

January 5, 2010

Jan Barber
Community Services
6th Floor, 100 N Fifth Ave, Ann Arbor, MI 48104
jbarber@a2gov.org

Dear Ms. Barber:

Please find below answers to the Library Lot Advisory Committee questions forwarded on December 18, 2009. Our team looks forward to meeting on January 20th, 2010. Please contact us if we may be able to provide additional information prior to that meeting.

Sincerely,



Bruce Zenkel

Question - Pg 3 - *please describe the conference center in more detail. For instance, what did your market research show to be meeting space capacities in the community, and how will your conference center square footage measure up against this? What size groups do you envision will take advantage of this conference center that are not already coming to Ann Arbor for meetings? How many days/nights out of 365 do you plan to see this conference center space in use by groups?*

Answer – The approximately 32,000 sq. ft. Conference Center portion of the Valiant proposal contains an 8,000 sq. ft. ballroom with capacity to comfortably seat 500 for dining or 1,000 for plenary meetings, and 1,200 for receptions. It also includes six to nine conference rooms (flexible), one of which will have video conferencing and tele-presence capability, an 80 seat amphitheatre, a kitchen, pre-function area and lounge. In addition, it is contiguous to the Hotel's lower floor which can provide up to six additional meeting rooms.

We have extensively researched existing conference and meeting facilities in Ann Arbor and within the University community. Perhaps the most prominent facility is the Conference Center at the Eagle Crest Marriott in Ypsilanti, which is approximately 10 miles from downtown Ann Arbor. It is approximately 16,200 sq. ft. in size. The largest facility is Weber's Inn at 19,500 sq. ft. and is almost 3 miles from Downtown. Other private facilities in Ann Arbor and environs include the Four Points by Sheraton, Kensington Court, the Best Western Executive Plaza, and the Campus Inn, although these properties would be better described as hotels with meeting rooms rather than as true conference facilities. The Four Points is the largest of the group at 12,245. The Michigan Information Technology Center (MITC) has 15,000 sq. ft. of meeting and conference space, but no affiliated hotel and only limited dining and banquet capability. The University has limited capacity at the Michigan Union and the Michigan League, and while these facilities are open to the public, our research indicates that they are not sufficient in terms of size or facilities to accommodate conferences of the desired sizes that our research indicates.

Our proposed conference Center, at 32,000 sq. ft. of technically sophisticated, well-appointed facilities, will be 60% larger than the next largest facility and will attract meetings with well in excess of 1,000 attendees. These larger groups will utilize the Center for executive sessions and senior level management, and utilize other nearby facilities for complimentary meetings and sessions.

The Center is projected to be in use a minimum of 125 days and 225 nights (2nd year of operation). This does not include weekend use and other uses, such as Education and Enrichment programs utilizing additional days.

Fritz Seyferth & Bruce Zenkel

Question - Pg 4 - *please describe the open space - will it be designed to stand alone as a public plaza or will it appear to be a part of the ground floor uses in your project?*

Answer – The plaza is intended to be open to the public and for the benefit of the general public as well as hotel guests and conferees. The plaza will be available for four season use including a water feature, ice rink, public art, and grand stand seating. Activities will include skating, live performances, festivals, and outdoor reading space coordinated with the library. The first floor restaurant will have terrace dining adjacent to the plaza similar to the sidewalk dining on Main Street. The design and feel of the outdoor space will be coordinated with the whole project, but it will be planned for, and welcoming to the general public.

Carl Luckenbach

Question - Pg 4 - *why an ice cream shop; why not a coffee shop or some other quick service shop?*

Answer - The ice cream and sorbet shop was suggested in an effort to offer something popular, yet new to Ann Arbor. More analysis is required and what seems to be a “best fit” for Ann Arbor and our guests will be considered. These can include coffee, espresso, hot chocolate, pastries and other quick serve snacks.

Bruce Zenkel

Question - Pg 4 - *who is the target market for condos, retail and the open space?*

Answer - The Condominiums will seek owners from among the following markets:

- University of Michigan Alumni
- Empty nesters, snowbirds, and those in the Community where available housing offerings are inadequate for their needs and means.
- Southeast Michigan / Ohio corporate community and other local, regional, and national institutions with permanent housing needs.

The retail space will include a Restaurant, Bar/Café, quick serve treats shop, news shop and one other small offering all of which will target the Project’s occupants and the adjacent area, and together with the public amenities help stimulate pedestrian activity between Main and State Streets.

Bruce Zenkel

Question - Pg 7 - *have you thought about how the conference center and hotel will impact or be impacted by the adjacent Library?*

Answer – Over the past year and one-half, Valiant Partners has maintained a dialog with the Ann Arbor District Library, including Board presentations, to explore possible synergies between the two. Several were identified. The Library has suspended its plans for a new building, but Valiant still intends to make provisions for a future connection to the Library.

Carl Luckenbach

Question - Pg 8 - *you estimate 200 attendees per event, but only up to 50 cars. You also suggest that many of the events will be regional where; I would suspect most attendees will drive. Can you explain the discrepancy?*

Answer – This is a typo, it should have been 150 as stated elsewhere.

Bruce Zenkel

Question - Pg 8 - please provide a rough estimate of what the basic "rack" rate for a standard hotel room would be on a traditional weekday?

Answer - For definition purposes and to describe what is now going on in the hotel reservation world we would like to offer a quick explanation. First of all the term "rack" rate has become rather obsolete. Traditionally the asking rate that is listed in the hotel's brochure is the "rack" rate but that is no longer the case. Thanks to the web, room rates change almost by the minute and pricing is variable, similar that of airline tickets. Depending on a multitude of factors such as the hotel's occupancy, pace reports (future bookings), and internet yield management the rate at any one of our hotels can change instantaneously and vary widely.

Therefore, instead of trying to answer this question with a specific rate number (which would be very difficult) we thought we could describe the rationale behind how the rate is derived. For the Ann Arbor proforma, Gemstone Hotels & Resorts analyzed all the methods (and there are many) to generate the highest rate on weekdays (and weekends) including times around school events - graduations, athletic events, parents weekends, etc. We also compare the Ann Arbor hotel against its competitive hotels through a REVPAR index (revenue per available room) so that we can always make sure the hotel is maximizing rate at any given time. Our proforma for the weekday rate factors in our competitive advantages. This project will be a higher end facility with better services. Our conference center, which will be state of the art and designed for the meeting market of Ann Arbor, will give the hotel a clear competitive advantage as it relates to attracting the "bread and butter" weekday meeting business and as such will drive weekday rate/REVPAR even higher.

The bottom line is that we feel very comfortable that our weekday rate from the initial year to stabilization reflected in our proforma will be the leader in the Ann Arbor market.

Thomas Prins

Question - Pg 9 - what level of LEED certification do you anticipate?

Answer – The project will be LEED Certified as a minimum. A LEED Silver or Gold rating will be achieved if the trade-off between first costs, operating costs and long term benefits are positive.

Carl Luckenbach

Question - Pg 9 - you describe the uses on the plaza - who do you envision will be responsible to schedule the performances, oversee the ice skating in winter, etc.?

Answer – The City is in the best position to oversee the ice skating as it is already familiar with managing skating at other City facilities. The scheduling of performances will need to be coordinated between the Hotel, the Conference Center, and the City's operation of the skating. The Hotel will take the lead in scheduling activities.

Bruce Zenkel

Question - Pg 11 - the Valiant proposal states that the Ann Arbor Schools will receive about \$350,000 per year in additional tax revenue. Is that true or does the increased revenue go to the DDA?

Answer – No, it will not go to the DDA. According to the DDA Renewal Plan on the website, (http://www.a2dda.org/downloads/Resources/RENEWAL_PLAN_2003-33-FINAL-091503-.pdf), The DDA captures City, County, Library, and Community College tax revenue, but not that of the Public or Intermediate Schools. Our prior estimate of \$350,000 for the schools was, in fact low and should be closer to \$600,000 for property tax revenue.

Michael Bailkin

Question - Pg 11 - what does NPV stand for? Is it net present value? How is it calculated?

Answer - NPV stands for Net Present Value. This was calculated on the basis of a 6.25% discount rate, over the period of the revenue stream, but only for 20 years. Note that the City will continue to receive revenue streams (enhanced by economic and inflationary increases) for a much longer period, but for greater precision we showed the impacts for only 20 years.

Michael Bailkin

Question – Misc. – have you done any “shadow studies” to see what the impact on Liberty Street will be from the hotel tower?

Answer – We have assumed that the A2D2 planning effort has included an understanding of shadow impacts when determining allowable building heights. If shadow diagrams are to be required, we can provide them.

Carl Luckenbach