolley are wheelchair accessible and air-conditioned. Wheelchairs are available at the fairs, (800) 530-0714 for info.



2014 ANN ARBOR ART FAIR

Wednesday, July 16th through Saturday, July 19th
Wednesday-Friday, 10 am-9 pm, Saturday, 10 am-6 pm

Comprised of four, award-winning, juried art fairs, this renowned event transforms Ann Arbor into an impressive outdoor art gallery showcasing the best in fine art and fine crafts.

- Ann Arbor Street Art Fair, the Original (55 yrs)
734.994.5260 www.artfair.org
- State Street Area Art Fair (47 yrs)
734.663.6511 www.a2statestreetareaartfair.com
- The Guild's Ann Arbor Summer Art Fair (45 yrs)
734.662.3382 www.annarborsummerartfair.org
- Ann Arbor's South University Art Fair (15 yrs)
734.663.5300 www.a2southu.com

THINGS TO SEE AND DO

- Learn about and buy art from the nation's best artists
- 3 entertainment stages • Artists' demonstrations
- Family-friendly interactive art activities (see map)
- More than 150 restaurants and 6 outdoor food courts
- Distinctive shops and galleries • Special sidewalk sales

GETTING TO THE FAIRS

For highway and road construction information:
www.wcroads.org, www.michigan.gov/mdot / or
www.a2gov.org

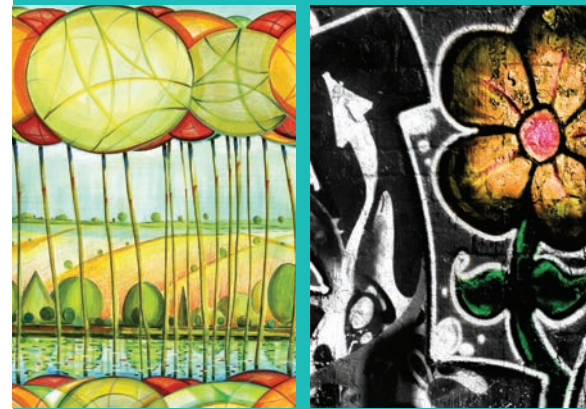
FOR MORE INFORMATION

- The Ann Arbor Area Convention and Visitors Bureau
734.995.7281; 800.888.9487 www.visitannarbor.com
- Ann Arbor Area Transportation Authority
734.973.6500 www.theride.org
- Main Street Area Association
734.668.7112 www.mainstreetannarbor.org
- City of Ann Arbor Safety Services Emergency and Non-Emergency Number 734.994.2911 www.a2gov.org

FEATURED ARTISTS (cover art)

- Top left: Featured artist, Rick Loudermilk; Ann Arbor's South University Art Fair
- Top right: Featured artist, Bruce Reinfeld; The Guild's Ann Arbor Summer Art Fair
- Bottom right: Featured artist, Nick Wroblewski; Ann Arbor Street Art Fair, the Original
- Bottom Left: Featured artist, Midori Ueda-Okahana; State Street Area Art Fair

www.TheAnnArborArtFair.com

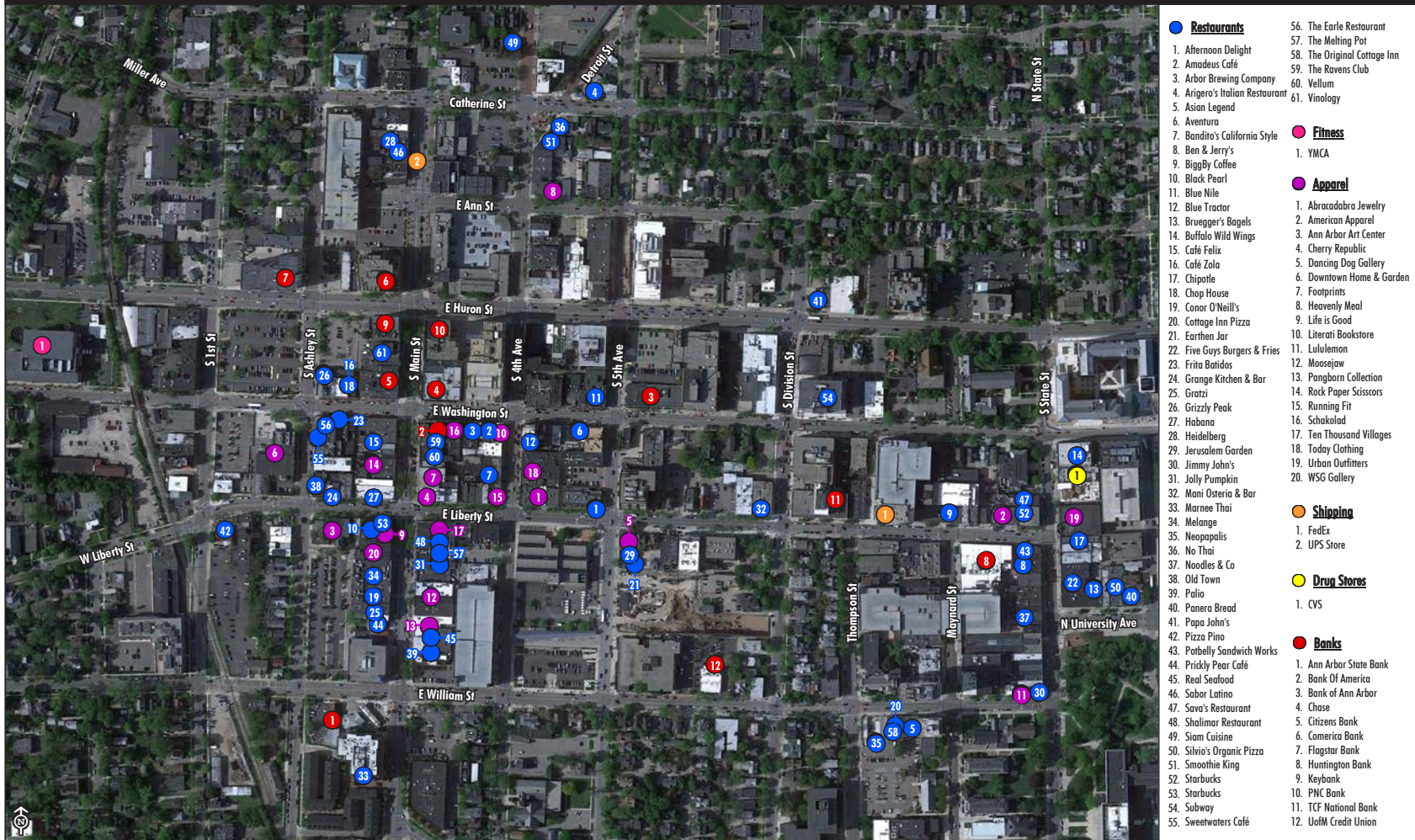




Retail

Downtown Ann Arbor is a vibrant, strong retail market. The potential redevelopment opportunity of the subject site is enhanced by the proximity to Main Street surrounded by downtown retail, restaurants and residential. With the U of M, UM Hospital and many biotech, automotive and IT companies locating in the area, Ann Arbor will continue to have a robust economic climate. The site is a couple of blocks from retail spines along Main Street and Liberty Street, and next to the Ann Arbor District Library, which has nearly 600,000 visitors each year. Rents are in the high \$30s/sq. ft. NNN and potentially in the low \$40s/sq. ft.

ANN ARBOR REPRESENTATIVE RETAIL



Retail 24/7.

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Office and High Tech

Located 40 miles west of Downtown Detroit, the Ann Arbor office market is the area’s fifth largest suburban Detroit office market. Known for its strong well-leased office base, the market consists of 8.3 million square feet or 8.7% of the entire suburban Detroit office market. The Ann Arbor area serves as a premier office location for a plethora of corporations. Con-Way Corporation, Thompson Reuters, DTE Energy, Domino’s Pizza, Google, NSF, Toyota and ProQuest are just several of the many companies that have a significant office presence in this market. Ann Arbor separates itself from the rest of metropolitan Detroit by showcasing a high-end market attributed to corporate research and development, federally funded laboratories, institutes of higher learning and innovation based business. The Ann Arbor office market continually outperforms its suburban counterparts and has maintained strong occupancy levels during challenging economic periods.

The lack of significant construction and strong demand for space in Ann Arbor has made a powerful impact on the market vacancy rate which has decreased from 15.9% since the beginning of 2010 to 8.0% as of the end of 2014. The downtown Ann Arbor office market is the strongest submarket in the Ann Arbor area. CBRE currently tracks 48 properties, over 10,000 sq. ft. totaling +/- 1.62 million square feet of office space. The current vacancy rate for the downtown CBD’s office market is 3.85% which is well under the 5 year average of 8.5%. Asking rates vary significantly, but the Class A property average asking price is \$26.00 - \$28.50 gross plus utilities. Of the 48 properties, only 13 buildings are larger than 50,000 sq. ft. The largest contiguous block of space currently available is roughly 10,000 sq. ft.. The downtown market is currently at a standstill given the lack of supply, and this is greatly restricting companies from expansion and providing a barrier to new companies that want to locate downtown.

The technology cluster has been a growing sector for Ann Arbor’s economy. In fact, Ann Arbor has many accolades including “Top 20 Metro Areas for Venture Capital” (*The Fiscal Times*, 2013), “America’s Top 25 High-Tech Hotspots” (*The Atlantic Cities*, Richard Florida, 2013) and “The 7 Top Tech Hubs Among America’s Small College Towns” (*The SquareFoot Blog*, 2014). Ann Arbor’s proximity to a major research university, along with its highly educated workforce, quality of life and diversity, together align closely with the high tech industry. Ann Arbor SPARK, a public-private initiative of the City of Ann Arbor, promotes the growth of the high tech companies. Ann Arbor is home to a large portfolio of information technology companies, including those focusing on software and apps, most prominently a Midwestern outpost for Google. Others firms are rapidly growing and taking more office space, including Duo Security, Barracuda Networks and Prime Research.



Downtown Office Vacancy Rate
3.85%





Multi-Family Housing/Residential

Downtown Ann Arbor residential can be described as robust and booming. A September 13, 2014 article in the *Detroit Free Press* was titled “Ann Arbor Experiencing a Boom in High-End Apartments and Condos.” High rise, high end apartments and condos have come out of the ground at record rates. Unlike peer cities, demand is coming from not only students, but young professionals, empty nesters/alumni and others. Based on market trends and our recent experience in the Ann Arbor market, we believe that multifamily and/or condo mixed use development projects will be strong opportunities at the Property.

566 Housing units are currently under construction downtown		
618 S. MAIN	164 units	2015
THE FOUNDRY	209 units	2015
ARBORBLU	123 units	2015
414 MAIN STREET	18 units	2015
121 KINGSLEY WEST	22 units	2015
RESIDENCE AT MONTGOMERY HOUSE	30 units	2015

Source: http://www.a2dda.org/wp-content/uploads/CurrentProjects/Stateof-Downtownreport_web.pdf

±\$2.30 - \$2.60

NEWLY CONSTRUCTED

PRODUCT \$/SQ. FT.

*Among the highest in the state

1.8%

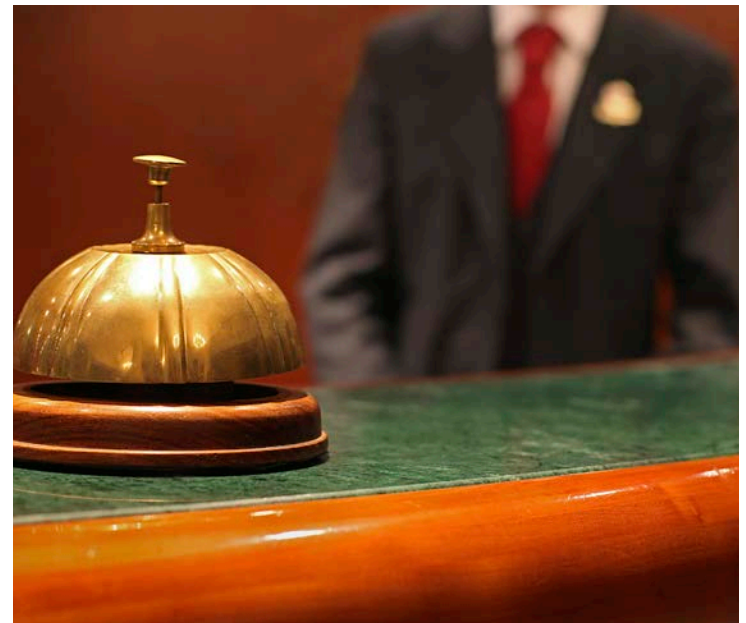
VACANCY RATE

(September 2014)



Hotel and Hospitality

A modern and well managed hotel located at the Property could be an attractive alternative for many travelers to Ann Arbor, particularly those visiting the University. AirRide airport service to DTW is located across the street. Based on market trends and our recent market study in the Ann Arbor market, performed by PFK Consulting USA, a CBRE company, we believe that a hotel development is a viable option, coupled with retail space on the first floor and some mix of apartments or condominiums and perhaps office space.





INTRODUCTION TO OPPORTUNITY

The City is pleased to issue this Offering Memorandum (“OM”) seeking qualified Respondents (each, a “Respondent”) to acquire certain city-owned property in downtown Ann Arbor located at 319 S. Fifth Street, Ann Arbor.

Interested parties are responsible for reviewing and becoming familiar with the contents of all portions of this OM and all other documents to which this OM refers and all appendices and addenda to this OM. Background is available on the City’s website (<http://a2gov.org>). All appendices and any later addenda are included and incorporated into this OM. The failure of an interested party to review and become familiar with the contents of any later addenda will not relieve a Respondent to the OM from the responsibility for complying with the terms thereof.

PROPERTY OVERVIEW

i. Current Site Conditions

Users and Owners

The Property is ±35,112 Sq. Ft. (0.806 acres) and is located in downtown Ann Arbor, Michigan. The Property is located on a recently completed, city-owned 711 underground parking structure. Property is part of the Downtown Development Authority (DDA) and the Local Development Finance Authority (LDFA).

ii. Environmental Conditions

Phase I and Phase II Environmental Surveys on the Property will be available on the City website at <http://a2gov.org>. Having a newly constructed underground parking garage on the property, there are no known existing environmental conditions. Any prospective purchaser shall not rely on the findings as outlined herein or in these Phase I and II reports but should independently satisfy themselves as to the condition of the Property; THE CITY MAKES NO REPRESENTATIONS OR WARRANTIES CONCERNING THE ENVIRONMENTAL CONDITION OF THE PROPERTY.





iii. Zoning

The Property is zoned D-1 - Downtown Core District which provides for the highest density allowed in Ann Arbor. Information regarding the intent, permitted uses, conditional uses, and development standards for the D-1 District is located under Title V, Article II of the Ann Arbor Municipal Code, a link to which is located at <http://a2gov.org/zoning>.

This district is intended to contain downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office and commercial development. This zoning designation provides for a maximum FAR of 400%, or 700-900% with premiums and a maximum height of 180 feet. Premiums are floor area bonuses earned by providing downtown amenities such as housing, LEED construction and public space. Other requirements pertain to use, height, floor area, setbacks, building massing and required parking. For purposes of the Property's FAR, Respondents may utilize the total Library Lane parcels consisting of ±1.56 acres.

The Property is also regulated by the Midtown character overlay zoning district, which supplement the regulations for zoning districts in the downtown to reflect the diversity of historical and built environments within the downtown. These character overlay zoning districts account for differences in the existing street pattern, density, massing and design features that exist throughout the downtown, in addition to the intent of the city for the future development of each area. The Property is in the "Midtown character district" – which according to the ordinance "is framed on all sides by other downtown character districts and contains the Fifth Avenue civic corridor. At present, this district lacks a strong sense of identity and is a place where creation of a new context should occur. The intent for this district is higher density development with a strongly defined street edge and active open spaces."

Any development of the Property will require advisory review by the Design Review Board for consistency with the Downtown Design Guidelines covering site design, building massing and articulation, and architectural features such as windows and materials. While not mandatory for properties not within a designated historic district, developers are encouraged to comply with the guidelines. The East Liberty and East William Historic Districts are adjacent or near the Property, however, the subject property is not in a historic district.





iv. Use and Activities

The Ann Arbor City Council has made the commitment to the community to reserve 12,000 sq. ft. fronting the site for a civic plaza or other public space. The City is open to creative proposals including incorporating such public use space into a development. The City hopes the selected developer will create something special for the community and partner with the City on a visionary, place-making space in Ann Arbor's downtown. Other uses for the Property include (and may be a combination of two or more):

- Office
- Retail
- Residential (market rate and/or affordable housing and not targeting only one market segment)
- Place-making elements/smart growth and new urbanism
- LEED Certified/Green Building

v. City Investment in Infrastructure

In 2012, the City constructed a parking structure on the Property. Its investment of over \$50 million is reflected in a state-of-the-art, sustainable parking facility containing 711 underground spaces. Further, it was designed and constructed for future high density development, a significant value to a developer of the Property. The site was constructed to be "development ready", including such utilities as water mains and electricity.

The structure was designed and constructed to provide a service life of more than 75 years, which can be extended well beyond 75 years with proper maintenance, inspections, and repairs as necessary.

The City is entitled to exclusively transfer up to 200 parking permits in the underground garage for the exclusive use of a developer. Other garage spaces may be procured by individuals on a monthly or daily basis. In addition, there is also parking in nearby public garages and surface lots that may be independently secured by a developer, company and/or employees or residents.

Further information about the design of the underground parking structure may be obtained in a Library Lane Underground Structure Summary of Provisions for Future Development document prepared by Carl Walker, Inc., the prime consultant and structural engineer, available upon request.

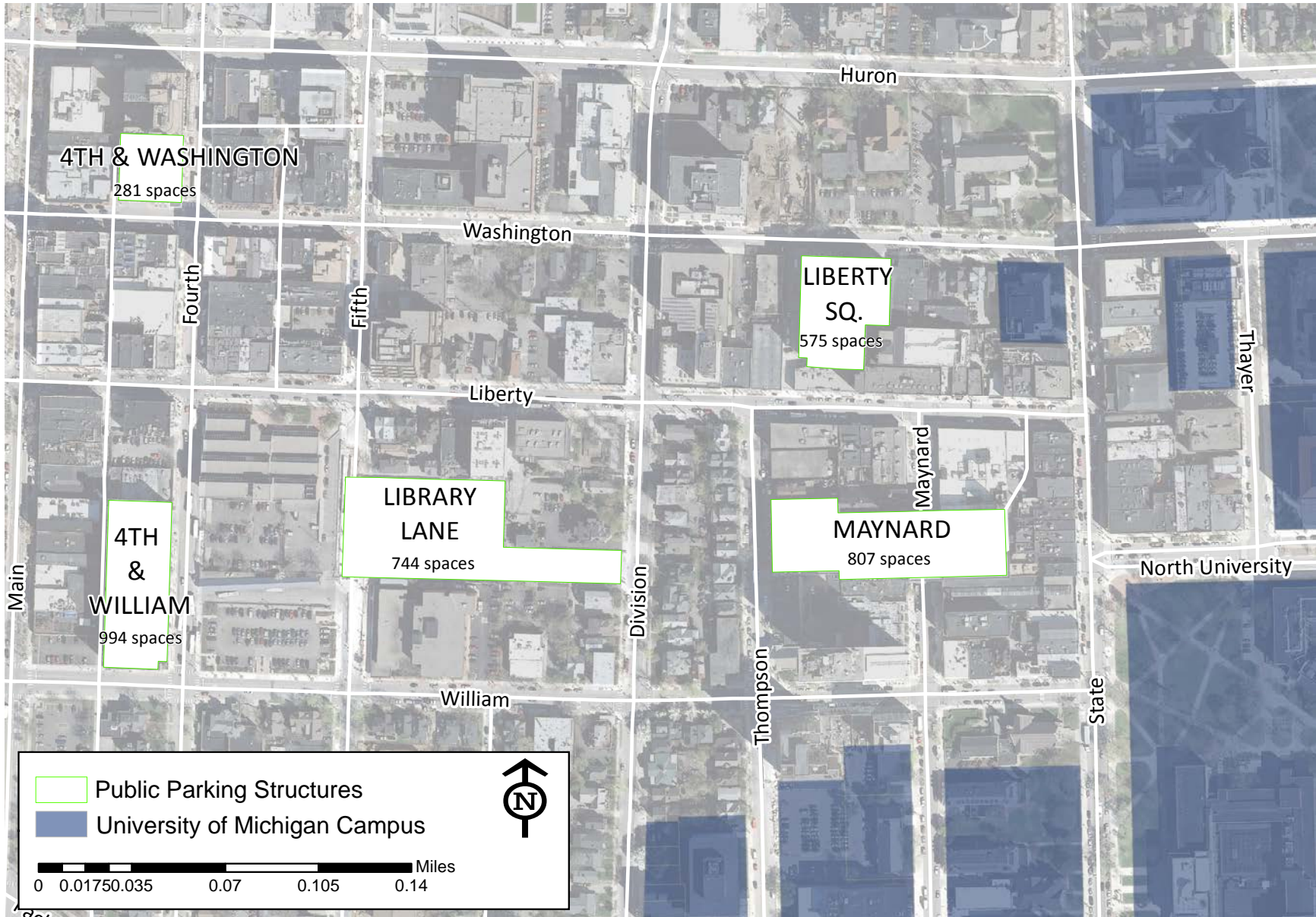
vi. Additional Information

Tax Increment Financing - There are two Tax Increment Financing (TIF) districts overlaying downtown Ann Arbor, and nearly all new taxes generated on this site would be captured by these two TIFs. The Local Development Finance Authority (LDFA/Smartzone) receives a TIF from new taxes caused by development utilizing the school operating mileage. The State repays the local school district for these taxes, so their funding remains whole. The LDFA contracts for services by Ann Arbor SPARK to educate and support entrepreneurs who are starting up technology companies with potential for large and rapid growth in the city. The Ann Arbor Downtown Development Authority (DDA) TIF is captured from new taxes generated by development that would otherwise go to the City, Washtenaw County, Washtenaw Community College and Ann Arbor District Library. The DDA works to strengthen downtown and encourage private investment in a variety of ways, including constructing large infrastructure projects such as the underground parking structure on this site, operating the public parking system, undertaking transformative streetscape improvements and providing grants.





Public Parking Structures Serving the Library Lane Site





DETAILS OF PROPOSAL

Developers are required to include a detailed and comprehensive proposal. The City reserves the right to request additional information during the evaluation of submitted proposals, to disqualify any proposal that fails to respond to any requirements outlined in the OM, and in its discretion to accept or reject any proposal with or without cause. Submission of a proposal indicates acceptance of the terms and conditions of the proposal unless clearly and specifically noted in the proposal submitted. The following attributes are required:

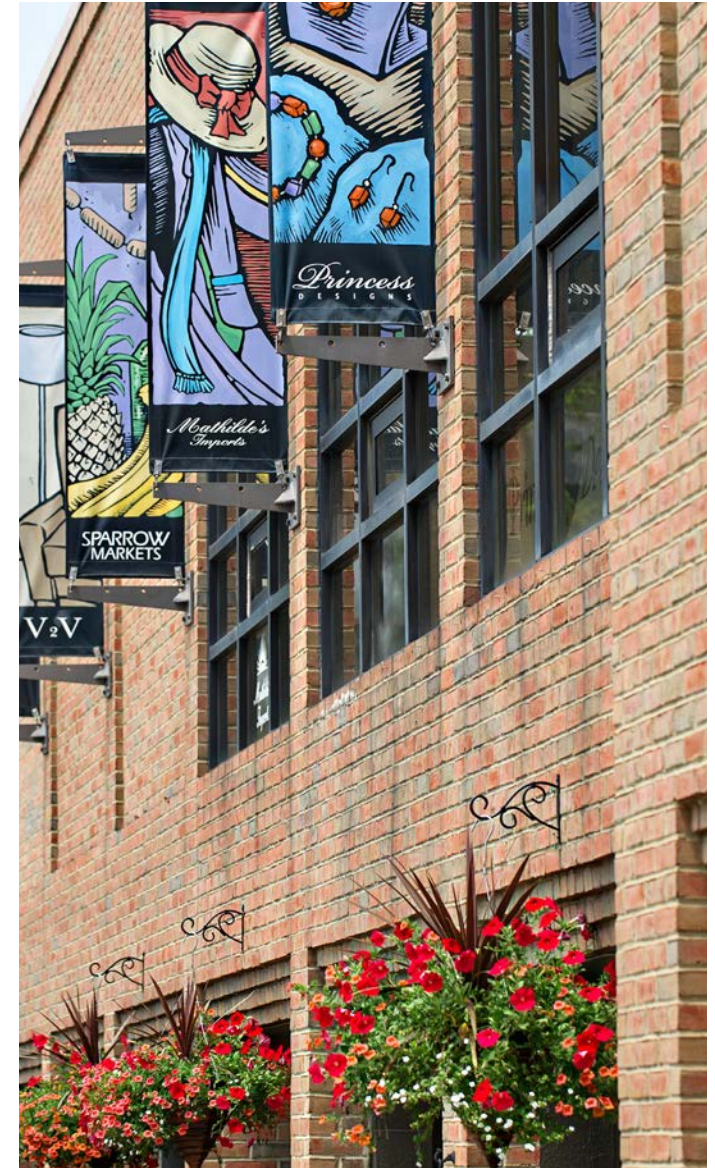
Project Concept Summary

Provide a concise narrative summary of the project concept, including:

- General description of the vision and proposed project concept for the Property
- Breakdown of the Property's various concepts and/or uses
- Total Consideration
 - Pricing per square foot of office space if proposed
 - Pricing per square foot of retail space if proposed
 - Pricing per square foot of residential space if proposed
 - Pricing per square foot of hotel/hospitality space if proposed
 - Outline of Purchase Terms
- Outline of Development Terms
- Outline of economic incentives which the developer expects to apply for, if any.
 - Developers must provide a complete outline of justifications related to its future application.
- Proposed Comprehensive Development Schedule through Final Certificate of Occupancy.
- Economic Impact of development (including tax revenues)
- The City will consider proposals that propose developments including property not owned or contributed by the City that is adjacent to the subject property.
- Community engagement and relations plan

Physical Details

- Total Square Footage
- Total number of parking spaces required in underground parking garage on the Property and located in surrounding parking garages
- Proposed types of uses
- Square footage of retail space (if proposed)
- Square footage of office space (if proposed)
- Number and type of residential units and type (condo/apartments)(if proposed)
- Square footage, number and type of hotel units and other hospitality (if proposed)
- Square footage and types of other uses
- Amount and type of open spaces
- Green building features
- Architectural plans, designs and renderings





Developer/Development Team Qualifications

- Organizational structure
 - Legal Name
 - Principals
 - History of Firm
- Key professional assigned (how many and their role)
 - Copy of resume and qualifications
- Experience (national and local)
 - In-house capabilities (i.e. Design, CM, Equity position, etc.)
 - Subcontracting relationships
 - Total number of projects the last 10 years; case study with type/nature of project and principal contact on the project
 - Total square feet of urban projects financed/developed the last 10 years
 - Other relevant experience
- Provide financial statements for your firm
 - Litigation, administrative or regulatory proceedings pending and within the last 5 years where the Firm or any of the professional team were named a party

Ownership Objectives (Short / Long Term) and Financial Details

- Equity source and required approvals
- Percentage of total project costs to be funded with equity
- External equity partner(s) and urban development experience
- Source of debt funding and details
- Details of debt structure (term assumptions)
- Total Project Cost (including all developer costs and 3rd party fees)
- Developer's fee (included in Total Project Cost)
- Total cost of funds

Development Process

- Project Scope
- Design involvement
- Developer's approach to engage with City and Community
- Knowledge and involvement with/of local construction trades and MBE and WBE
- Degree of transparency (i.e. open book)
- Overview of developer's resources and process approach
- Construction Management (CM) capabilities (internal / external)
- Ownership structure of controlling development organization
- Relationships with other firms involved in the project
- Specific projects similar to this opportunity
- Percent business dedicated to urban development
- Up to five (5) references for similar projects
- Experience with energy and efficiency innovations in building and site development, green building and other sustainable development standards or best practices
- Public space management experience, if any





ADDITIONAL INFORMATION

CBRE Agency and Project Fee

CBRE is providing advisory services to the City of Ann Arbor and owes its duties solely to the City of Ann Arbor. The contract between the City and CBRE requires that the selected Developer compensate CBRE a project fee equal to three percent (3.0%) of the Total Project Cost. Total Project Cost is defined as the total sum of the project including land, construction, architectural, and design fees of all elements of the project. Terms and conditions of the fee will be outlined in a separate agreement between CBRE and the selected Developer to be executed prior or simultaneously with the Development or Project Agreement. Such fee should be included in developer pro-formas. The City shall make all decisions concerning the selection of Respondents. Co-brokers shall not be recognized.

Communication Restrictions

Except for submittals of questions as described herein, effective upon the issuance of this OM Respondents are prohibited from contacting, engaging or speaking directly to employees, officials, Respondent, agents, or representatives of the City regarding this OM and Project. This communication restriction is effective until the City announces its decision. Any inappropriate or unauthorized communications may result in the disqualification of Respondents.

Additional Provisions

1. **No Obligation to Proceed** – The City is under no obligation to proceed with this project or any subsequent project, and may cancel this OM at any time without the substitution of another, if such cancellation is deemed in the best interest of the City. Furthermore, the City may reject any and all proposals, to waive any irregularities or informalities in a proposal, and to issue a new or modified OM, if it is found to be in the best interest of the City.
2. **Proposals Withdrawal and Modification** – The City may allow a Respondent representative bearing proper authorization and identification to sign for, receive, and withdraw the Respondent’s unopened proposal prior to submission deadline. A Respondent wishing to modify its proposal may do so by withdrawing the Initial submission and then submitting a modified proposal prior to the deadline.
3. **Licenses and Permits** – The successful Respondents shall furnish the City upon request any and all documentation regarding necessary licenses, permits, certifications and/or registrations required by the laws or rules and regulations of the City of Ann

Arbor, Washtenaw County, other units of local government, the State of Michigan and the United States. The Respondent certifies that it is now and will remain in good standing with such governmental agencies and that it will keep its licenses, permits, certifications and/or registrations in force during the term of the agreement.

4. **Errors in Proposals** – Respondents will not be allowed to change or alter their proposals after the deadline for proposal submission. The City reserves the right, however, to correct obvious errors such as math errors in extended pricing (not unit pricing). This type of correction may only be allowed for “obvious” errors such as arithmetic, typographical, or transposition errors. Any such corrections must be approved by the City of Ann Arbor and countersigned by the Respondent. Respondents are advised to make sure that their proposals are true and correct when submitted.
5. **Respondent Expenses** – By submitting a response to this OM or participating in the process, each Respondent agrees that all of its related expenses are its sole responsibility, and that the City will not be responsible for any costs whatsoever incurred by the Respondent in connection with or resulting from the OM process, including but not limited to costs for preparation/submission of proposals, travel & per diem, attending interviews, providing presentations or demonstrations, and participating in contract negotiation sessions.
6. **Proposal Life** - Respondents must hold their proposals open and pricing firm for one hundred eighty (180) calendar days from the proposal submission deadline. Any proposal accepted by the City for the purpose of contract negotiations shall remain valid until superseded by an executed contract or until rejected by the City.
7. **Revision to the OM** - The City may modify or amend this OM at any time. If it becomes necessary for the City to revise any part of this OM, the revision(s) will be posted on the City’s web site (www.a2gov.org). In such an event, the submission deadline may be extended, at the option of the City, to allow Respondents the opportunity to revise their proposals accordingly.
8. All information in a Respondent’s proposal is subject to disclosure under the provisions of Public Act No. 442 of 1976, as amended (commonly known as the Michigan Freedom of Information Act). A Respondent labeling any proposal material as “confidential” or otherwise exempt from disclosure is not binding on the City, and the City and its agent CBRE, will not be liable to the Respondent



or to any other person or entity for disclosing any portion of the Respondent's proposal as required by law. This Act also provides for the complete disclosure of contracts and attachments thereto except where specifically exempted under the provisions of the Act. Proposal responses received and opened will not be available to the public until after negotiation and award of the contract to the selected developer or the cancellation of the OM/procurement.

9. All questions or requests for clarifications shall be submitted as specified in this OM. Written responses will be provided as an official addendum to the OM. Respondents shall note that the official addendum represents the City's official position and supersedes any oral responses to inquiries or written responses by the City or CBRE other than by official addendum. Official addendum will be posted to the City's website (www.a2gov.org).
10. All pricing shall be in United States Dollars (USD).
11. Each person signing a proposal submittal must certify that he/she is the person in the Respondent firm/organization with the authority to agree to compliance with all terms and conditions of the OM and is responsible for the decision as to the fees being offered in the proposal and has not and will not participate in any action restricting completion as to any matter relating to such fees with any other prospective Respondent.
12. All Respondents proposing to do business with the City of Ann Arbor must complete the following forms and submit the completed forms with their proposal: (a) Conflict of Interest Disclosure Form; (b) Living Wage Declaration Form; and (c) IRS Form W9. Failure to do so will disqualify a Respondent from consideration. In addition to completion of the above forms, the selected developer will be required to comply with and post a copy of the City's Nondiscrimination Ordinance at all work locations where its employees provide services under a contract with the City.





SUBMITTALS

Interested parties must submit proposals via electronic PDF format via email to the following contact by 5:00pm EST on Friday, May 15, 2015 to:

CBRE, Inc.
John Latessa
2000 Town Center, Suite 500
Southfield, MI 48075
john.latessa@cbre.com

With copy to:

CBRE, Inc.
Gordon Hendry
101 W. Washington Street, Suite 1000 E
Indianapolis, IN 46204
gordon.hendry@cbre.com

CBRE's FTP site for transfer of large files is available at <https://cbftp.cbre.com>

The City and CBRE will not be liable to any Respondent for any unforeseen circumstances or delivery delays. Each Respondent is responsible for submission of their proposal. Proposals submitted past the deadline will not be accepted or considered. Proposals that are incomplete on receipt may be disqualified.



photo 8



photo 9



SELECTION PROCESS AND EVALUATION CRITERIA

Selection Process

Upon submission of the proposals, the City of Ann Arbor with assistance from CBRE shall evaluate all content of the proposals based upon the evaluation criteria set forth below. Each party submitting a proposal may, at the City’s sole option and discretion, be provided the opportunity to present their development concept and program. Questions may be submitted by email to CBRE until the last day of the Question Period – these will be answered and published on the City’s website on a weekly basis.

Evaluation Criteria

The City intends to select a development team or teams and project concept(s) for best and final negotiations based upon the following criteria in the sole opinion of the City and CBRE.

Contract Negotiations – The City will use the requirements set forth in the OM as the basis for proposal evaluations. After identifying one or more responsive and responsible development teams who appear to be most advantageous to the City, the City may enter into contract negotiations with the development team(s). If at any time the contract negotiations are judged to be ineffective, the City may cease all activities with a development team and begin/continue contract negotiation and preparation activities with another development team, and the process may continue until a contract is executed with approval of the Ann Arbor City Council.

The selected Respondent will be expected to adhere to a set of City general contract provisions which will become part of any format agreement. These provisions are general principles which apply to all contractors/service providers to the City of Ann Arbor and the City will not entertain modification, amendment or deletion of these terms and are not subject to negotiation. A copy of such contractual terms of service is available on the City website.

As a part of this process, the City may obtain “best and final offers” from all Respondents judged to be finalists. The City reserves the right to cease all contract negotiation activities at any time and reject all proposals if such action is determined by the City to be in its best interest.

MILESTONE	DATE
Offering Memorandum Posted	February 27, 2015
Non-Mandatory Pre-Proposal Mtg.	March 11, 2015 at 2:00 p.m. EST at Ann Arbor Downtown Development Authority
Question Period	February 27 - May 8, 2015
Proposals Due	May 15, 2015 at 5 p.m. EST
Proposal Review and Evaluation	May - June, 2015
Presentations	June, 2015
Possible “Best and Final Round”	TBD
Preferred Developer(s) Selection(s)	June, 2015 or thereafter

Proposals will be evaluated according to the following evaluation criteria. Proposals that significantly deviate from the City’s requirements may be found “non-responsive” without further evaluation.

Selection Process

A limited number of teams will be selected through the OM process with the City continuing negotiations with one or more of the teams thereafter.

ADDITIONAL RESOURCES

EVALUATION CRITERIA

- Financial Resources, Structure, Benefit and Value to City
- Conceptual Project Planning/Design/Architecture, including alignment with, economic development, public space and other goals
- Proposal and Development Team Experience
- Experience with engaging community stakeholders



City of Ann Arbor

<http://A2gov.org>

University of Michigan

<http://www.michigan.edu/>

Ann Arbor Downtown Development Authority

<http://A2DDA.org>

**Library Lane Underground Parking Structure
Summary of Provisions for Future Development**

<http://www.a2dda.org/business-in-downtown-ann-arbor/development/planning-development/>

2014 State of the Downtown

<http://www.a2dda.org/wp-content/uploads/StateofDowntown2014.pdf>

Connecting William Street Plan

<http://www.a2dda.org/about-the-dda/dda-projects-impacts/planning>

2014 Downtown Market Scan

<http://a2dda.org/wp-content/uploads/annarbordowntownmarketdashboard082014.pdf>

Ann Arbor Planning Commission

<http://www.a2gov.org/departments/planning-development/planning/Pages/Planning-Commission.aspx>



OFFERING MEMORANDUM | FEBRUARY 2015

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lisa.loesel@cbre.com

FINANCING

CBRE Capital Markets/Debt & Structured Finance, one of the industry's largest originators of debt and equity, is prepared to provide prospective purchasers with acquisition and development financing for this property.

Please contact:

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jason.brown@cbre.com

