

## PACKARD SQUARE REDEVELOPMENT PROJECT

### Development Entity Info

1. Legal Name: Packard Square LLC, a Michigan LLC.
2. EIN: 27-4355597
3. Mailing Address: P.O. Box 7067, Bloomfield Hills, MI 48302
4. Organization Type: a Michigan limited liability company.
5. Contact Person: Craig Schubiner
6. Entity History: Packard Square LLC was formed on 11/15/2010 for the purpose of redeveloping the site formerly known as the Georgetown Mall on Packard Street in Ann Arbor, MI.

### Project Info

1. Narrative Description: The Development Team plans on demolishing all existing buildings on the project site. Prior to demolition a Hazardous Materials (HM) Survey will be performed in order to evaluate any lead based paint, asbestos containing material and other potential hazardous material. Once the HM's have been identified the materials will be properly abated and removed prior to demolition. Packard Square will be a contemporary, mixed-use development comprised of 230 apartment units and 21,000 sf of retail space in a pedestrian-friendly design that includes a central plaza, park space, and a covered parking garage. The residential units will be integrated with the community-based retailers, with apartment units located above and behind the retail along Packard Street. The parking garage will be located under the residential units at the west end of the site. Packard Square will provide a fresh, upscale living environment that includes amenities such as a gym, pool, reading room, video room, yoga room, conference room, recreation areas, and potentially a new AATA bus stop directly in front of the project

### Current Site Conditions

Historically, a dry cleaning facility was in operation along the southern portion of the subject property. Previous subsurface investigations identified both soil and groundwater contamination (chlorinated solvents) within the area of the former dry cleaning facility (source area). These constituents are commonly found in dry cleaning operations. Concentrations in the soil were found to be elevated and further investigation was necessary to evaluate the extent. After extensive ground water sampling events the plume was found to be stable and the last round of laboratory analysis indicated that the chlorinated solvents were below any applicable cleanup criteria. No other contamination

was identified on the subject property. The dry cleaner is no longer in operation and all associated components of the operations were removed.

In 2007, AKT Peerless Environmental and Energy Services (AKT Peerless) was retained by Harbor Georgetown to further evaluate the extent of the previously identified contamination. Soil borings were advanced across the site and permanent monitoring wells were installed. Soil and groundwater samples were collected from multiple locations and at varying depths. During the 2007 investigation both the groundwater and soil were vertically and horizontally delineated and the contamination was found to be confined within the southern portion of the property.

In November 2009, AKT Peerless conducted a second round of groundwater sampling from the existing monitoring wells. During this sampling event, low levels of contamination were identified in two of the seven monitoring wells; however, this impact was at levels below MDEQ's most restrictive residential cleanup criteria. Laboratory analytical results for the groundwater samples collected from the remaining monitoring wells did not identify the presence of any contamination (target compounds).

Based on recent activities, no contamination above criteria was identified, and it is determined that the contamination is not migrating off-site and that the existing contaminant plume is stable.

#### Future Environmental Activities

In order to meet MDEQ due care requirements continued groundwater monitoring is necessary to demonstrate the plume's constant stability until the remediation activities are to take place. Remediation activities have been evaluated for this site and based on the elevated soil concentrations within the source area, it has been determined that source removal (soil and groundwater removal) is necessary. However, this source area cannot be accessed until the demolition of the current building structure has taken place, as a portion of the area to be remediated is beneath the building. This environmental remediation will not delay any development as it can be conducted along with and following the development.

The source area to be remediated is estimated to be approximately 1,000 cubic yards of impacted soil. Remediation will also include the dewatering of the pit during the excavation. Verification of soil remediation (VSR) samples would be collected from the excavation walls and floor and analyzed to determine if the source area was remediated to the appropriate levels. Following the excavation continued groundwater monitoring would be necessary for a minimum of four quarters (1 year) following the remediation activities. Upon verifying that both the source area (soil) was remediated and that the continued monitoring indicated the same, a No Further Action (Closure) would be prepared detailing the remedial activities. We estimate that these remedial activities will cost between \$337,000 and \$387,550. See table below for breakout of estimated costs. This report would be submitted to the MDEQ for review and approval for a Closure.

**Table 1**

<b>Task</b>	<b>Total</b>
Professional Fees	
Project Management/MDEQ Meetings	8,500
Quarterly Groundwater Monitoring and Reporting (if necessary)	25,000
Excavation Field Oversight and Verification Sample Collection	9,000
No Further Action/Closure Report	6,000
Field Supplies and Expenses	
Laboratory Analyses (VSR samples)	7,500
Soil Excavation and Disposal (1,000 tons)	225,000
Trucking and Backfill	25,000
Dewatering (~30,000 gallons)	27,000
Expenses	4,000
<b>Total</b>	<b>\$337,000</b>
Contingency (15%)	\$50,550
<b>Total</b>	<b>\$387,550</b>

In order to offset the cost of redevelopment on a brownfield site this project would qualify for a number of incentives that are available through the MDNRE Grant Loan Program and Michigan’s Brownfield Redevelopment Financing Act 381, as amended. We typically try to seek incentives that impact either the equity equation or cash flow by reducing operating expenses. A typical package of incentives for this type of development may reasonably anticipate the following:

***MDEQ Brownfield Redevelopment Grants & Loans*** Funded under the Clean Michigan Initiative through the MDEQ/MDNRE, these grants and loans are available to local governmental units and authorities created pursuant to state law. Funds may be used for assessment, interim response activities, remediation as well as limited demolition activities. While most of the grant programs are out of funds, loans are still generally available.

***MDEQ Revitalization Revolving Loan Fund*** Available through the MDEQ/MDNRE to local units of government and Brownfield Redevelopment Authorities for assessment, demolition, interim response activities necessary to perform environmental assessments or demolition.

**Brownfield Michigan Business Tax Credits** The state of Michigan provides Michigan Business Tax (MBT) credits, on a case-by-case basis, to help with the expense of demolition, environmental cleanup, remedial actions, and hard construction costs needed to facilitate redevelopment. Credits are available for up to 15% in Urban Development Areas such as this location of eligible investments, such as construction, rehabilitation and renovation expenses, architecture/engineering fees and new personal property. There is a limited pool of Brownfield MBT credits that are competitively allocated however our experience indicates that this project would be competitive. We will be seeking a MBT Brownfield Credit for this project, at this time we estimate that the total Eligible Investment will be ~ \$30 million. The MBT Brownfield Credit is estimated to be between \$3,750,000 and \$4,500,000.

**Brownfield Tax Increment Financing** Through a Brownfield Redevelopment Authority, qualifying properties may be eligible for tax increment financing (TIF) allowing projects to capture property and school taxes to pay for cleanup-related costs and in certain cases, demolition, lead/asbestos abatement, site preparation and public infrastructure improvements. Capture of school taxes requires approval by the MEGA board and/or MDEQ. We will be seeking approval for TIF Eligible Activities in the amount of approximately \$3 million dollars, at this time. We estimate that the total amount of taxes available following the development will be roughly \$450,000 per year; therefore the Eligible Activities payback period from the Tax Increment Revenue will be roughly 7 to 8 years; we will be requesting interest reimbursement, administrative fees for the BRA and Local Site Remediation Revolving Fund (LSRRF) dollars.

In total, Washtenaw County could apply for the MDEQ dollars to finance the cost of the cleanup on the property; the project should be able to generate approximately 12.5-15% of eligible investment (construction costs, architecture, engineering, etc.) in brownfield tax credits. The Tax increment revenue can be utilized to either reimburse the developer for additional environmental assessments, on-going monitoring and due care, additional response activities, lead and asbestos abatement, demolition, site preparation, and any public infrastructure improvements adjacent to the property or assist in repayment of the MDNRE Grant/Loan dollars.

In terms of timing application for the MDEQ can take up to 3 month for approval, and approval of the Brownfield Plan, associated Act 381 Work Plans. This summary is not meant to be a comprehensive review of all programs potentially available. The programs discussed are the more commonly used programs within the City of Ann Arbor,

Washtenaw County, Michigan. AKT Peerless cannot guarantee the approval of any tax incentive.

2. Jobs: It is estimated that the Packard Square construction will support 285 construction-related jobs over the duration of the build-up period. After completion, it is estimated that Packard Square will support approximately 40 retail-oriented jobs, and 5 jobs related to the operation and management of the complex.

3. Average Wage of Jobs: The construction jobs will have a wide pay range, from \$9.00 to \$44.00/hour. The retail jobs will likely have a pay range from \$8.00 to \$25.00/hour.

4. Job Types: There will be a wide variety of construction-related jobs during the build-up period, followed by retail and facility management and operations jobs after construction is completed.

5. Job Transfers: No job transfers are anticipated.

6. Occupants have not yet been identified specifically.

7. This site is controlled by the developer and has been targeted for redevelopment for a number of years.

8. The developer is unaware of any other development plans in the area.

9. Start Summer 2011; Completion Fall 2012.

10. Unit Info:	230 Units	109 One Bedroom	\$786-926/mo
		113 Two Bedroom	\$1,056-1,140/mo
		8 Three Bedroom	\$1,371/mo

11. Lessee Improvements: Retail spaces to be delivered as “cold dark shell”, so retailers are expected to make necessary improvements for retail occupancy.

12. HUD-backed loan insurance is being pursued under Section 221(d)(4).

#### Urban Development Area

1. The project promotes density and multi-story development. The project is planned for 4 stories of residential, as compared to the existing improvements which are 2 stories of office space, and 1 story of retail.

2. The project promotes a mix of 230 residential units and 21,000 sf of retail. The project will be pedestrian-friendly and bicycle-friendly, and will include a central plaza

and sidewalks through the entire site and connecting to Packard and Page Avenue, as well as a wheelchair accessible ramp to Packard Street. The project is located along a bus line on a major street, and the local transit authority (AATA) is considering a new bus stop directly in front of the project. The project will include public bicycle parking and covered bicycle parking for residents.

3. The project is of sufficient scope and density on 6.5 Acres that it will likely spur economic growth and support economic stability in the surrounding areas.

4. The project is located on a large 6.5 Acre site on Packard Street, and proposes a new mixed-use project with residential and retail to replace a dozen outdated retail storefronts and a defunct office building.

5. The project will include numerous “green” elements and promotes sustainability. The site is an in-fill redevelopment site with high density and efficient sharing of parking and common elements. Residents will be able to enjoy various on-site neighborhood shops and services without ever having to use a car. The project will include an underground storm detention system with the possibility for natural infiltration. The plaza, connecting sidewalks, and bicycle parking promotes pedestrian and bicycle transportation. Parking will include compact car spaces, and residents will enjoy covered parking and secure bicycle lockers. The landscaping will include native plant species, and the project will encourage residential trash recycling. New energy-efficient appliances and fixtures will be specified for the residential units.

6. The project fulfills an identified need for new, contemporary housing in a college town. Marketing studies have indicated demand for new housing, and neighbors have expressed a desire for new community-based retail shops and services.

#### Property Info

1. ESAs; available as requested – summary of environmental contamination is attached

2. Exterior and Interior Photos; see attached

3. Functionally Obsolete: There are many features of the existing buildings that are functionally obsolete. All retail storefronts have an outdated angled metal seam façade that is not conducive to tenant signage and is deteriorating and starting to fall down. It would likely require more funds to repair than to replace it; and, the current design of the structure would complicate a façade renovation to a contemporary design. The sizes of the major anchor retail spaces do not fit with the current prototype sizes for a major grocer like Kroger or a major drug store chain like CVS. Kroger and CVS moved out due to the functional obsolescence of the existing retail buildings. The roofs are beyond their expected service period, and the plain block and brick construction is undesirable to modern retailers. All interior finishes, fixtures, and features are outdated (e.g., old inefficient boilers and water heaters, old incandescent light fixtures or first-generation

inefficient fluorescent fixtures, etc.). The office building was designed for a single specific user, and floor plans are very compartmentalized and not appealing to many office users, and would require an enormous budget to open up the floor plans and redesign and retrofit for contemporary users. The parking lot asphalt has exceeded its useful life and is cracked and has potholes in many locations. In order to remove the underground contamination caused by the former dry cleaners operation, it will be necessary to remove large sections of sidewalks, asphalt, building foundations and concrete floors to access and remediate the contamination – thus requiring a partial demolition of the existing structures.

4. Blighted: There are many aspects of the existing development that are blighted. Vandals have spray-painted the buildings, and have broken some windows. The parking lot asphalt is severely deteriorated and has numerous cracks and potholes. Some portions of the metal façade were damaged during a wind storm and are missing. Some retail tenants moved out without properly removing their signs, leaving old and rusty signs with deteriorated plastic or cracked glass. A former drycleaners caused underground contamination, and abandoned the premises, leaving broken glass, trash, and debris and heavy fixtures in the space. Retaining walls are crumbling and washing out due to rotten retaining boards and have been temporarily secured. A concrete loading dock that was under the control of the former grocer was damaged by trucks and has crumbling cement and leaning rails, and has been temporarily secured. At the request of the police and fire departments, gates have been placed at the former drives, and chain link fencing has been installed at the pedestrian entrances to the retail courtyard.

5. Square Footage:	Retail:	Approx. 21,000 sf
	Residential, 230 Units:	Approx. 198,000 sf
	Residential Amenities:	Approx. 4,000 sf
	Parking garage:	Approx. 47,000 sf
	Other (util, stor, common, et)	Approx. [22,000] sf (verify)