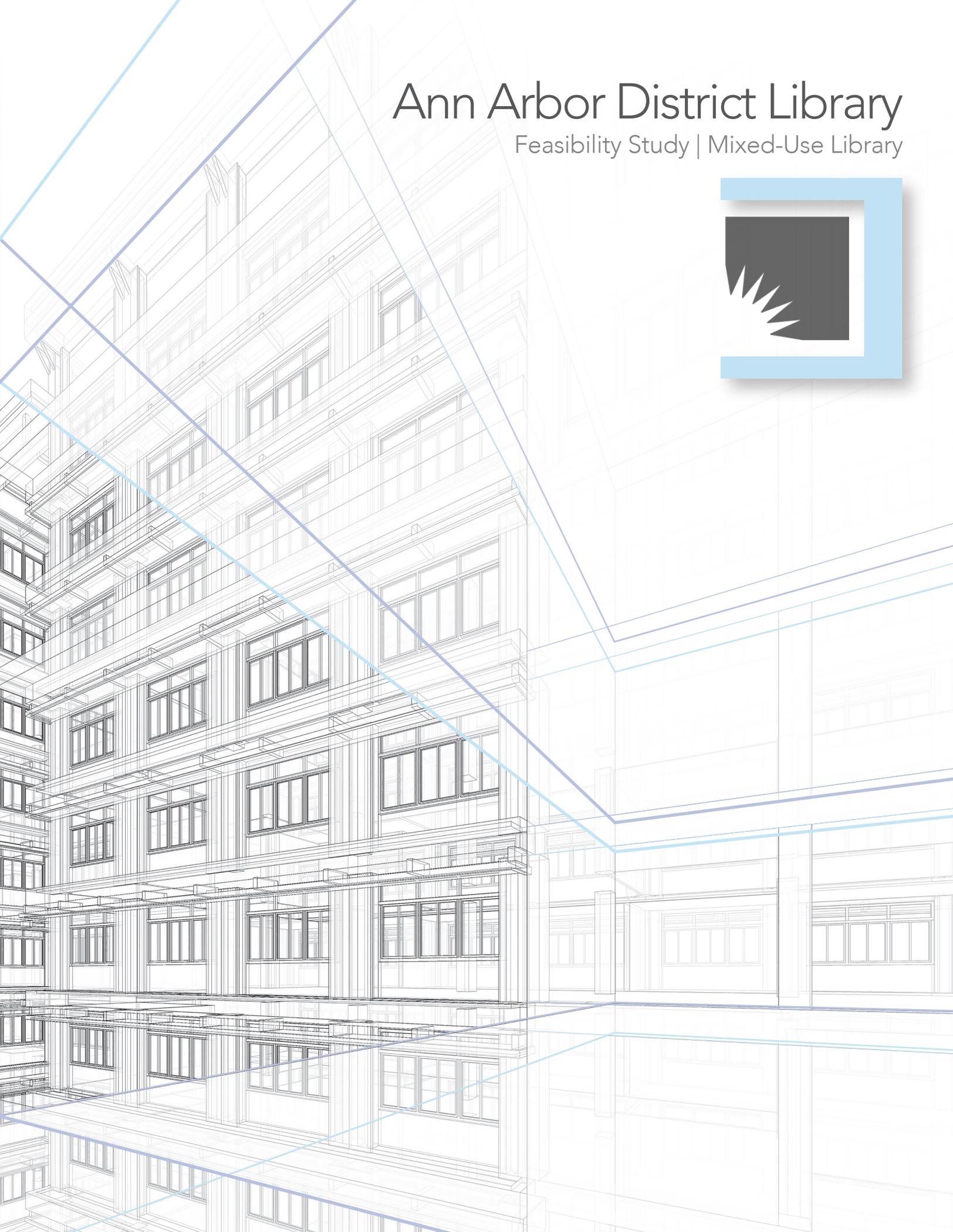
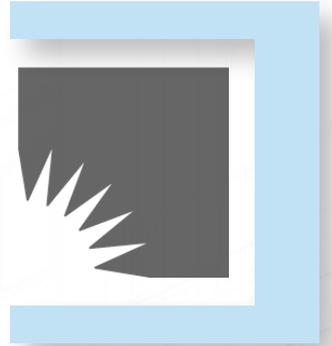


Ann Arbor District Library

Feasibility Study | Mixed-Use Library





Executive Summary

Ann Arbor is in need of a new downtown library: a sustainable facility that can meet the demanding needs of a highly-utilized organization in a busy, diverse downtown, while inspiring and delighting its visitors. After the failure of the 0.5 mill bond election in 2012, Ann Arbor District Library (AADL) has been exploring ways to renew the downtown library without additional tax revenue. One possibility to make this happen would be to leverage the library's real estate at South 5th Ave. and East William Street, combining a mixture of uses, potentially including housing, office space, and retail in a redeveloped downtown library building. The proceeds from such a project could pay for a new downtown library facility without new tax revenue.

Real estate and construction expertise fall outside of the capability of the AADL organization, therefore, Bonner Advisory Group has been engaged to examine the feasibility of potential development concepts. The Bonner Advisory Group was provided with previous work undertaken by the AADL including: 2008 AADL Architectural Study; 2014 AADL Appraisal; 2017 Full Reserve Study; and 2019 Building Program Report.

For the purposes of this study, a potential mixed-used structure was examined, composed of 15 stories of library, office, housing, and retail space on the property of the current downtown branch of AADL located on South 5th Avenue and East William Street. A massing model was used to detail how space is allocated, including parking for vehicles and bikes. The gross area of the library would be 152,905 square feet out of the total 470,448 in the 15-story structure.

Real estate data presented within the report is a composite average, meant to serve as a guideline for the purposes of developing an economic model. Conservative methods were used as any potential development would not take place for several years. Financial analyses included within the report are models focused on market rate, affordable rates, and hybrid rates (market and affordable). Potential alternative funding sources and economic development incentives are included as summaries on similar projects to detail how this project has worked in other cities.



BDC | CONSULTING

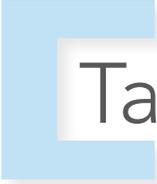


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Project Objective

A Catalyst for Social and Economic Impact

Ann Arbor needs a new downtown library: a sustainable facility that can meet the demanding needs of a highly-utilized organization in a busy, diverse downtown, while inspiring and delighting its visitors. After the failure of the 0.5 mill bond election in 2012, Ann Arbor District Library (AADL) has been exploring ways to renew the downtown library without additional tax revenue. One possibility would be to leverage the library's real estate at South 5th Ave. and East William Street, combining a mixture of uses, potentially including housing, office space, and retail in a redeveloped downtown library building. The proceeds from such a project could pay for a new downtown library facility without new tax revenue.

Real estate and construction expertise fall outside of the capability of the AADL organization. Bonner Advisory Group has been engaged to examine the feasibility of potential development concepts. Bonner Advisory Group was provided with previous work undertaken by the AADL including: 2008 AADL Architectural Study; 2014 AADL Appraisal; 2017 Full Reserve Study; and 2019 Building Program Report.

For the purposes of this analysis, Bonner Advisory Group took a very high-level perspective of the Ann Arbor marketplace for mixed use developments. Our goal is to provide the AADL with a general understanding of how, and at what estimated costs, a project like this could be accomplished.

The information contained herein should not be considered development ready documentation. This feasibility study should not be considered site plan worthy for submittal to city of Ann Arbor offices, or construction documentation capable of financing a project on the public or private markets. This study is meant to offer guidance on the development process, and high-level development and financing issues the AADL should take under

consideration when making any decisions related to a development of their property.

Our team is not a real estate development entity, our expertise is real estate advisory services, architectural services, and construction management services. Collectively, we have no interest in this project as real estate developers.

Furthermore, this study is not a recommendation to the AADL as to whether they should or should not engage into such a real estate development project. The goal of our work is to examine the architectural and financial feasibility of such a project, for the information of the AADL Board of Trustees.

Scope of Work

Physical Analysis of the Library Building and Site

Qualify the current Zoning and Premium Zoning Options available under City of Ann Arbor Zoning Ordinance and determine what zoning options are most applicable to a mixed-use project at this location. Conduct site walk through for demolition purposes; identify any potential red flags or economic challenges related to demolition and review existing building plans and site plans.

The AADL property is comprised of three parcels located at 343 South 5th Ave., 319 East William Street, and 323 East William Street. The AADL is a government entity and is therefore exempt from taxation on these parcels. The parcels, combined from a rectangular shaped property with 198 feet of frontage on South 5th Ave. and 264 feet of frontage on East William Street. The total area is approximately 52,272 square feet, or 1.20 acres.

The existing AADL building is a four-story, steel and masonry structure, originally built in 1953, with subsequent additions in 1973 and 1991. The building contains an approximate 87,481 gross square feet with an additional 26,782 square foot basement. Roughly 10,000 square feet of the basement area is finished. The total finished area of the building is 97,481 feet.

Our team inspected the facility and it appears to be in average condition, however many of the mechanical systems and structures maintaining the library facility have a higher than average operating costs based on old technology, versus new technology that could run a more cost effective operations system. The property as a whole did not present any major concerns as it pertains to demolition of the structure. No environmental conditions or any other special conditions were noted that may inhibit a successful demolition of the property.

The current zoning of the AADL parcels is classified as PL – Public Land. If the AADL is desirous in moving forward with a mixed-use redevelopment project, the proper zoning

classification to be pursued is D-1. This district is intended to contain the downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office, and commercial development. The property immediately adjacent to the east and to the north, owned by the UM Credit Union and City of Ann Arbor respectively, are both zoned D-1. The property is also due east from the City of Ann Arbor owned Y Lot, which is also zoned D-1. The Y Lot is later depicted in a massing drawing per a City of Ann Arbor memo dated September 21, 2018. These districts, in coordination with the Character Overlay Zoning Districts in Section 5.14 of the City Ordinance (which more adequately cites the Midtown Overlay District), are intended to support the downtown as the City's traditional center. The downtown serves both the region and local residents as a place to live, work, and take advantage of civic, cultural, educational, shopping, and entertainment opportunities. The downtown districts are intended to allow a mixture of land uses, dense urban development, pedestrian orientation, unique residential opportunities, and a compatible and attractive mix of historic and contemporary building design. Development in these districts is designed to be accessible by a variety of modes of transportation. This district is intended to contain the downtown's greatest concentration of development and serves as a focus for intensive pedestrian use. This district is appropriate for high-density mixed residential, office, and commercial development.

Massing Model

Create block building massing drawings based on the Zoning Ordinance. A massing study will evaluate the maximum and minimum square feet allowable and related parking, open space requirements, and other related development requirements that may affect the site plan.

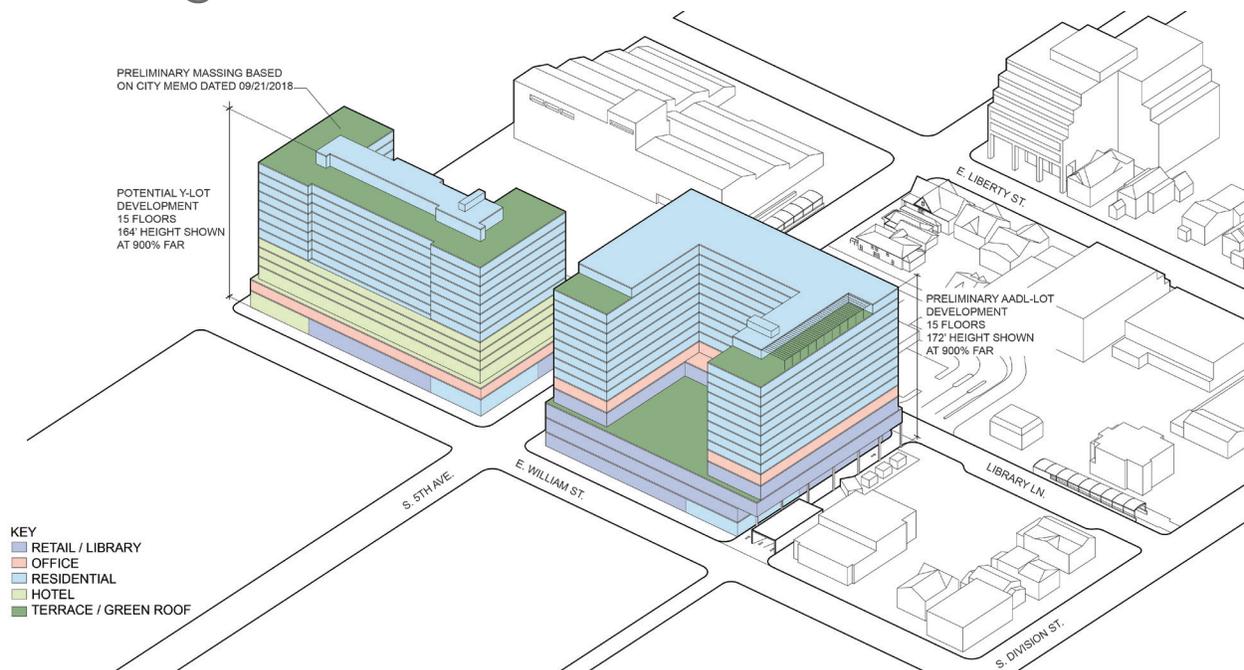
The purpose of generating a massing model is to create a drawing based on suggested D-1 zoning code. The massing model below reflects a full floor area ratio (FAR) developed under the D-1 zoning code, with the allowable premiums for housing and energy efficiency requirements to obtain said premiums. Note, the Ann Arbor City Council recently passed an affordable housing premium zoning code amendment that will require a higher concentration of affordable housing units in an effort to achieve the highest level of premium allowable.

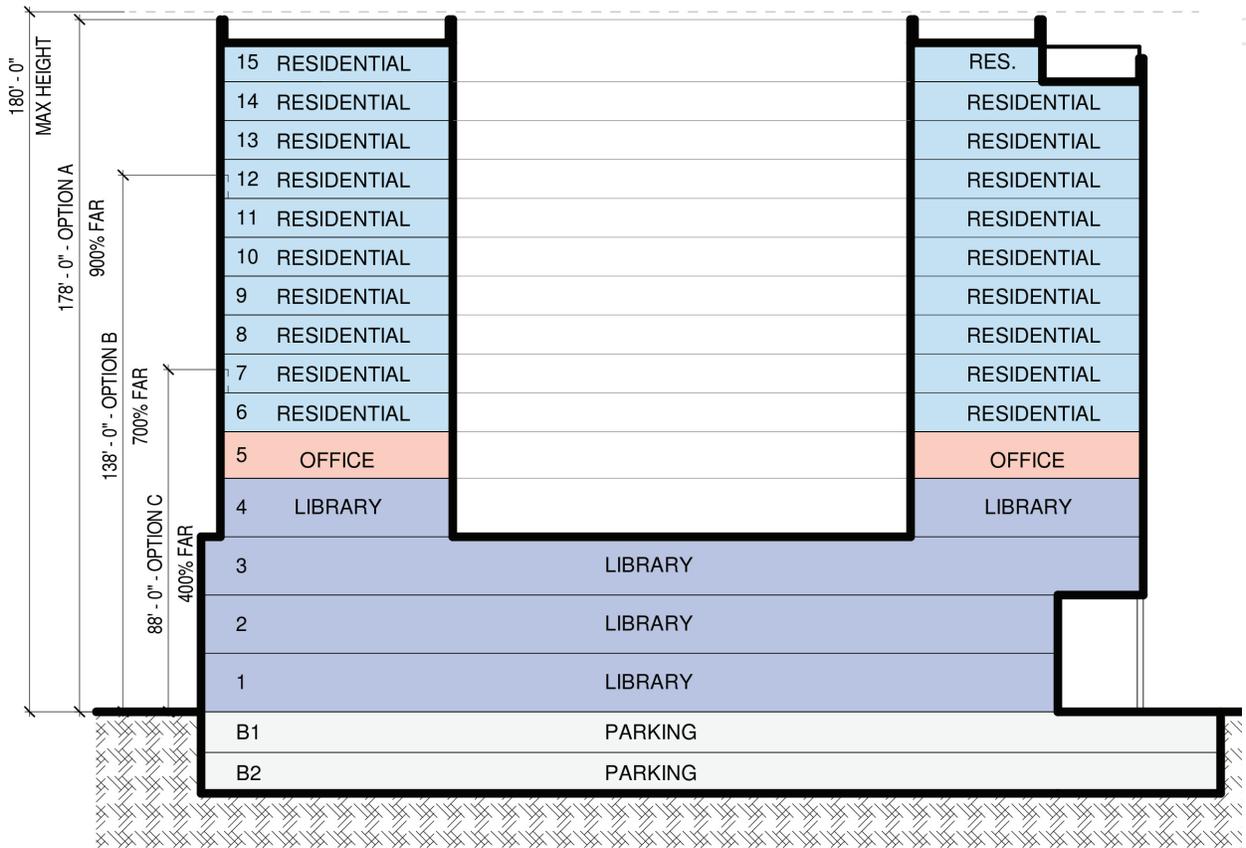
The massing for a 15-story structure articulates a new context for the Midtown Character District and aims to enhance the “civic

corridor” experience. This potential massing brings high-density urban redevelopment to an already vibrant area of Ann Arbor.

This massing model reinforces the library as a local landmark, with engagement and street presence along Library Lane, South 5th Ave., and East William Street. A separate entry lobby at the southeast corner on the ground level provides access for office visitors and residents. The massing model also accommodates three dedicated upper floors and an expansive elevated courtyard for library use. One level of office space and ten levels of residential units are located directly above the library. An outdoor amenity deck and trellis are found on the rooftop level.

Massing Structure





SECTION

Mixed-Use Program Details

Project Areas

Floor	Floor Height	Floor Elev.	Library	Office	Resid.	Resid. Amenity/ Lobby	Resid. Circ.	Resid. Vertical Conv.	Resid. Mech/ Storage	Parking/ Loading	Gross Area
Basement L2	-10	-20.00								51,976	51,976
Basement L1	-10	-10.00								51,976	51,976
Level 1	15	0.00	35,196			3,900	0	751	2,013		41,860
Level 2	15	15.00	41,351				0	509	0		41,860
Level 3	15	30.00	45,590				0	509	0		46,099
Level 4	15	45.00	30,768				0	509	0		31,277
Level 5	12	60.00		27,784			220	773	0		28,777
Level 6	10	72.00			24,967		2,427	773	610		28,777
Level 7	10	82.00			24,967		2,427	773	610		28,777
Level 8	10	92.00			24,967		2,427	773	610		28,777
Level 9	10	102.00			24,967		2,427	773	610		28,777
Level 10	10	112.00			24,967		2,427	773	610		28,777
Level 11	10	122.00			24,967		2,427	773	610		28,777
Level 12	10	132.00			24,967		2,427	773	610		28,777
Level 13	10	142.00			24,967		2,427	773	610		28,777
Level 14	10	152.00			24,967		2,427	773	610		28,777
Level 15	10	162.00			17,859		2,340	773	610		21,582
Roof	10	172.00									
Gross Area			152,905	27,784	242,562	3,900	24,403	10,781	8,113	0	470,448

900% Bonus FAR requires 30% Affordable Units	
Site Area	52,272
Gross FAR Area	470,448
FAR	9.00

700% Bonus FAR requires 20% Affordable Units	
Site Area	52,272
Gross FAR Area	365,904
FAR	7.00

11 Stories

Regular Base FAR 400%	
Site Area	52,272
Gross FAR Area	209,088
FAR	4.00

6 Stories with 9,562 SF 6th FL

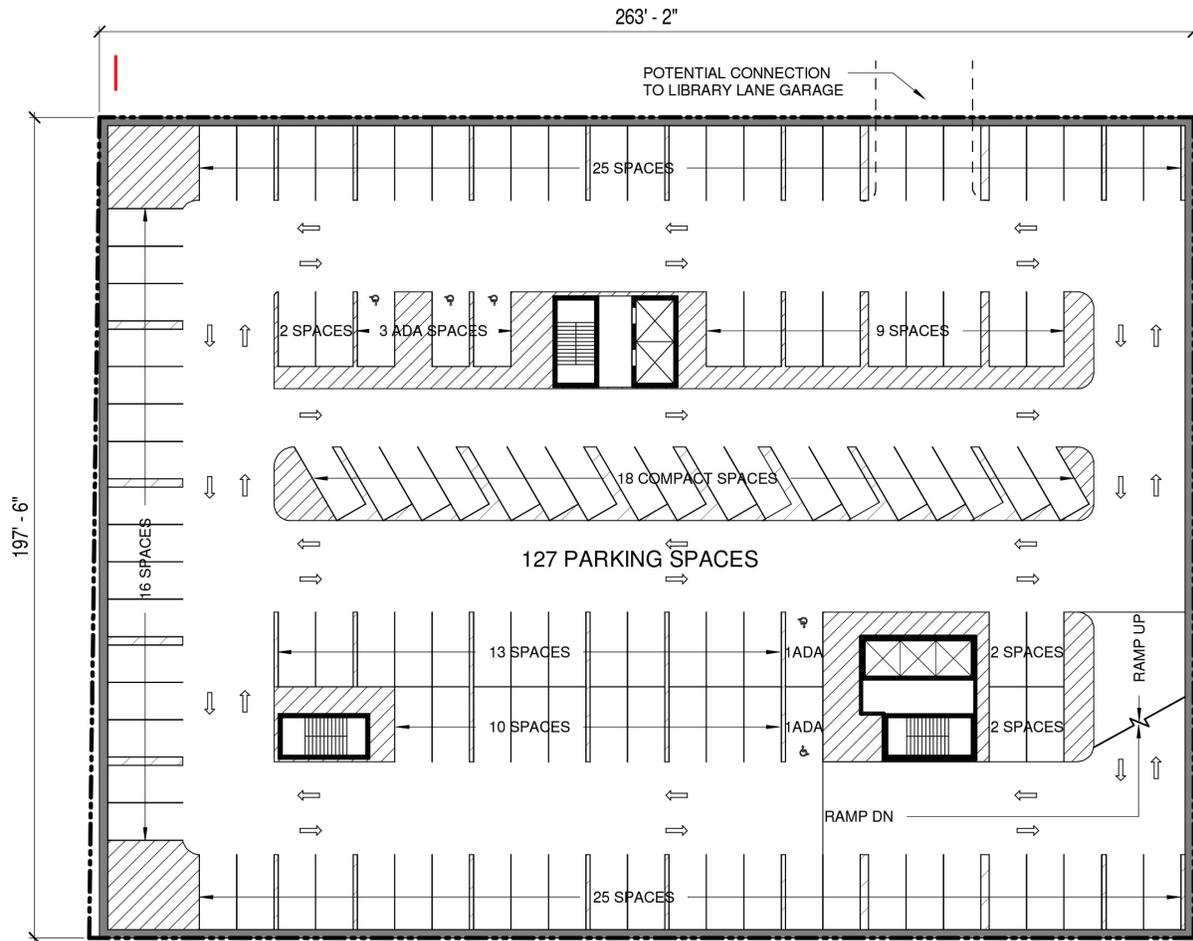
Parking Provided	
Basement Level	127
Basement Level 2	127
Total Parking Provided	254

Bicycle Parking	
1 Per 2,500 SF of Residential	97
1 Per 10,000 SF of Non-Residential	18
Total Required	115

Parking Required	
1 Space Per 1,000 SF Above FAR	
Affordable Bonus at 900% the lower level 2 would need to continue down a half level	263
Affordable Bonus at 700% would allow a half second basement level instead of a full level	157
Base FAR of 400%	0

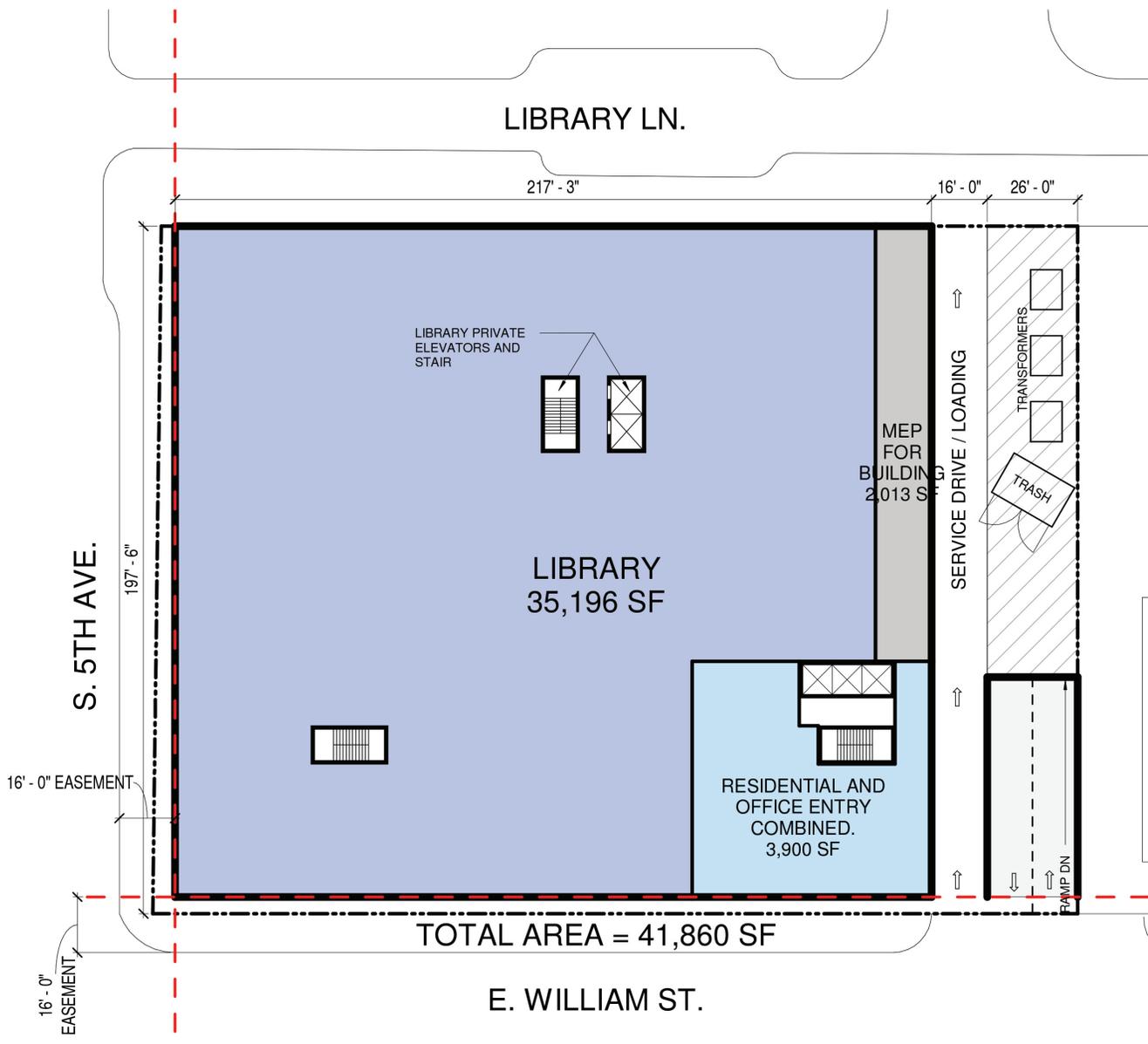
Floor Plans

Basement, Library, Office, Residential

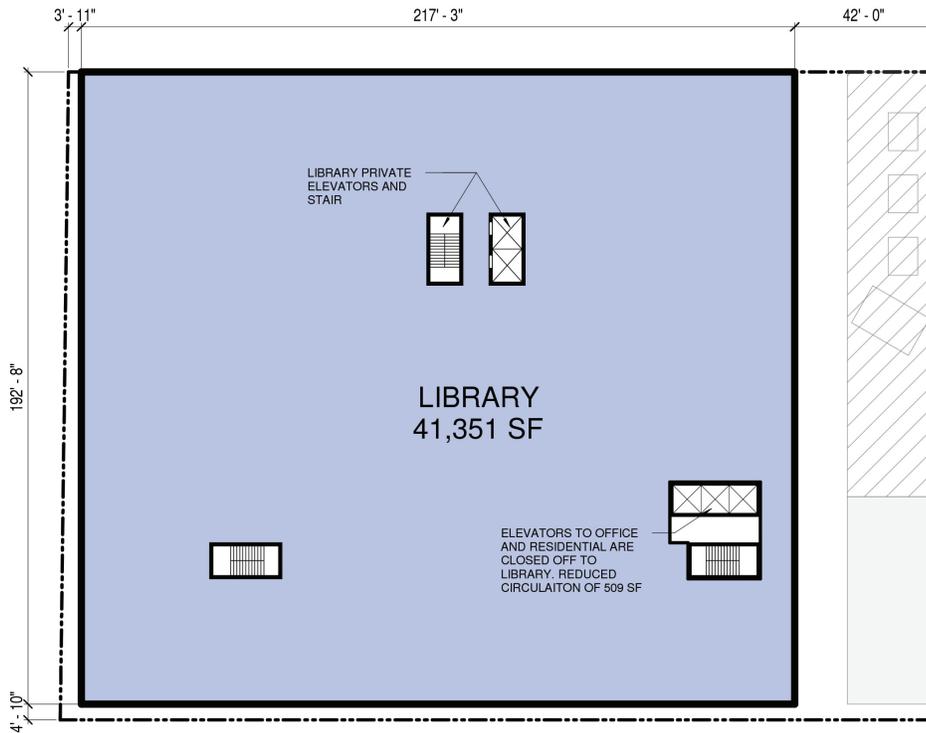


TOTAL AREA = 51,976 SF

BASEMENT PLAN - 2 STORIES BELOW

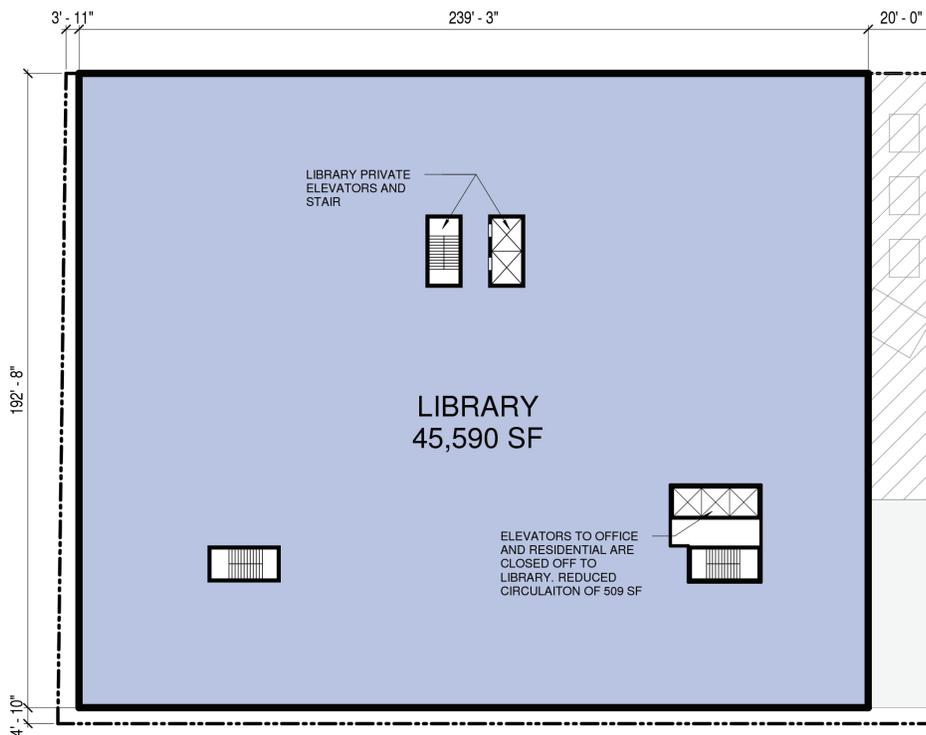


SITE / FIRST FLOOR PLAN



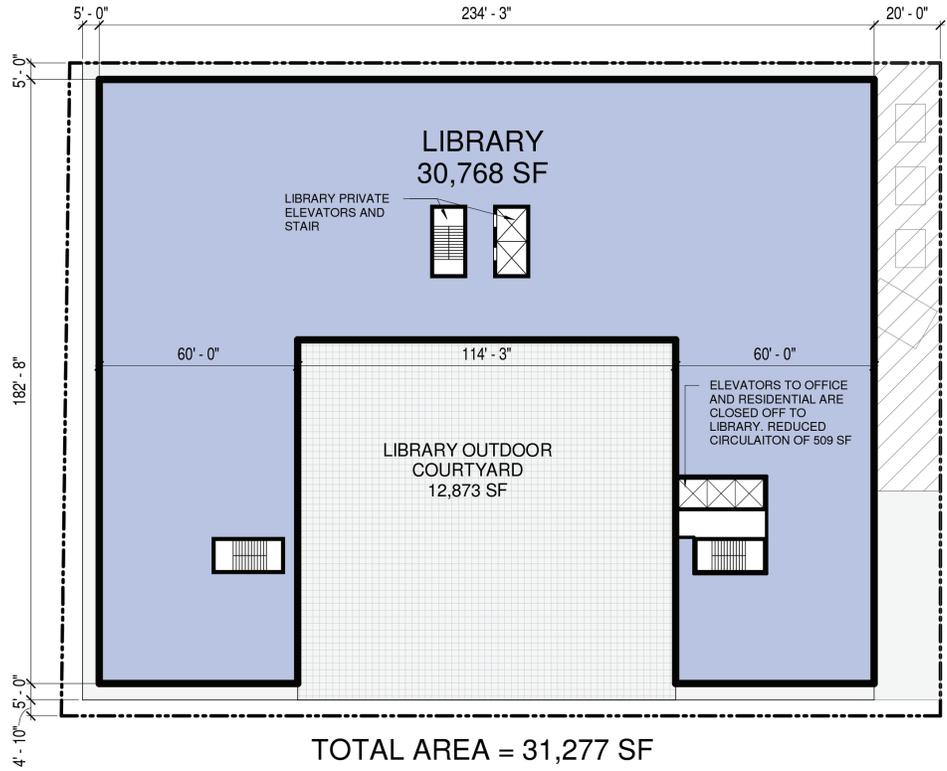
TOTAL AREA = 41,860 SF

SECOND FLOOR

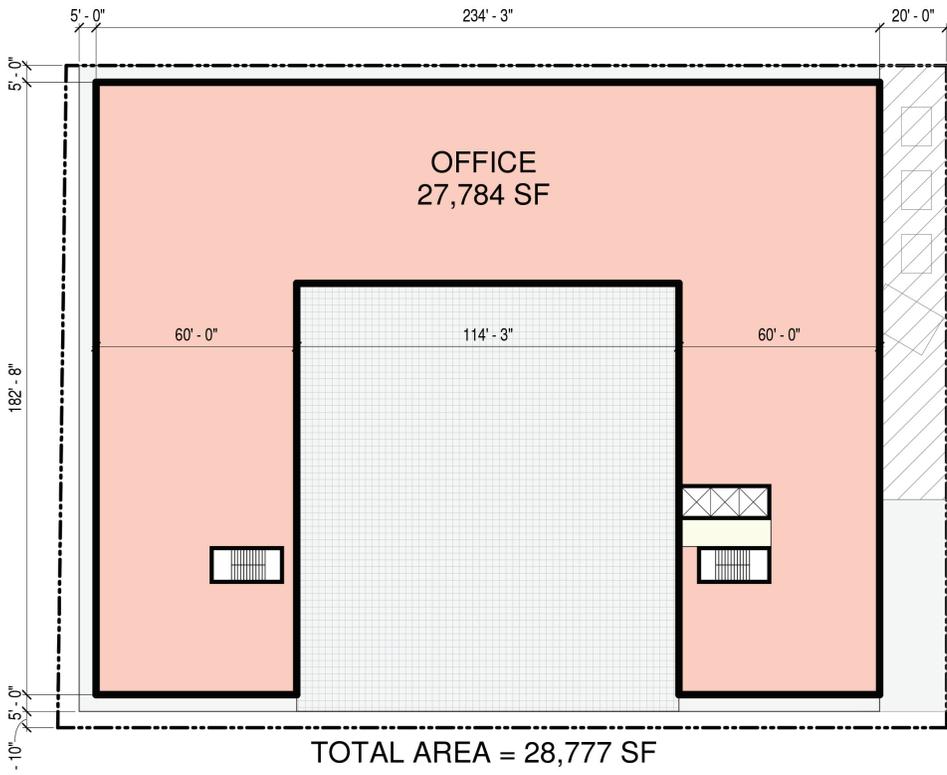


TOTAL AREA = 46,099 SF

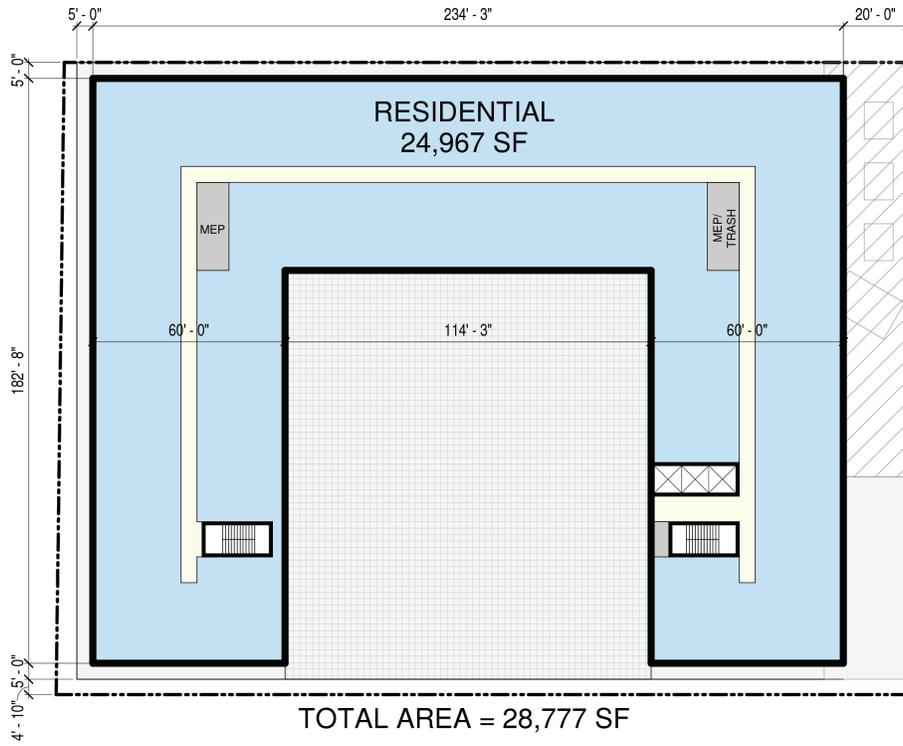
THIRD FLOOR



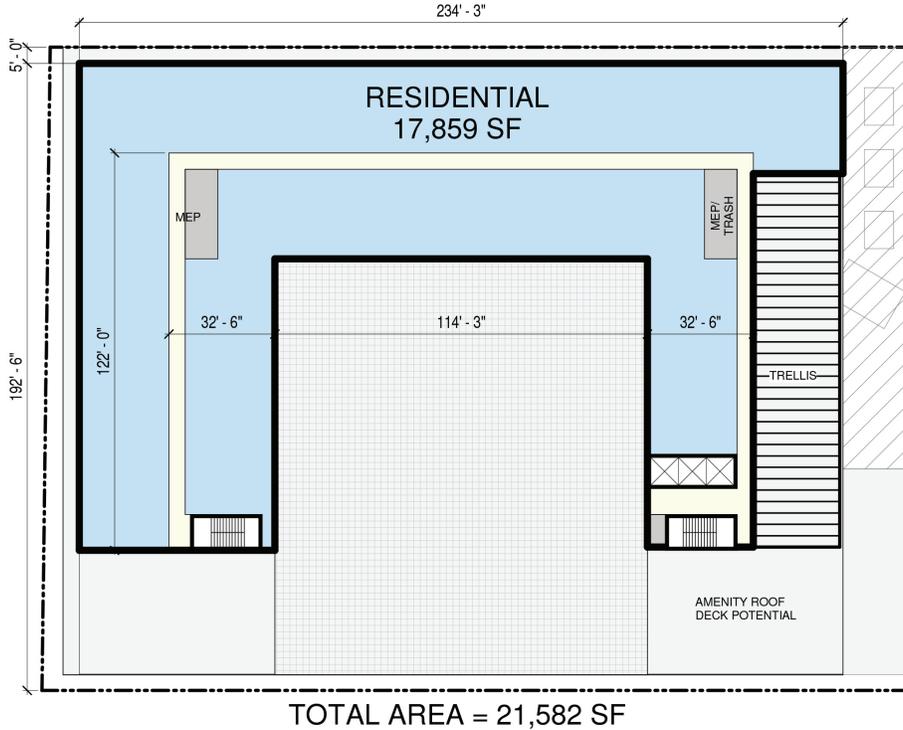
FOURTH FLOOR PLAN



FIFTH FLOOR PLAN



SIX - FOURTEEN FLOOR PLAN



FIFTEEN FLOOR PLAN



Market Analysis

High-Level Intelligence

Data Snapshots

Obtain high-level market intelligence through interviews with local construction firms, real estate brokerage firms, and real estate developers of recently completed projects. The data, compiled integrated with the appropriate massing plan, will serve to develop a hard construction cost model for various components of the project. In addition to understanding construction costs, a key critical component will be focused on commercial lease rates for office, residential, and retail. The market intelligence gathered will be focused on the following projects: affordable housing, market rate housing, government/institutional, office, senior residential, and retail.

Our high-level market intelligence was obtained through interviews with local construction firms, real estate brokerage firms, and real estate developers of recently completed projects specific to the downtown Ann Arbor marketplace. We were also able to generate data from real estate software utilized by the majority of real estate professionals across the country. Due to the proprietary nature of the information, and competitiveness in the real estate industry, we will not list our sources to protect their confidentiality.

Despite the collection of data directly from real estate brokerage firms, property owners, and construction management firms with experience in the downtown market, for the

purposes of this study, we opted to utilize a composite average of all data. Some of which was provided by a national third-party research firm. The information is meant to serve as a guideline for the purposes of developing an economic model. If the AADL were to proceed with any development, it is anticipated the development would take place several years after this study was completed. It is difficult to predict the market forces that may impact this data for a future date. Therefore, we opted to use conservative methods.

A variety of uses are allowable under City of Ann Arbor Zoning Code for D-1, and our research was spread over multiple types for that reason.

Retail Data Snapshot

Downtown Ann Arbor

Availability	Survey	5-Year Average
NNN Rent Per SF	\$31.40	\$31.13
Vacancy Rate	1.4%	1.2%
Vacant SF	21,206	17,763
Availability Rate	2.1%	2.0%
Available SF	32,103	29,764
Sublet SF	9,997	3,292
Months on Market	3.1	5.7

Inventory	Survey	5-Year Average
Existing Buildings	241	241
Existing SF	1,510,297	1,508,481
12 Mo. Const. Starts	0	0
Under Construction	0	0
12. Mo. Deliveries	0	0

Demand	Survey	5-Year Average
12 Mo. Absorption SF	-9,706	3,847
12 Mo. Leasing SF	26,965	31,039

Sales	Past Year	5-Year Average
Sale Price Per SF	\$189	\$245
Asking Price Per SF	-	\$428
Sales Volume (Mil.)	\$1.6	\$9.2
Cap Rate	-	7.4%

Office Data Snapshot

Downtown Ann Arbor

Availability	Survey	5-Year Average
Gross Rent Per SF	\$30.97	\$28.40
Vacancy Rate	4.4%	3.5%
Vacant SF	96,935	77,354
Availability Rate	5.9%	5.1%
Available SF	130,172	111,817
Sublet SF	4,950	16,092
Months on Market	8.1	8.5

Inventory	Survey	5-Year Average
Existing Buildings	135	135
Existing SF	2,206,768	2,206,228
12 Mo. Const. Starts	0	568
Under Construction	0	426
12. Mo. Deliveries	0	675

Demand	Survey	5-Year Average
12 Mo. Absorption SF	8,796	7,062
12 Mo. Leasing SF	46,501	81,211

Sales	Past Year	5-Year Average
Sale Price Per SF	\$338	\$247
Asking Price Per SF	-	\$488
Sales Volume (Mil.)	\$8.8	\$19
Cap Rate	-	8.0%

(Source: CoStar Group)

Construction Snapshot - AADL Mixed Use Library Site

Description	Quantity	Unit	Unit Cost	Total	Avg Unit Cost	Avg Total
Parking	254	Space	62,500.00	15,875,000	64,650.00	16,421,100
	254	Space	66,800.00	16,967,200	-	-
Library	157,196	SF	375.00	58,948,500	312.90	49,186,864
	157,196	SF	250.80	39,425,228	-	-
Office	28,777	SF	275.00	7,913,675	252.07	7,253,689
	28,777	SF	229.13	6,593,703	-	-
Residential	284,475	SF	275.00	78,230,625	283.38	80,615,322
	284,475	SF	291.77	83,000,019	-	-

General Construction Cost By Use Type

Office	Cons SF	Structural SF	MEP SF	Finish SF	Total	Avg
High	70.00	70.00	75.00	100.00	315.00	372.24
	101.05	82.38	119.26	126.79	429.48	
Mid	60.00	60.00	60.00	75.00	255.00	255.81
	94.46	8.84	73.93	79.39	256.62	
Low	55.00	55.00	50.00	50.00	210.00	173.61
	13.44	32.16	27.38	64.23	137.21	

Residential	Cons SF	Structural SF	MEP SF	Finish SF	Total
High	38.01	89.27	69.45	80.84	277.57
Mid	33.54	48.77	44.52	60.59	187.42
Low	57.01	33.05	28.20	36.77	155.03

Senior Resid.	Cons SF	Structural SF	MEP SF	Finish SF	Total	Avg
High	60.00	50.00	80.00	65.00	255.00	255.07
	2.36	83.14	88.09	81.54	255.13	
Mid	55.00	45.00	60.00	60.00	220.00	222.74
	53.41	52.06	53.47	66.54	225.48	
Low	50.00	40.00	40.00	55.00	185.00	169.52
	27.94	40.14	36.17	49.78	154.03	

Low Income Resid.	Cons SF	Structural SF	MEP SF	Finish SF	Total
High	55.00	50.00	75.00	50.00	230.00
Mid	50.00	45.00	55.00	45.00	195.00
Low	45.00	40.00	35.00	40.00	160.00

Institutional	Cons SF	Structural SF	MEP SF	Finish SF	Total
High	75.00	75.00	100.00	200.00	450.00
Mid	65.00	65.00	80.00	150.00	360.00
Low	50.00	50.00	65.00	100.00	265.00

General Retail	Cons SF	Structural SF	MEP SF	Finish SF	Total
High	70.00	70.00	60.00	100.00	300.00
Mid	60.00	60.00	50.00	75.00	245.00
Low	55.00	55.00	40.00	50.00	200.00

Restaurant	Cons SF	Structural SF	MEP SF	Finish SF	Total
High	70.00	70.00	100.00	150.00	390.00
Mid	60.00	65.00	80.00	100.00	305.00
Low	60.00	60.00	60.00	75.00	255.00

Multi-Family Data Snapshot

Downtown Ann Arbor

Leasing Units	Survey	5-Year Average
Vacant Units	171	140
Vacancy Rate	4.9%	4.2%
12 Mo. Absorption Units	80	83

Inventory in Units	Survey	5-Year Average
Existing Units	3,560	3,380
12 Mo. Const. Starts	0	77
Under Construction	55	89
12 Mo. Deliveries	124	88

Rents	Survey	5-Year Average
Studio Asking Rent	\$1,274	\$1,196
1 Bed Asking Rent	\$1,439	\$1,446
2 Bed Asking Rent	\$2,219	\$2,348
3+ Bed Asking Rent	\$4,199	\$4,433
Concessions	0.5%	1.0%

Sales	Past Year	5-Year Average
Sale Price Per Unit	\$158,333	\$279,944
Asking Price Per Unit	-	-
Sales Volume (Mil.)	\$1.0	\$24
Cap Rate	-	4.7%

Financial Analysis

Exploration of Public and Private Capital Markets

AADL Finance Options

Amassing market intelligence on commercial construction costs and lease costs will be directly input into a financial model that is based on securing debt instruments appropriate for this type of project. Because the library is a governmental entity it may utilize financing available in the public bond markets. As other components could be private in nature, it is necessary to explore public and private capital markets that may be used to leverage debt for the short and long-term construction.

Ultimately, the AADL may utilize its public financing capacity through the State of Michigan District Library Financing Act 265 of 1988. Under this authority, the AADL may “be authorized to acquire, construct, or furnish real or personal property for use for library purposes; to authorize district libraries to borrow money and issue bonds and notes and refunding bonds and notes for those acquisitions; and to authorize district libraries to levy a tax for, and to pledge their full faith and credit to, the payment of contracts, bonds, and notes.”

It is our opinion that the AADL may participate financially in a public-private partnership that expands its mission. However, there are limitations related to this and prior to any decisions related to a project of this nature, the AADL must retain qualified legal counsel well versed in public financing and public real estate projects to fully understand the extent of opportunities and limitations.

There are several project points to consider for this financial model:

To capture an executive level summary that could be used as a tool for the AADL, you will find a financial analysis that encompasses both affordable and market rate housing. The following assumptions have been made:

- Parking options – Expansion of Library Lane parking deck with DDA funding and operating the expansion.
- Temporary downtown library, it is assumed that the library will be temporarily relocated during the delivery of the project. If our assumptions are correct, an allowance, including relocation and rent, has been carried in each model to ensure seamless operations.
- Income and expense data used is from research discussed throughout this report.

The development/financing model of the project has been excluded in the models below. Each of these scenarios open up many financing options including but not limited to low income housing tax credits, MSHDA/HUD options, non-profit funding scenarios. The major options include:

- Public bonded library project with air rights leased or sold to private sector development.
- Private sector development with lease or sale to library as the anchor tenant.
- Public bonded library project (only) - NO private sector development involvement.

Library Options	Cost to Library	Revenue to Library
Sale Lease Back	Lease Rate From Developer	Land Sale to Offset Lease Costs
Sale Buy Back	Bond to Buy Library	Land Sale to Offset Bond Amount - Reduce Debt Service
Build and Lease Air Rights	Bond to Build Library	Lease Revenue to Offset Bond Debt Service
Build and Sell Air Rights	Bond to Build Library	Sale to Offset Bond Amount - Reduce Debt Service
Building Library Only	Bond to Build Library	None

Sale Lease Back	
Land sale to Developer	16,500,000
Net Leasable SF	152,905
Lease/SF	\$33.50
Total Annual Lease	5,122,318
30 Year Net Cash Requirements	137,169,525

Sale Buy Back	
Land Sale to Developer	16,500,000
Gross - Amount of Bond Issue	62,448,500
Net - Amount to Bond Issue	45,948,500
Annual Bond Rate	4%
Bond Term (yrs)	30
Annual Bond Payment	2,657,202
30 Year Net Cash Requirements	79,716,053

Building Library Only	
Amount of Bond Issue	62,448,500
Annual Bond Rate	4%
Bond Term (yrs)	30
Annual Bond Payment	3,611,397
30 Year Net Cash Requirements	108,341,903

Build and Lease Air Rights	
Amount of Bond issue	62,448,500
Annual Bond Rate	4%
Bond Term (yrs)	30
Annual Bond Payment	3,611,397
Air Rights Lease Proceeds	1,000,000
Net Annual Bond Payment	2,611,397
30 Year Net Cash Requirements	78,341,903

*This option provide AADL \$1M in annual revenue after year 30.

Build and Sell Air Rights	
Amount of Bond Issue	62,448,500
Air Rights Proceeds	16,500,000
Net bond Issue	45,948,500
Annual Bond Rate	4%
Bond Term (yrs)	30
Annual Bond Payment	2,657,202
30 Year Net Cash Requirements	79,716,053

Development Assumptions

Revenue/Expense Rates & Proforma Summary

Rev & Exp Rates	Revenue			Expenses		Value
	Rental (\$)	Vacancy (%)	CAM (\$)	Operating (\$)	Const. Cost (\$)	CAP Rate (%)
Parking (per spot)	200.00	N/A	-	-	64,650.00	6.00%
Library SF/YR	20.10	N/A	12.33	12.33	375.00	6.50%
Office SF/YR (blended)	30.82	5.00%	-	12.33	275.00	6.75%
Residential SF/MO (blended)	33.01	6.10%	-	6.00	272.71	5.00%

Incentives/ Shared Cost	Const. Cost (\$)	Rev Reduct (\$)
DDA Parking	100%	100%

Proforma Summary	Library	Office	Residential	Parking	Total Expansion	Existing
REVENUE						
Rent	3,073,391	856,303	8,006,875	609,600	12,546,168	2,412,000
CAM Charges	-	-	-	-	-	-
Less: Vacancy/Turnover	-	(42,815)	(488,419)	-	(531,234)	-
Less: DDA Revenue Sharing	-	-	-	(609,600)	(609,600)	-
Gross Revenue	3,073,391	813,488	7,518,455	-	11,405,333	2,412,000
EXPENSES						
Operating Costs	1,885,828	342,669	1,455,372	-	3,683,870	1,800,000
Total Expenses	1,885,828	342,669	1,455,372	-	-	1,800,000
Net Operating Income	1,187,562	470,818	6,063,083	-	3,683,870	612,000
					7,721,464	
EXPANSION COST						
Construction	58,948,500	7,913,675	77,578,108	16,421,100	160,861,383	-
Less: DDA Cost Sharing	-	-	-	(16,421,100)	(16,421,100)	-
Relocation	3,500,000	-	-	-	3,500,000	-
Total Expansion Costs	62,448,500	7,913,675	77,578,108	-	147,940,283	-
VALUATION						
Estimated Completed Value	18,270,187	7,609,386	131,030,052	-	156,909,625	-
Value Created	(44,178,313)	(304,289)	53,451,944	-	8,969,342	-

Potential Economic Development Incentives

Obsolete Property Rehabilitation Act

P.A. 146 of 2000, As Amended

The Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000, as amended, provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government. The property taxes for the rehabilitated property are based on the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the exemption. Additionally, the State Treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed 6 years for 25 applications annually. Applications are filed, reviewed, and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of OPRA certificates. Exemptions are not effective until approved by the STC. (Source: Michigan Department of Treasury)

The State Housing Development Act

P.A. 346 of 1966, As Amended

State Housing Development Act 346 of 1966, as amended, creates a Payment In Lieu of Taxes (PILOT) that is negotiated between the municipality and owner of an affordable housing project or an entire housing project so as affordability is provided amongst other market rate and workforce units. This tax structure is important for projects that offer rent below market rate as an inducement to development this standard of housing. Typically, when rents are below market rates it makes the financing of such projects economically difficult without a manipulation of tax rates by the municipality to a level that allows for a successful project.

Payment in lieu of taxes is limited to:

- I. Greater of amount paid in taxes for the year before the project is commenced
- II. 10% of the annual shelter rents collected from the project (typically when rents are higher, the PILOT rate is more in the 4%-6% range, as opposed to the 10% range that was often used in earlier times when rental rates were much lower)
- III. An amount set by ordinance to be paid in lieu of taxes

(Source: Michigan Department of Treasury)



Commercial Facilities Exemption

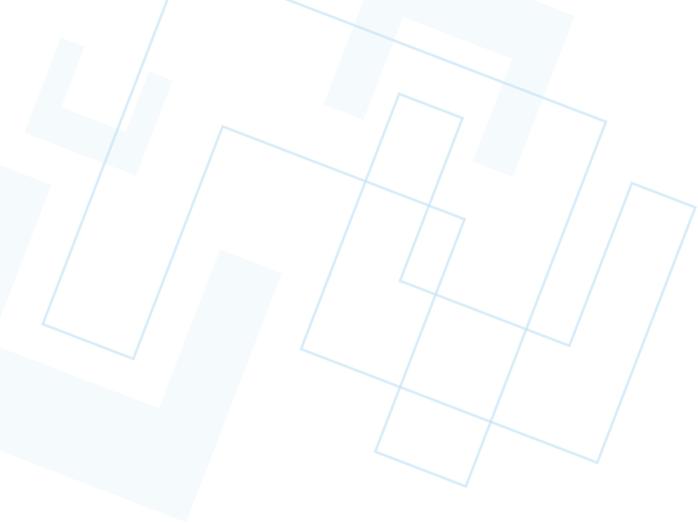
P.A. 255 of 1978, As Amended

The Commercial Redevelopment Act, (known as the Commercial Facilities Exemption), PA 255 of 1978, as amended, affords a tax incentive for the redevelopment of commercial property for the primary purpose and use of a commercial business enterprise. The property must be located within an established Commercial Redevelopment District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government and the taxable value is frozen for the duration of the certificate. For restored facilities, the property taxes are based upon the previous year's (prior to restoration) taxable value and 100% of the mills levied. For new or replacement facilities, the property taxes are based upon the current year's taxable value and 50% of the mills levied. Applications are filed, reviewed, approved, and certificates are issued by the local unit of government. (Source: Michigan Department of Treasury)

Commercial Rehabilitation Act

P.A. 210 of 2005, As Amended

The Commercial Rehabilitation Act, PA 210 of 2005, as amended, affords a tax incentive for the rehabilitation of commercial property for the primary purpose and use of a commercial business or multi-family residential facility. The property must be located within an established Commercial Rehabilitation District. Exemptions are approved for a term of 1-10 years, as determined by the local unit of government. The property taxes are based upon the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. Applications are filed, reviewed, and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. (Source: Michigan Department of Treasury)



Potential Alternate Funding Source

Transformational Brownfield Plan

The new laws provide for the capture of and distribution to a Brownfield Redevelopment Authority (“BRA”), or the owners or developers of certain eligible property included in a Transformational Brownfield Plan of (i) up to 50 percent of the state income tax revenues derived from the wages earned by individuals employed on the construction, renovation, or improvement of the eligible property (excluding employees of the owner or developer) (the “Construction Period Tax Capture Revenues”) and (ii) up to 50 percent annually for 20 years of the state income tax revenues derived from the wages earned by individuals who are either domiciled (the “Income Tax Capture Revenues”) or employed within the eligible property upon completion of the project (the “Withholding Tax Capture Revenues,” together with the Construction Period Tax Capture Revenues and the Income Tax Capture Revenues, the “Captured Tax Revenues”). The Captured Tax Revenues are in excess of tax increment revenues which may be captured from certain ad valorem property taxes.

A Transformational Brownfield Plan may consist of a single development on eligible property or a series of developments on eligible property that are part of a related program of investment, and must (i) have a transformational impact on local economic development and community revitalization based on the extent of the brownfield redevelopment and growth in population, commercial activity, and employment resulting from the plan, (ii) be for a mixed-use development consisting of some combination of retail, office, residential, or hotel uses, and (iii) be expected to result in capital investment

ranging from \$15 million up to \$500 million depending on the population of the municipality. A Transformational Brownfield Plan must be approved by the local BRA, the local governing body of the municipality and the State of Michigan.

This source of capital could be particularly helpful to off-set both costs related to new AADL construction cost, and affordable housing options that make that portion of the project economically feasible. (Source: Michigan Economic Development Corporation)

Benchmark Study

Multi-Usage Facility

The project team completed a review and benchmark analysis of library mixed-use development models that might be the most suitable for further analysis by the AADL. The following characteristics were considered as comparisons: urban location, new library program, housing options of market rate or affordable, and use of incentives.

Little Italy Branch Library - Chicago, IL

The land that this project was developed on was already owned by the Chicago Housing Authority, and Newmarket tax credits were used. The funding for the project was provided by the City Department of Planning and Development. As an agency of the City, the Chicago Public Library was not heavily involved financially; similar to the West Ridge Library project below, the library signed a 19-year lease for the first floor of the project. There were also several local tax incentives involved in the financing. The finished project includes a first-floor library with 74 total housing units above: 37 public units owned by the Chicago Housing Authority, 29 Affordable units, and 7 Market Rate units.

- Low income tax credit on library
- \$15.7 million in Chicago Housing Authority capital
- 4% tax credit (\$14 million from 4% tax)
- \$17 million from TIF
- Donation credit
- \$3.1 million seller note
- TIF: rehabbing the land, 50% of affordable housing, and library \$7.5 million to build the library \$7 million came from TIF
- 120 acres are owned by housing authority

West Ridge Library - Chicago, IL

This project, completed in 2019, is a mixed-use property including 44 one-bedroom apartments. A private developer, Evergreen Real Estate, partnered with the Chicago Housing Authority to develop and construct the project. The library signed a 19-year lease for its space in the project. The lease specifies no rent payments from the library, the library only pays Common Area Maintenance costs and its own Utility costs. This project was not initiated by the library; the idea was brought to the City Department of Planning and Development by the private developers, who also handled the community engagement involved with the project.



About Bonner Advisory Group

Company History

Luke Bonner is founder of Bonner Advisory Group (Bonner AG), established 2014, located in Ann Arbor, Michigan. Bonner Advisory Group is an independent consulting firm that provides economic development services, real estate strategy, and economic incentive negotiation. Our business model is a consultant/contractor-based model that allows the leveraging of several areas of expertise for client projects.

Luke has almost 20 years of economic development experience in the public and private sector. Over that time, he has supported over 250 corporate projects in which companies have committed to nearly 10,000 jobs and over \$3 billion in new investment in Michigan communities. He has also provided real estate development consulting services for Ann Arbor based projects to Landmark Development – Athens, GA; CoreSpaces - Chicago, IL; REDICO – Southfield, MI; AJ Capital – Chicago – IL; and Precision Properties – Howell, MI.

Also, while at Ann Arbor SPARK, Luke authored the real estate development strategy entitled “Ahead by a Century” for the RACER Trust owned property at Willow Run in Ypsilanti Township, MI for connected and autonomous vehicle testing. It is now owned by American Center for Mobility and is the largest functioning connected and autonomous vehicle proving ground in the United States.

Education And Professional Affiliations

BA in Psychology, University of Michigan 1999

MLS Eastern Michigan University 2001

EDFP – Development Finance Professional-National Development Council

CEcD – International Economic Development Council

Travis Maezes is the Program Director for the Bonner Advisory Group. Travis spent time at Colliers International in Ann Arbor where his primary responsibilities were drafting lease agreements and new client market strategy. Prior to that he served as baseball operations manager for the University of Michigan Baseball Team where he was a 3-year letter winner and two-year captain. He also spent two seasons in the Minor League System for the Kansas City Royals. Travis holds a degree from the University of Michigan in General Studies, and is a graduate of Ann Arbor Pioneer High School.

Sarah Bonner joins the Bonner Advisory Group in official capacity as Chief Financial Officer.

Over her career Sarah managed Southern California for T-Mobile at the initial company launch, resulting in a Top Sales designation nationally. Sarah was then responsible for opening T-Mobile locations in Dearborn, Ann Arbor, and Novi, Michigan. Sarah was the Mid-Market Sales Manager for New Horizons in Livonia, leading the team to the largest growth of all Midwest New Horizons locations. For the past 5 years Sarah has worked in an unofficial capacity managing the day-to-day operations for Bonner Advisory Group. Particularly, she has managed the financial and accounting aspects of the business. Sarah is graduate of Wayne State University with a degree in Business Marketing, and Business School Student Senator.

Representative Client List

- AKT Peerless
- AJ Capital
- Casadei Steel
- City of Big Rapids
- City of Dexter
- City of Oak Park
- City of Saline
- City of Southfield
- City of Sterling Heights
- CoreSpaces
- Cornerstone Alliance
- Detroit Region Aerotropolis
- Detroit Wayne County Port Authority
- Flint & Genesee Regional Chamber
- Harmonie Park Development
- Hillwood Development/Amazon
- Humanetics
- Huntington Bank
- Insite Development
- Landmark Development
- Macomb County Econ. Development
- MEDC – State of Michigan
- MJC Companies
- NorthPoint Development
- Peak Management
- Peerless Metals
- Penske Logistics
- Precision Properties
- REDICO
- University of Michigan
- Wade Trim
- Walbridge Development

Myefski Architects

Company Information

JOHN MYEFSKI
Myefski Architects | President & Principal
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Experience

John built his company by taking a detailed and creative approach to every project. Years of experience have provided him with the ability to listen to and understand client needs, translating initial brainstorming into beautiful, inhabitable spaces that coincide with the client's vision.

As Principal-in-Charge, John is responsible for leading their knowledgeable team of design professionals. In addition, he is a vital resource providing guidance when challenges and opportunities arise. In this role, John works to identify space needs and deliver dynamic solutions while meeting other project goals including budget, schedule, and sustainability.

Ann Arbor Project Examples

- Collective on 5th, Ann Arbor, MI - The design concept for this 352,496 sf development features retail, office space, a hotel, and residential units.
- Hoover & Greene, Ann Arbor, MI - This four-story, 227,890 sf development consists of 167 apartment units, amenities, and enclosed parking.
- Mixed-Use Development, Ann Arbor, MI - The design concept for this 562,178 sf site consists of five residential and commercial buildings.
- Hub Ann Arbor, Ann Arbor, MI - This 12-story, 171,747 sf development showcases 124 apartment units, resident amenities, and a parking garage.
- 327 East Hoover, Ann Arbor, MI - This four-story, 20,956 sf mixed-use development showcases six apartment units above lower level retail space

Education And Licenses/Certifications

Bachelor of Architecture - University of Michigan, 1984
Master of Architecture - University of Michigan, 1986
Master of Product Design & Development, Executive Education Program - Northwestern University, 2010
Licensed Architect in Michigan, Alabama, Arizona, California, Illinois, Florida, Minnesota, Wisconsin
NCARB Certified



BDC Consulting

Company Information

SCOTT COLLINS, LEED AP
BDC Consulting | Owner
(586) 703-1045
scott@bdcconsulting.net

Experience

Scott has worked in the Metropolitan Detroit construction and real estate industry for more than twenty years. Most recently, Scott worked as Project Executive of Construction with Bedrock Real Estate Services. He was responsible for acquisition, development, as well as construction. In this role, Scott acted as an owner representative on countless multi-million-dollar urban development projects in Detroit, Cleveland and Phoenix. Scott also served as a tenant representative for nationally recognized tenants, such as Chrysler, Quicken Loans, Under Armor, Nike, John Varvatos, Ally Financial, and Meridian Health. He also implemented an integration system across Bedrock's vast real estate portfolio; spanning 85+ properties and 14 million square feet in downtown Detroit. As a result, all critical building systems were automated with smart, cutting edge technology; therefore, reducing capital expenditures and enhancing tenant experience.

Prior to joining Bedrock, Scott served as Vice President of Development at Braun Construction Group, during which he led the planning, design, development and construction of more than 10 LEED certified projects.

Scott currently serves on the advisory council of Intelligence Buildings Conference (IBCON). He has been key-note speaker on Smart Building principles and how their implementation results in cutting edge technology and state-of-the-art real estate portfolios.

Collins is a graduate of Alma College and Lawrence Technological University.

Education

Bachelor's Degree in Civil Engineering - Lawrence Technological University, 1996
Bachelor's Degree in Physics - Alma College, 1996
LEED Certified



BONNER *Advisory Group*

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