



## MEMORANDUM

DATE: March 9, 2017

TO: City of Ann Arbor  
C/o Tom Crawford and Kevin McDonald

RE: 5<sup>th</sup> and Library Purchase Contract Deal Points

The Core Spaces team remains extremely excited about this development and is greatly appreciative for the opportunity to be in exclusive negotiations on a Purchase Agreement with the City for the acquisition of the subject property. To further our commitments stated within our proposal, we have worked with the City on identifying additional deal points that will become commitments and obligations of both parties upon adding them to a Purchase Agreement. The purpose of this memorandum is to outline the major deal points and provide more detail on how we propose to structure these into an Agreement. The specific details on several points remain open to further negotiation and discussion. Below is the outline of the proposed deal points:

### **Workforce Housing:**

To meet the goal established in the Amendment to the Resolution to provide 10% workforce housing, we offer the following:

- Core Spaces will commit to leasing up to 12% (43 units) of the currently anticipated 354 apartment units at rental rates based on 150% of Fair Market Rents (FMRs) at the time the units are leased. See attached memo delineating the current rents and related calculations method. (FMRs include the amount of all tenant-paid water, sewer, electric and gas expenses.)
- Instead of 12% of the units at 150% FMR, Core Spaces will commit to leasing up to 9% (32 units) of the currently anticipated 354 units at 120% of FMR at the time the units are leased.
- Additionally, Core Spaces will commit to increasing the percentage of units offered at 150% FMR from 12% to 14.5% (an additional nine units) with a contribution from the City to make up the loss in value as a result of a decrease in net operating income. The contribution from the City would be \$1,475,000.
- The workforce units offered will be limited to a mix of efficiencies, studios, and one bedroom units.



- Workforce units will only be leased to applicants that qualify with household incomes ranging from 60% to 100% AMI for the 150% of FMR rates and 50% to 80% AMI for 120% of FMR rates.
  - Core Spaces will offer the workforce units on a first come first serve basis to income-qualified tenants. However, units will not be held vacant if income-qualified tenants are not available. Should units not be available for workforce housing the qualified applicant will reside at the top of a waiting list for the next available qualifying unit.
  - Workforce units will not be materially different from units rented at standard rates. (Units will be of the same size, feature the same finishes, etc.)
- Income qualification of tenants will be completed by Core Spaces, and will be reviewed by the Washtenaw County Office of Community and Economic Development.
- Workforce units will be provided in the development in perpetuity.

**Parking:**

Core Spaces anticipates the proposed development include a lease of parking permits to adequately serve the needs of the mixed uses. The parking agreement shall be structured as follows:

- 196 - 24-hour equivalent parking permits will be leased in the City-owned Library Lane Structure located beneath the proposed development. The 196 permits are calculated as 196 permits for 24 hours per day for each year. Therefore, if Core Spaces elects to designate the use of off-peak permits (currently 15 hours), the remaining 9 hours will be available for additional permits.
- 85 – 24-hour equivalent parking permits will be leased at the City-owned Fourth and William Structure. All parking permits in the Fourth and William Structure may be replaced by the City with permits in another structure in the same parking district if the Fourth and William Parking Structure is not in use. The parking district includes the Library Lane Structure, the Fourth and William Structure and the Fourth and Washington Structure.
- 80 off-peak parking permits will be leased at the City-owned Fourth and William Structure.
- Core Spaces will lease the required parking permits in accordance with the Downtown Development Authority's current standard monthly permit rate, and in addition will pay any surcharge related to multi-permit contracts.
- Annual increases in the monthly rate shall be consistent with the Downtown Development Authority established standard monthly permit rates, and in no event shall rates increase more in any given year than the average increase in all garages located in the same parking district.
- Core Spaces shall notify the City and the Downtown Development Authority of its specific parking permit requirements no less than 60 days prior to the start date of the parking lease. Thereafter, Core Spaces shall notify the City and the Downtown Development Authority of its parking requirements for the following calendar year no less than 60 days prior to the end of



each calendar year. The number of leased parking permits shall never exceed the totals above, but during the first three years the total number of leased permits can fluctuate upward and downward by a maximum number of 50 permits. After the first three years, Core Spaces shall be allowed to permanently reduce the overall number of parking permits to the minimum amount of parking required by Ann Arbor City Code.

- Core Spaces may elect, at its sole discretion, and with 90 days prior notice to the Downtown Development Authority, to release a portion of the 196 parking permits at the Library Lane Structure so that these permits may be used to accommodate other needs unrelated to the development. In that event, and subject to availability as determined by the Downtown Development Authority, the number of parking permits released shall still be provided in the Fourth and William Structure.
- Core Spaces shall be permitted to sublease parking permits to its residential tenants, hotel operator (including guest parking) and other entities that operate within the property including, but not limited to, office tenants and retail tenants, including employees of above, as well as for visitor and customer use. Core Spaces will have complete and sole discretion as to the rate it charges its sub-lessee (rental rate charged to sublessee can be more than or less than the rate that Core Spaces pays to the Downtown Development Authority).
- Core Spaces shall not allow its lessees to sublease parking permits and shall include language prohibiting subleasing in all of its leases associated with the proposed development. Unauthorized subletting of parking permits shall make those permits subject to cancellation.
- Core Spaces shall be allowed to permanently reduce at any time the overall number of parking permits to the minimum amount of parking required by Ann Arbor City Code.
- The agreement will be for a 20-year term with two 15-year renewal terms, which will be similar to the terms offered in other Downtown Development Authority parking contracts.

#### **Design:**

The design developed for the Library Lane project shall adhere to the City of Ann Arbor Downtown Design Guidelines with additional consideration for the Design Element Priorities outlined within the Ann Arbor Downtown Street Design Manual. This high-quality development commits to enhancing the street-level pedestrian experience, and to contributing to the vitality of downtown and identity of the Midtown Character District.

- Core Spaces shall be obligated to follow the Downtown Design Guidelines. As part of that obligation, the project will be presented to the Ann Arbor Design Review Board. The project shall be reviewed by the City's Design Review Board consistent with the requirements of Ann Arbor City Code. In addition to this required review, CORE shall present the Project to the Design Review Board a second time in order to provide an additional opportunity for review and comment by the Board.
- The approach to design for context and site planning shall include reinforcing the positive characteristics of adjacent sites and enriching the pedestrian experience through the use of



urban pattern and form. As a corner site, the design will be expressed with a public plaza framed by an architecturally significant building. Site planning will involve orienting the building location to accommodate climate patterns as well as multi-modal transportation.

- The approach to massing design will feature building elements that are stepped away from adjacent lower height buildings along Fifth Avenue and provide a clear definition between the building base and upper levels. This definition includes a differentiated building top.
- Clearly defined building entries will be punctuated with architectural canopies and accent lighting. Visually interesting building elements, such as architectural details and art features, will provide a sense of scale that invites pedestrian activity at the street edge. This includes the use of window design and placement and ground floor storefronts.
- With a commitment to maximize activity and usability, open space will be located where the highest level of pedestrian activity is anticipated. The open space serves as a focal point on this site, oriented toward Fifth Avenue, with dining opportunities, seating areas, public art, lighting, water features, architectural details, and, decorative paving. By providing both covered and uncovered areas, the plaza would be designed to accommodate a wide range of activities and uses.
- Pedestrian connections throughout the development will integrate with the existing infrastructure and aim to enliven the pedestrian experience. The connections will utilize spatial opportunities to create efficient circulation. The location and size of driveways, access points, alleys, and trash receptacles will be designed to minimize pedestrian impact and focus on safety and circulation.
- Sustainable technologies will reinforce a walkable community and aim to result in an energy efficient building. Natural systems employed will include site features that allow for shade in the summer and sun in the winter supplemented by plant groups that provide wind protection and are tolerant to urban conditions. Further, by placing the building to the north of the public plaza, the open space is optimized to receive full solar exposure.
- All plans and public presentations to show building in its true color as it will appear as opposed to an enhanced image emphasizing some particular aspect or color of the building (or showing the effect of light at different times of day, or sky colors). Architectural elevations will show how the building will look on a cloudy day without reflection or enhancement, and will indicate proposed architectural materials to the greatest extent possible.
- The design and appearance of the building shall be substantially similar to the attached drawings and shall incorporate the requirements listed below under 'Building Design.'
- To allow flexibility and responsiveness in our approach to design as we go through the design review process, the City's Council shall have the ability to waive any of the design requirements included in this memorandum to allow a building design that may be different from the current proposal.



### **Building Design:**

- The lower floors shall be differentiated architecturally from the remainder of the building.
- Construction will be of high-quality materials including stone, brick, glass, metal panels, steel, and glass mullion system. No vinyl, EIFS, composite materials such as fiber cement paneling or siding will be utilized.
- The height of the street level floor, from finished floor level to ceiling shall be between 15-20 feet.
- Glazing on the upper level of the building on all facades shall utilize vision glazing to the maximum extent permitted by the current energy code. The current energy code limits the use of vision glass to a maximum of 40% within residential portions of the building. To the extent possible, CORE will attempt to maximize glazing on the south, east and west facades. Use of any reflective or high tinted glass shall not count toward this goal.
- A minimum Floor Area Ratio of 500% shall be achieved on the site.
- Primary building entrances shall be highlighted with lighting, signage, materials, and detailing. Primary entrances shall be recessed off the sidewalk to limit high-pedestrian entry conflicts.
- Provide pedestrian-oriented uses on Fifth and Library Lane facades. No more than 25% of these facades shall be occupied by uses which have no need for or discourage walk-in traffic.
- A minimum of 70% of the pedestrian level facing the Public Plaza shall be transparent windows and doors. These transparent windows shall remain free of curtains, decals, window displays, or other visual obstructions by tenants or occupants, with the exception of retail business signs and retail business displays.

### **Streetscape/Pedestrian:**

- There will be a pedestrian pathway around the building of at least 10 feet in width except on the east side of the building. On the east side of the building, the pedestrian path will be approximately 6 feet in width due to the existing north-south driveway access.
- A minimum of 60% of the street floor level shall be transparent windows and doors along the 5th Ave and Library Lane facing facades.
- Overhead cover shall be provided that offers adequate pedestrian protection from rain and snow, along the Fifth and Library Lane facades.



- A minimum of 1 foot-candle of warm light shall be provided in all space between the building façade and curb along streets.
- Driveways, access points, alleys, and trash receptacles will be designed to minimize pedestrian impact.

#### **Zoning and Development Standards:**

- The project shall comply with all City's zoning and development ordinances and standards. All ordinances and standards shall apply to the entire site (including existing site improvements) consistent with all other development in the City.

#### **Sustainability:**

Core Spaces originally proposed to pursue LEED Silver and will now commit to pursuing the equivalent of Gold certification under LEED Version 2009. Core Spaces will not necessarily seek certification by the LEED organization. The targeted LEED Gold checklist objectives shall include, but are not limited to:

- Alternative transportation, site development, and heat island effect credits under Sustainable Sites;
- Water use reduction and innovate wastewater technologies credits under Water Efficiency;
- Energy performance, commissioning, and green power credits under Energy and Atmosphere;
- Construction waste management, recycled content, and regional materials credits under Materials and Resources;
- Construction IAQ management plan and low-emitting materials credits under Indoor Environmental Quality; and,
- Innovation in design and regional priority credits under Innovation and Design Process and Regional Priority Credits.

#### **Connectivity:**

The Core Spaces design team is diligent in working with input from the City and citizens to articulate a connectivity plan that transforms the site's spatial opportunities and engages pedestrians.

- The plan is defined by continuous pedestrian pathways that frame the site connecting adjacent properties with the new public plaza. All site connectivity originates from the perimeter pedestrian pathway. This connectivity expands from the public plaza fronting 5th



Avenue and Library Lane on the west and south, respectively, across the property's north and east boundaries.

- This safe and efficient connectivity plan anticipates future connections and improves the street-level pedestrian experience with essential circulation between Liberty Plaza and the Blake Transit Center. Current and future pedestrian linkages from the perimeter path unite the development with East William to the south and East Liberty to the north.
- The existing driveway along the northern and eastern borders of the site is a potential opportunity to improve connectivity for the entire block. The goal is to find a way to invigorate the pedestrian flow along the driveway, and our connectivity path, while dealing with the service aspects of the driveway.

Aligned with the goals of the Allen Creek Greenway, the purpose and focus of the pedestrian pathway and public plaza are to provide connectivity and anchor points. From all sides, the connectivity plan provides pedestrians with a clearly defined means for traversing this city block. The pathway's southern and western perimeters extend from the public plaza and span the sidewalks along Library Lane and 5<sup>th</sup> Avenue. A safe and comfortable walkway along the northern and eastern perimeters joins these sidewalks to complete the site's continuous pedestrian pathway.

#### **Driveway Access:**

- The driveway on the northern and eastern borders of the site is currently used for vehicle access for neighboring properties, and a best effort will be made to maintain access during the construction period and provide notice for any necessary temporary closure. The design will include elements to make the driveway available to vehicular traffic and also make it pedestrian friendly. Permanent public use of the driveway will be included in the development.

#### **Public Plaza:**

See attached Plaza area plans.

- Developer shall construct a Public Plaza that covers an area of at least 12,000 square feet. The Plaza shall contain at least five of the design amenities as shown on the Plaza area plan.
- The final design of the Plaza shall be subject to the approval of Ann Arbor City Council after receiving a recommendation from the Parks Advisory Commission.
- The Plaza and all Plaza elements shall be designed and constructed in compliance with all applicable ADA requirements.
- The Developer shall construct the Plaza and shall not make any material changes to any plaza elements or remove any plaza elements without prior written approval of the Community Services Administrator or designee.
- Developer shall grant an easement to the City for public use of the Plaza consistent with public use of a park.



- The City and Developer shall establish rules for the Plaza based on the City park rules in Chapter 39 of Ann Arbor City Code. The developer may have Plaza hours extend beyond those provided in park rules.
- Day-to-day operation and management of the Plaza shall be the responsibility of the Developer, including providing security, cleaning, and maintenance.
- The Plaza shall be available for use for community events by organization and individuals.
- Developer shall facilitate programming and activities in the Plaza by:
  - Developing a promotional package that will be available to the public on use and rental of the Plaza
  - Managing the programming of the Plaza through an onsite property manager
  - Providing a small kiosk or information station with details on Plaza programming and availability
  - Proactively identifying community partners to provide programming in the Plaza
  - Holding meetings at least annually with programming partners and interested community members and organizations
  - Providing \$25,000 (including in-kind personnel) in support per year for Plaza programming
  - Any rental fees shall be consistent with other parks facilities rental fees in the City.

- Developer reserves the right to seasonally or temporarily cordon off up to 2,000 square feet of the Plaza to be used as an outdoor dining area in association with and directly adjacent to retail and hotel uses within the building. Designated areas shall be shown on the final design of the plaza.

**Transaction:**

- Core Spaces shall pay \$100,000 in earnest money to the City upon signing the Purchase Agreement. The balance of the \$10 million purchase price shall be paid at closing. The Purchase Agreement shall allow 360 days to close contingent on site plan approval and completion of the condominium master deed and other necessary closing documents. The Purchase Agreement shall allow two 90 day extensions at the discretion of the City Administrator.
- Core Spaces shall grant the City a right to repurchase the property in seven years from closing if the project has not been developed or a final certificate of occupancy has not been issued at an agreed upon fair market value based on the appraised value at the time of the repurchase.



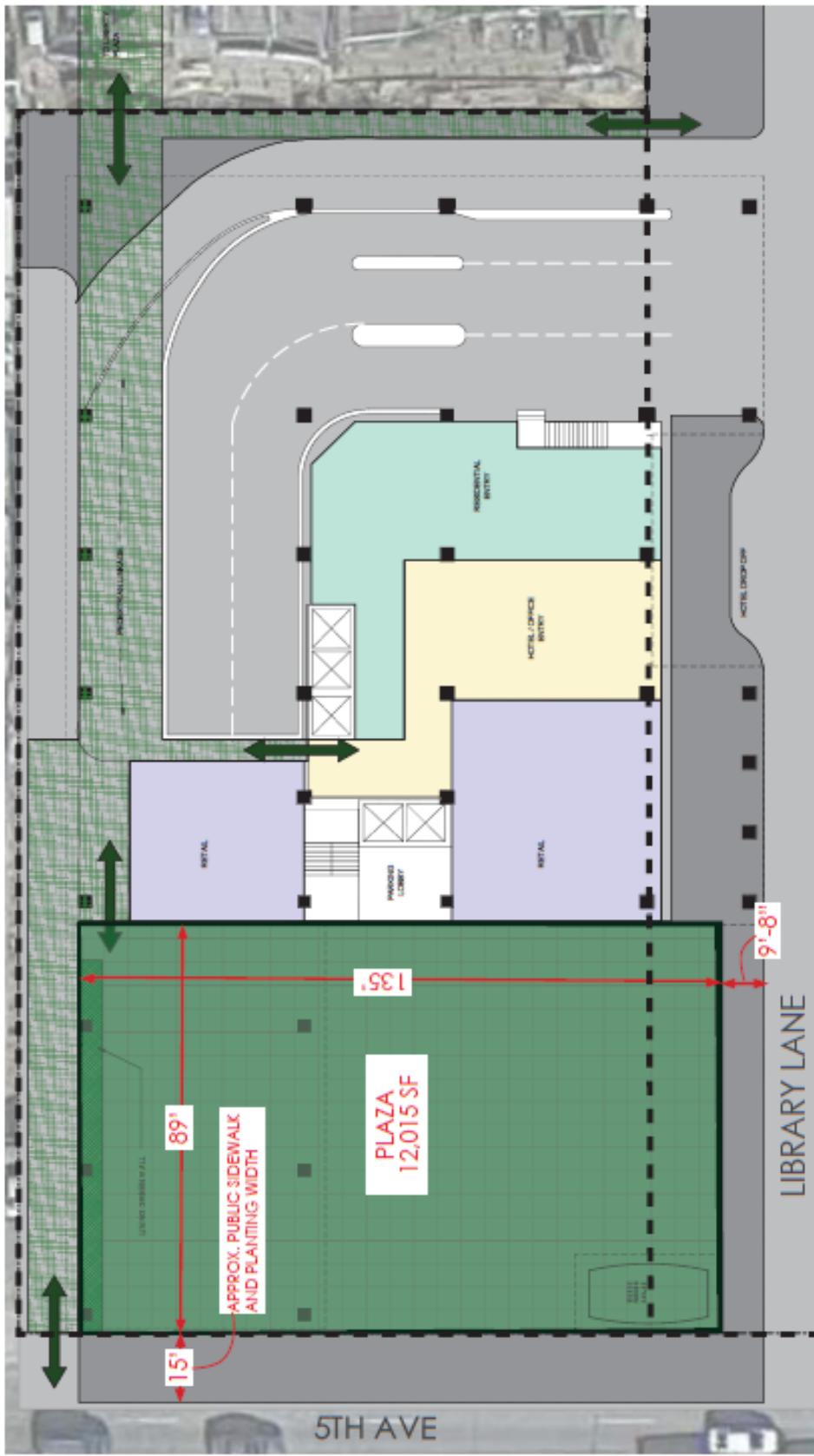
We look forward to finalizing the Purchase Agreement and taking the next step towards a magnificent development which will further enhance the City of Ann Arbor.

Sincerely,

Tom Harrington, Jr.  
Core Spaces, LLC

Cc:     Eric Grimm  
          Marc Lifshin  
          Brian Neiswender





PLAZA AREA PLAN  
SCALE: 1" = 20'

**CORE** | COLLECTIVE ON 5TH



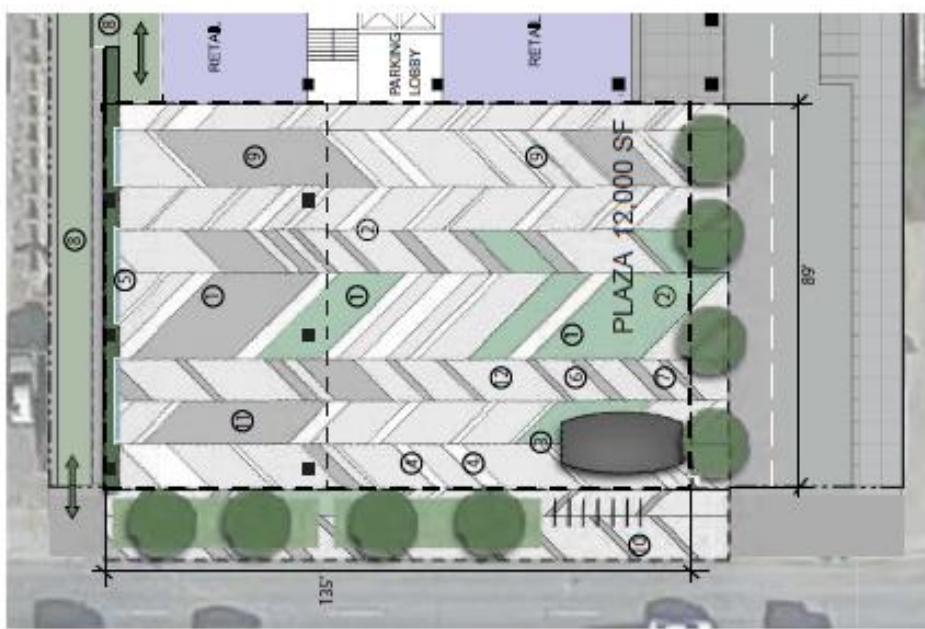
PLAZA AREA PLAN

COLLECTIVE ON 5TH

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**SENT VIA EMAIL**

From: Mitch Dalton  
2234 W North Ave  
Chicago, IL 60647

**RE: MI - Ann Arbor - Library Lane  
FY2016 Fair Market Rent (FMR) Geography Summary for Ann Arbor, MI MSA**

The Office of Management and Budget release new Core Based Statistical Area definitions in February 2013. The Census American Community Survey incorporated these definitions in the ACS2013 release, which are the basis for FY2016 Fair Market Rents. HUD has elected to continue use of the pre-2013 definitions except where the post-2013 definitions result in a smaller FMR area. This is consistent with HUD's objective to maximize tenant choice by allowing FMRs to vary locally.

HUD determines the Fair Market Rent by doing a rental market study and uses the 40th percentile of rental rates by unit size from the previous 2 years (not including new units and subsidized units).

**Final FY 2016 FMRs By Unit Bedrooms**

	<b>Efficiency</b>	<b>1 Bedroom</b>	<b>2 Bedrooms</b>	<b>3 Bedrooms</b>	<b>4 Bedrooms</b>
<b>Per Unit</b>	\$769.00	\$851.00	\$1,019.00	\$1,396.00	\$1,779.00
<b>Per Bed</b>	\$769.00	\$851.00	\$509.50	\$465.33	\$444.75
<b>120%</b>	\$922.80	\$1,021.20	\$611.40	\$558.40	\$533.70
<b>150%</b>	\$1,153.50	\$1,276.50	\$764.25	\$698.00	\$667.13

	<b>2015 FMR - 150%</b>	<b>Proforma - 150%</b>	<b>2016 FMR - 150%</b>
<b>Efficiency</b>	-	\$1,023	\$1,153.50
<b>Studio</b>	-	\$1,023	\$1,153.50
<b>1 Bedroom</b>	1204.5	\$1,095	\$1,276.50
<b>2 Bedrooms</b>	1426.5	\$647	\$764.25

**Fair Market Rent Calculation Methodology**

Fair Market Rents for metropolitan areas and non-metropolitan FMR areas are developed as follows:

1. 2009-2013 5-year American Community Survey (ACS) estimates of 2-bedroom adjusted standard quality gross rents calculated for each FMR area are used as the new basis for

FY2016 provided the estimate is statistically reliable. The test for reliability is whether the margin of error for the estimate is less than 50% of the estimate itself.

2. If an area does not have a reliable 2009-2013 5-year, HUD checks whether the area has had a reliable estimate in any of the past 5 years. If so, the most recent reliable estimate is updated by the change in the area's corresponding State metropolitan or non-metropolitan area from the year of the most recent reliable estimate to 2009. This update value becomes the basis for FY2016.
3. If an area has not had a reliable estimate in the past 5 years, the estimate State for the area's corresponding metropolitan area (if applicable) or State non-metropolitan area is used as the basis for FY2016.
4. HUD calculates a recent mover adjustment factor by comparing a 2013 1-year 40th percentile recent mover 2-bedroom rent to the 2009-2013 5-year 40th percentile adjusted standard quality gross rent. If either the recent mover and non-recent mover rent estimates are not reliable, HUD uses the recent mover adjustment for a larger geography. For metropolitan areas, the order of geographies examined is: FMR Area, Entire Metropolitan Area (for Metropolitan Sub-Areas), State Metropolitan Portion, Entire State, and Entire US; for non-metropolitan areas, the order of geographies examined is: FMR Area, State Non-Metropolitan Portion, Entire State, and Entire US. The recent mover adjustment factor is floored at one.
5. HUD calculates the appropriate recent mover adjustment factor between the 5-year data and the 1-year data and applies this to the 5-year base rent estimate.
6. Rents are calculated as of 2014 using the relevant (regional or local) change in gross rent Consumer Price Index (CPI) from annual 2013 to annual 2014.
7. All estimates are then inflated from 2014 to FY2016 using a trend factor based on the forecast of gross rent changes through FY2016.
8. FY2016 FMRs are then compared to a State minimum rent, and any area whose preliminary FMR falls below this value is raised to the level of the State minimum.

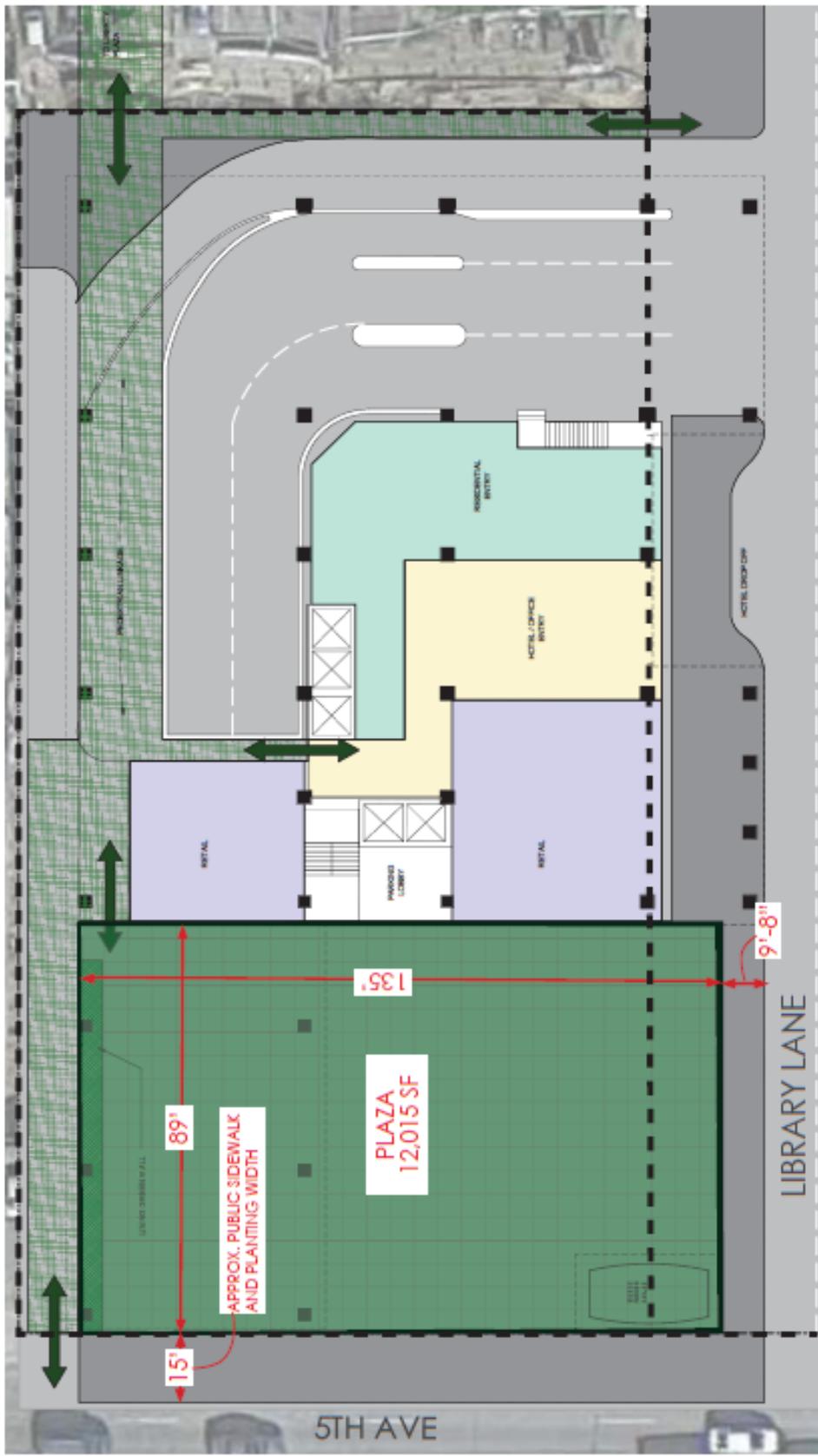
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Ann Arbor Housing Commission - Fiscal Year 2014 One Year Annual Plan

[http://www.a2gov.org/departments/Housing/Documents/FY%2014%2015%20Annual%20Plan  
%20FINAL%20to%20HUD.pdf#search=FMR](http://www.a2gov.org/departments/Housing/Documents/FY%2014%2015%20Annual%20Plan%20FINAL%20to%20HUD.pdf#search=FMR)





PLAZA AREA PLAN  
SCALE 1" = 20'

SCALE 1" = 2

COLLECTIVE ON 5TH





PLAZA AREA PLAN

COLLECTIVE ON 5TH

**CORE**

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MEYFSKI  
ARCHITECTS

PLAZA

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