



**CITY OF ANN ARBOR**

**LIBRARY LOT ADVISORY COMMITTEE**

Prepared for informational purposes only

Date: 11-23-2010

Time In: 8:07 a.m.

Time Out: 9:15 a.m.

Location: 4th Fl Conference Rm., City Hall

**Committee Members Present:**

- Councilmember Teall
- Councilmember Rapundalo
- Eric Mahler – Planning Commission
- John Splitt - DDA
- Sam Offen

**Also Present Were:**

- City Administrator Fraser
- Community Service Area Administrator Miller
- Matt Kulhanek, Project Lead
- Susan Pollay - DDA
- Other: David Di Rita, Roxbury Group

**RFP #743 Advisory Committee Meeting**

**Tuesday, March 8, 2011 3pm City Hall, 4<sup>th</sup> floor conference room**

Eric Mahler, Sam Offen, Stephen Rapundalo, Margie Teall, John Splitt

Staff: Roger Fraser, Matt Kulhanek, Susan Pollay

1. Recap November 2010 meeting pg 1-2
  - a. Roxbury Group report & Committee determination
  - b. LOI to be drafted
  
2. Letter of Intent (LOI) pg 3-7
  
3. Next steps

## Call to Order:

Chairperson Rapundalo called the meeting to order and recorded the minutes for members' information. A quorum of Committee members was present, and the meeting, having been duly convened, was ready to proceed with business.

## Matters Discussed:

1. R. Fraser reviewed the process to date leading to the identification/selection of a consultant to advise the City of Ann Arbor and DDA on the matter of the Library Lot RFP and review of the finalist proposals. He introduced David Di Rita, principal at the Roxbury Group, whose firm was engaged as the consultant. Mr. Fraser also acknowledged the significant contribution by S. Pollay and the DDA for background research that has been critical to the due diligence process.

2. David Di Rita, principal at the Roxbury Group, presented the draft Consultant's Report and findings. He reviewed all the background information, discussed interviews with various community stakeholders, and placed everything into the context of downtown planning and visioning that Ann Arbor had already engaged in. The role of the consultant per the RFQ was to determine if the projects submitted to the City are economically viable in the Ann Arbor marketplace and can bring financial benefit to the City of Ann Arbor. Mr. Di Rita noted that the Report was not intended to serve as a feasibility study for the concepts included in the two proposals. However, the overall concepts included in the uses for the Library Lot contained in each proposal were valid and supportable from a market and demand standpoint. He described his assessment of the two proposals and indicated that of them, the Valiant proposal was clearly superior from a financial perspective. He noted that Valiant had revised their proposal to eliminate any requirement for City support - funding or credit – and presented the better option for long-term viability. The Valiant proposal also achieved an unquestionable and laudable association with the need for expansion of the AADL. Mr. Di Rita proposed that the next steps include finalizing the Report and developing a draft Memo of Understanding with Valiant that could serve as the basis for further discussions and negotiations between the City and Valiant over issues like site planning and financials. J. Splitt moved that the Committee accept the Consultant's Report and direct staff to work with Valiant on a letter of intent that could be presented to Council, along with the recommendation of the advisory committee. Motion was seconded by M. Teall. Splitt, Teall and Rapundalo voted in the affirmative. Motion passed unanimously.

**Actions Taken:**

- 1. Acceptance of Consultant's Report**
- 2. Directed staff and Consultant to draft a Letter of Intent or Memo of Understanding between the City of Ann Arbor and Valiant for review by the Advisory Committee and City Council.**

**Minute Secretary:** Stephen Rapundalo, Councilmember

## LETTER OF INTENT

This Letter of Intent ("LOI") is entered into as of this \_\_\_ day of March, 2011 by and among the City of Ann Arbor, Michigan (the "City"), the Downtown Development Authority of the City of Ann Arbor ("DDA") and Valiant Partners ("Developer") or any entity in which Valiant Partners is a partner or shareholder.

WHEREAS, Developer has participated in a competitive RFP process and Developer and Developer's Plan has been selected by the Advisory Committee ("Committee") appointed by the City as the team to be granted certain rights to develop a mixed-use development (the "Project") above and adjacent to an underground parking garage currently being constructed at a site located on Fifth Avenue between Liberty and William Streets and commonly referred to as the Library Lot (the "Deck");

WHEREAS, Developer intends to create with the City and DDA, a public gathering space that could become a hub of activity for downtown Ann Arbor. The Plaza would be designed to be a warm, friendly, inviting place for Ann Arbor residents to relax, talk with friends and enjoy programmed activities. This site is an important part of the City due to its location between the Main Street business/tourist district and the campus of one of the nation's "Top 10" universities. The development will set the tone and framework for the CBD planned by the City recognizing that a major goal of the City and the broader Ann Arbor community is to provide attractive, accessible and well programmed open space on this site;

WHEREAS, the City, DDA and Developer intend to enter into a definitive development agreement (the "Development Agreement") setting forth the specific rights and obligations of the parties relating to the development of the Project (as defined below) to be built on the Deck and setting forth the terms under which the City and DDA shall convey to Developer the right to develop, own and operate the Project on the Deck ("Development Rights"); and

WHEREAS, as a preliminary step to the entering into such Development Agreement, the parties wish to set forth the basic business team and their respective undertakings and commitments to one another in this LOI;

NOW, THEREFORE, the parties hereby mutually intend as follows:

1. Project: Subject to what modifications the parties may ultimately agree to in the definitive agreements, and as may be further modified through the public review and approval processes; the Project shall consist of (i) certain core elements and (ii) certain additional elements, the inclusion of which will depend on market conditions, (collectively, "Approved Project"). These elements are listed below, including the approximate square footages proposed for each as envisioned by the Developer:

(i) Core elements:

- 150 hotels units – 87,000 sq. ft.
- Conference Center – 26,000 sq. ft.
- Restaurant/Retail – 6,000 sq. ft.
- Public Space / Plaza

(ii) Additional elements

- Office space – up to 48,000 sq. ft.
- Residential Condos – up to 22,000 sq. ft.

2. Acquisition of Development Rights: The City and DDA shall convey to Developer, either through condominium deed or other mutually acceptable form of conveyance, such right, title and interest in and to the Library Lot as the parties mutually determine necessary and appropriate to the transfer of the Development Rights.
3. Consideration: In consideration for the acquisition, Developer will pay to the City and/or DDA a mutually agreed-upon sum substantially in accordance with Developer's offer, to be set forth in the Development Agreement. In addition, Developer shall pay to the City a further amount, to be mutually agreed upon between the parties, calculated as a percentage of gross sales revenue on the residential condominiums, and any other portion of the Project that the Developer may elect to convey through condominium or otherwise to a third-party following completion of the Project.

In addition to these cash payments, the City, or a 501(c)(3) designated by it, will have ownership of the Conference Center as described in Section 5.

4. Taxes: The intent of the parties is to include payments having some equivalency to real estate and personal property taxes as part of the consideration set forth in Section 3 above, whether through an agreed upon payment in lieu of taxes (PILOT) or other agreed-upon mechanism.
5. Conference Center Financing and Operations: The Developer will be solely responsible for the design, financing and development of the Conference Center utilizing both the consideration it will provide to the City as set forth in Section 3 and to the extent required its own funds, as set forth in the Development Agreement. Developer will also be solely responsible for the operation and maintenance of the Conference Center, pursuant to a Management Contract from the City (or 501(c)(3)), and which will be part of the Development Agreement. Notwithstanding the ownership of the Conference Center, neither the City nor the 501(c)(3) will be liable in any way for any costs relating to the design financing, development, operation or maintenance of the Conference Center so long as the Developer holds the Management Agreement.

6. Zoning and Governmental Approvals: Developer shall be responsible for securing all other necessary governmental approvals and incentives in connection with the Project, including without limitation, design review, zoning, site plan approval, and other permits and approvals as may be necessary for the construction of the Project (collectively "Approvals"). City agrees that the Approvals and the standards and criteria, which such Approvals will be considered, will be those that are in effect as of March 8, 2011. Developer acknowledges and agrees that neither the entering into of this LOI, nor the Development Agreement shall constitute the granting or waiving of any necessary approvals under the City's Zoning Ordinances or other ordinances or regulations governing the development or construction of buildings within the City of Ann Arbor. The City and DDA shall cooperate with Developer and assist Developer, subject to public policy requirements, in obtaining any such Approvals in a timely manner, including providing a dedicated representative to coordinate the Approvals.
7. Parking Rights: The DDA shall initially reserve not fewer than 350 daytime and 250 nighttime parking spaces in the Deck in support of the Project, subject to a final determination of Project scope and parking needs in the Development Agreement. The precise location of such spaces, consideration for such spaces and the means of access to the elevators and stairwells serving the Project shall be agreed upon between the parties as part of the Development Agreement.
8. Cooperation: The DDA shall cooperate with Developer to enable Developer to prepare its plans based on the DDA's parking garage (which will serve as the base/foundation for the Project). The DDA will assist Developer in determining that the deck as constructed can support the Project as planned and will provide engineering reports and certifications to confirm such determination prior to commencement of construction of the Project. The DDA and/or City with the Developer shall cooperate in determining whether modifications to the Deck will be needed to support the Project and/or if the same are needed (i) whether the Project can be feasibly modified to avoid modifications to the Deck; or (ii) if such modifications cannot be feasibly made how will the costs of modifying the Deck will be covered.
9. Other Commitment and Undertakings: Developer shall be responsible for obtaining all financing commitments from debt and equity sources as may be necessary to undertake the Project, and shall undertake all pre-sale leasing activities required in connection with such commitments. The City and DDA shall responsibly cooperate with Developer in its efforts to obtain such financing commitments, provided that such cooperation does not create any financial obligations or other commitments by the City to the Developer or any third party. The City will be responsible for timely development of any utility or street improvements, which it agrees to undertake to service the Project pursuant to the terms of the Development Agreement.

10. Ann Arbor District Library: Developer will cooperate with the Ann Arbor Library in seeking potential areas of collaboration and joint use for the facilities to the benefit of each other as well as Ann Arbor residents.

11. Plaza: Developer will seek input from stakeholders and the community at large as to the design and construction of the Plaza and the Developer, City and DDA shall develop a joint plan for its operation, maintenance and event programming.

12. Timing:

(i) Execution of the Development Agreement: The parties agree that they will each use good faith efforts to complete the Development Agreement consistent with the terms of this LOI at the earliest possible date, but no later than four (4) months from the date of the execution of this LOI. In addition to the items identified above to be set forth in the Development Agreement, Developer acknowledges that selection of Developer's final development/ownership team as well as hotel operator will be set forth therein.

(ii) Milestones: The target date for the start of construction of the Project will be fifteen (15) months from the execution of the Development Agreement ("Closing Date"). The Developer will commence all work necessary and appropriate to enable the start of construction by the Closing Date immediately upon execution of the Development Agreement and will thereafter diligently proceed with such work.

Developer and the City will mutually establish milestones for the start and completion of the pre-development work (such as Approvals, design, pre-leasing, financing), and incorporate the same in the Development Agreement. Developer and the City will further mutually agree upon the remedies that the City will have if Developer does not meet the Closing Date or the various milestones, taking into account that some of the milestones require the review and approval of the City or its agencies, and incorporate the same into the Development Agreement.

13. Costs and Expenses: Developer shall be responsible for covering its own costs and expenses relating to the negotiation of the Development Agreement, including without limitation, the cost of its own attorneys, consultants and advisors. In addition to the foregoing, Developer shall reimburse the City and DDA for the cost of its consultants and counsel used in the preparation of the Development Agreement, with a not to exceed cap of \$75,000, paid upon closing of construction financing for the Project, provide that Developer shall have no liability for any reimbursement if the construction financing is not secured.

14. Exclusivity of Negotiations: Until the Development Agreement is signed, the City and DDA agree that they will not initiate, solicit or participate in any discussions, meetings or negotiations concerning the lease, sale, transfer or grant of the Development Rights on the Deck or any other rights and interests contemplated under this LOI with any persons other than Developer.

15. Statement of Intent: The parties acknowledge and agree that this LOI is a statement of the parties' mutual intent to do work diligently to prepare a Development Agreement in conformity to this LOI and to present with both parties' support such Development Agreement to City Council within the period stated in Section 12 (i).

IN WITNESS WHEREOF: this Letter of Intent is hereby executed as of the date first referenced above.

DEVELOPER

By: \_\_\_\_\_  
Its: \_\_\_\_\_

DOWNTOWN DEVELOPMENT AUTHORITY - CITY OF ANN ARBOR

By: \_\_\_\_\_  
Its: \_\_\_\_\_

CITY OF ANN ARBOR

By: \_\_\_\_\_  
Its: \_\_\_\_\_