



LIBRARY LOT PROPOSALS – RFP #743

REPORT AND RECOMMENDATIONS TO THE CITY OF ANN ARBOR

November 23, 2010

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Report and Recommendations
to the City of Ann Arbor**

- Executive Summary -

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I. Introduction:

In summer 2009 the City of Ann Arbor distributed Request for Proposals No. 743 for the development of a site located at 319 S. Fifth Avenue (the “Library Lot”) in downtown Ann Arbor. In November 2009 a City-appointed Advisory Committee received and evaluated six RFP responses, and based on this evaluation, recommended two proposals for more extensive review. Roxbury Group LLC (“Roxbury”) was formally engaged in July 2010 by the City of Ann Arbor to undertake an evaluation of these proposals, which had been submitted by Acquest Realty Advisors, Inc. (“Acquest”) and Valiant Partners LLC (“Valiant”).

The evaluation and conclusions contained in this report are based upon a number of data points. These include:

- Background interviews with key community stakeholders and Review and evaluation of a number of background materials;
- The written proposals submitted by Acquest and Valiant in response to the City’s RFP;
- Their written responses to questions raised during the preliminary evaluation interviews; and
- Roxbury’s meetings with each proponent.

Interviews:

The following is a synopsis of the perspectives gleaned from those interviews and comments received which support those perspectives:

- There is a need for a conference center in downtown Ann Arbor to accommodate current unsatisfied demands within the community.

- There is likely current demand for an additional full-service hotel in the downtown, but there most certainly would be if a conference center is added.
- While Eagle Crest in Ypsilanti is managing to capture a portion of the unmet demand, there are certain needs within the community that simply demand a downtown facility.
- The University of Michigan's highly decentralized conference scheduling system creates significant opportunity for a new downtown conference center/hotel development.
- A first-rate hotel conference center in downtown would serve as a meaningful business attraction and retention tool.
- A hotel conference center on the Library Lot would create substantial synergy and community benefit through its proximity to the Ann Arbor Public Library.

Background Materials:

Certain conclusions and common perspectives were also gleaned from a number of background materials and analysis provided by the Ann Arbor Convention and Visitors Bureau (AACVB), the A2D2 Initiative and Downtown Plan as well as the DDA which generally support the findings set forth above.

II. Proponent and Proposal Evaluations

Responsiveness to RFP Requirements

The RFP includes four specific selection criteria against which the proposals and proponents will be evaluated according to a weighting formula included in the RFP. The following is a summary of each criterion, its weighting in the process and the conclusions drawn for each in the report.

(a) Past Involvement with Similar Projects

Weighting- 25%

While both groups have presented sufficient levels of experience to satisfy the base criterion as articulated, given Acquest's years of experience as a team on projects of similar or greater scale to those being proposed, their team would appear to present an advantage over the Valiant team's experience in this regard.

(b) Proposed Work Plan:

Weighting: 40%

As described in specific detail in the report, while the Acquest proposal presented a strong responsiveness on Environmental Benefits, with respect to the Objectives of Beneficial Use and Financial Return, as well as the general comprehensiveness of the work-plan, the Valiant proposal is far more compelling and significantly more responsive to the RFP as well as to goals articulated in the stakeholder interviews, the A2D2 Initiative and the Downtown Plan. Most notably:

- The clear consensus drawn from community stakeholder interviews and other background materials is that a substantial downtown conference center, with adjacent hotel would provide significant benefits to the community.
- By establishing a “game-changing” conference center as its central project element, Valiant has identified the more compelling project for the site.
- Acquest itself recognizes the need for a conference center, but does not actually propose to develop one.
- The connection between the Library Lot and a potential expansion of the library as a complimentary use is a unique opportunity for public-private synergies which has been more effectively leveraged by the Valiant team.
- While both plans raise issues of market feasibility associated with their respective planned uses, the Valiant plan goes further in addressing underlying questions of viability through its mixed use approach.
- Valiant has proposed a work-plan for execution of its project that is more comprehensive in nature and reflects a clearer appreciation for the need for community involvement.

(c) Financial Capacity, return and Cost Proposal

Combined weighting: 35%

The Acquest team chose not to provide a specific proposal outlining how it would finance its project, relying instead on its track record of financing other similar projects as evidence of its capacity. As such it is impossible at this phase to assess the degree to which the Acquest project

can be financed, and assuming it can, the exact degree of public subsidy or incentives that might be asked of the City by the proponent in connection therewith.

By contrast, Valiant has provided a very specific proposal for the financing of its project. By reducing the initial scale of the conference center portion of the project and adding one-to-two floors of commercial office space, Valiant was able to strengthen the development's potential for revenue generation, eliminating the need for any publicly-guaranteed debt. To ensure that this is the case, Valiant has offered to guarantee the amount of financing necessary so that any shortfall is covered by the developer, not the City. Additionally, under the revised proposal, the excess ground rent plus the taxes generated by the residential units total roughly \$275,000, more than double the original offer.

In summary, Subject to necessary follow-on negotiation and due diligence, the Valiant proposal is clearly preferable from a financial perspective.

III. Recommendations

For the reasons set forth in the report it is the recommendation of Roxbury that the Advisory Committee provide a conditional selection of the Valiant team as the developer of the Library Lot. This selection would be conditioned upon the entering into of a letter of intent between the proponent and the City of Ann Arbor, subject to final approval by City Council, that would set forth the specific items to the mutual satisfaction of the parties. The letter of intent would also specify that the project remains subject to the normal entitlement process. The authorization from City Council would permit the DDA and City Administrator the time to put together a development agreement consistent with the terms agreed to, itself subject to ultimate Council approval.