

REQUEST FOR PROPOSALS

Michigan State Fairgrounds

Detroit, Michigan

May 6, 2008

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I. BACKGROUND / SELECTION CRITERIA

INTRODUCTION

The State of Michigan invites and welcomes your participation in a process to select a development partner for the redevelopment and future uses of the Michigan State Fairgrounds (“MSF”). The Staubach Company (“TSC”) has been retained by the State of Michigan to be its exclusive agent and consultant in assisting the State in the procurement of a development team. This Request for Proposal (RFP) is the vehicle through which the State will select a development partner.

The MSF is located at the southeast corner of Woodward Avenue and Eight Mile Road in the City of Detroit. The MSF comprises a mix of existing buildings and land totaling approximately 161+/- acres, net of road and railroad right of ways. Current zoning on the site is B-4, General Business District. The main fair site consists of approximately 90+/- acres, and an additional acreage to the east of the main fair grounds (approximately 70+/- acres, commonly known as the Eight Mile and Railroad Lots) has been deemed excess to fair needs. The State is offering developers and investors two opportunities regarding the MSF. Interested proposers may choose 1) to ground lease the 70+/- excess acres or 2) ground lease the entire MSF site from the State. Under this alternative, the State requires at this time that the buildings on the western portion of the site (approximately 90+/- acres) be preserved, with new development being confined to the vacant lots on the eastern portion of the site (approximately 70+/- acres).

It is anticipated that the development partner being solicited and selected through this process will participate with the State of Michigan and lead the process to increase zoning entitlements and increase development rights through the appropriate City of Detroit channels. A diagram of the parcel is shown as Exhibit “A”.

The MSF hosts the State Fair for two weeks each year at this location. Interested investors and developers should be aware that it is currently anticipated that the western portion of the site will continue to have the Fair at this location, and the ground lease will include an easement specifically for the MSF.

It is very important that any development on MSF be compatible with the Michigan State Fair goals and mission. That mission is stated as follows:

“The Michigan State Fair Grounds and Expo Center is a family-oriented campus of diverse educational, entertainment, and recreational activities, recognizing Michigan’s agricultural, natural and cultural heritage.”

The State of Michigan views MSF as a cultural gem in Southeast Michigan. The State of Michigan believes that MSF’s location at the intersection of two iconic thoroughfares at Woodward Avenue and Eight Mile Road is an unparalleled opportunity for a development partner.

The State of Michigan reserves the right to cancel or modify this RFP or the entire procurement process at any time at the state’s sole discretion and to conduct a best and final offer (BAFO). The state will not be responsible for any costs incurred by the bidder in the preparation or submission of their bid.

KEY ASSUMPTIONS

While the State of Michigan has not decided on a path of redevelopment or specific course of action for the site, there are several key assumptions associated with the process:

- Any development must be compatible with surrounding land uses and the MSF. Development teams are encouraged to become familiar with the environs near the MSF.
- The State of Michigan is very interested in a development partner with the ability to create a vision to maximize overall value for the site and make this vision a reality by working through the appropriate City of Detroit government participants.
- The MSF plans to continue to call Woodward Avenue and Eight Mile Road its home. MSF has been located at this site since 1905. Any selected developer team will be required to make parking available to the MSF at appropriate times during the year.
- For the purposes of the RFP, assume that no MSF use of the subject site will be required other than parking during the Michigan State Fair.

SELECTION CRITERIA

The State of Michigan and TSC have a very clear objective for this RFP. We intend to solicit input in an effort to select an experienced development firm that:

- Presents a development vision for the site that the State can support at all levels;
- Offers the State of Michigan the best financial and value creation package;
- Brings the best opportunity for accessing and securing a successful entitlements package; and
- Includes an internal teaming structure (with financial strength) that can carry this project to fruition.

PRELIMINARY TIMELINE

The redevelopment of the MSF is clearly a priority project for the State of Michigan, and selection of a development partner will proceed immediately. It is the intent of the State of Michigan to have a partner selected during the summer of 2008. Accordingly, here is a preliminary timeline for the selection of a developer partner:

RFP issued:	May 6, 2008
Deadline for RFP questions by potential development partner:	May 29, 2008
Deadline for responses from potential development partners:	June 10, 2008

Selection of a development partner:	July 11, 2008
Ground Lease Agreement finalized	October 1, 2008

II. SITE DESCRIPTION

SITE DESCRIPTION

The Michigan State Fairgrounds is located on the north side of Detroit and Wayne County along the Ferndale and Oakland county border. The site consists of approximately 160 +/- acres. Access to the property is available from multiple locations along Eight Mile Road, Woodward Avenue, and State Fair Avenue.



The Eight Mile and Railroad lots are currently “unimproved”. The Railroad lots were previously the site of Softball City. The Eight Mile and Railroad lots are accessed off of Eight Mile Road east of Woodward Avenue. All utilities are available at the site. Adjacent properties to the neighborhood consist of a multitude of uses. Amongst those uses include residential subdivisions, industrial buildings, commercial properties and the Woodlawn Cemetery. To the west of the Eight Mile and Railroad lots, on the southeast corner of Woodward Avenue and Eight Mile Road, a large urban lifestyle development called The Shoppes at Gateway Park is planned.

There are several buildings on the site as indicated on Exhibit A. The entire site is listed on the State Register of Historic Sites, and five buildings have individual designations:

1. The US Grant House
2. The Michigan State Fair Coliseum
3. The Michigan State Fair Agricultural Building
4. The Michigan State Fair Dairy Cattle Building
5. The World’s Largest Stove

There is one lease on the property that provides easement access to buildings 3 and 4(the Agricultural and East Mall buildings) that is commonly known as the Dumar’s Fieldhouse Lease.

WAYNE COUNTY ECONOMY

Wayne County has been an economic powerhouse of global stature for centuries. The local economy has diversified significantly from its automobile centered past with notable clusters in services, banking, health care, engineering and retail. Wayne County is the 11th most populous county in the United States and the most populous county in Michigan. It is also North America's busiest international border crossing, with over \$90 B in goods passing through the County's bridges, tunnels, and ports.

Wayne County is being transformed by a surge of private and public capital investment. Since 1994, over \$22 B has been invested in the County. Highlights of this investment are the new Ford Field and Comerica Park stadiums, the new Compuware Corporation HQ in downtown Detroit, and the expansion of the Wayne County Detroit Metropolitan Airport.

In 2000, the State of Michigan established 12 special "SmartZone" districts to stimulate growth in technology based jobs and businesses, and to facilitate the growth of high tech clusters associated with adjacent cutting edge university research and development. Two of the SmartZones are located in Wayne County. Legislation allows each zone to retain property tax revenue for up to 15 years for spending on development of the zone.

OAKLAND COUNTY ECONOMY

The Michigan State Fairgrounds' location on Eight Mile Road also puts it on the border of Oakland County. Oakland County is the home to Automation Alley which is consortium of over 500 Detroit region automotive, manufacturing and high-tech companies. Over 40% of Fortune 500 companies have business locations in the county. Also, over 10 B annually is exported by Oakland County companies to other countries. More than a quarter of Michigan's new business incorporations take place in the county. The county ranks in the top five in the country with respect to per capita income when considering counties with over 1 million in population.

III. REQUIREMENTS / QUALIFICATIONS

REQUIREMENTS / QUALIFICATIONS

The primary criteria in selecting a development partner will be to access a seasoned and highly qualified team that is most likely to yield the best financial and value creation package to the State of Michigan and provide maximum return to the State. A corollary to these criteria will be the partner's experience in complex entitlement procurement processes (with public interface) with the City of Detroit's governing entities.

As part of the response please provide us with specific information regarding the following:

COMPANY BACKGROUND

- General overview of your organization in the Southeast Michigan metro area and nationally. Focusing on Southeast Michigan, please detail the growth and development history of your firm, and comment on the local team you would assign to this project.
- Provide the information on your firm's ability and experience in working through the entitlement process on large parcels in Southeast Michigan. As part of this response, please detail your specific experience working with the City of Detroit's Planning Department, and provide details

on challenges met and schedules achieved during these entitlement engagements. ***Please provide at least three (3) pertinent examples that are relevant to the State of Michigan.***

- Provide your firm's experience and ability to work with institutional owners and major financial partners. Give three (3) relevant examples that demonstrate past performance in working with such groups.
- Provide your firm's experience with ground leased development projects or similar structures. What has the degree of success been (please be as specific as possible) for your land (ground lessor) partner? What have been the benefits and challenges of these structures for your projects?

COMPANY FINANCIAL

- Please provide an overview of your company's financial strength which will be relied upon for completion of this project. We are very interested in the financial structure (preliminary, if necessary) that you would use on your side of the relationship, the structures you typically use and the partners/investors/financiers you typically work with on these developments, and the timing for including these partners. How would these relationships contribute to the overall value you would bring to the State of Michigan?
- Identify and detail the overall financial relationship between your team and any investors or banking partners. Detail the financial strength of the development team and its investment partners, including the net worth of the entities that will sign the Development Agreement and/or Ground Lease. Who is your financial partner for this project?

PROJECT SPECIFIC

- Please outline a detailed project schedule through entitlements assuming July 11, 2008, as the date your team is selected. Include in this schedule (at a minimum) the project team "ramp-up" (the timing for adding key partners including architectural/engineering, general contractor, etc.), creation of architectural/engineering drawings, completion of the entitlement process including interface with community, City officials and others, securing financing, etc.
- Discuss how your team would propose working with the State of Michigan to achieve the above referenced project schedule. Elaborate on the roles that you would anticipate the State of Michigan and your team playing in communications, decision making, public relations, representing the project to the City of Detroit in the entitlement process, meeting with neighbors, etc.
- Please outline proposed remedies or the City recourse against your entity (including principals under guarantees, letters of credit, or other remedies) in the event your development team fails to achieve any of the timeframes (particularly the procurement of entitlements or construction commencement) outlined above.
- The City perceives key project risk factors to include at a minimum procuring entitlements, obtaining financing, development and construction (e.g., schedule slippage, unanticipated cost escalation), and leasing. Please outline the critical project risk factors and your development team's plan for mitigating these major risk elements. Identify other risk factors you will be focusing on as a part of this project, and your plan for mitigating these risks.

IV. DEVELOPER VISION FOR THE SITE

DEVELOPER VISION

The MSF occupies an extraordinary location along Eight Mile Road. Please provide us with your preliminary vision(s) for the site, and why you believe the vision maximizes value for the State of Michigan. We are not looking for detailed architectural plans. Instead, we are seeking basic graphical and/or massing representations and verbiage that shares how your team would approach the opportunity.

As part of your response, please be specific as to what you think will be the reasonable up-zoning allowance for the site, and the mix of products that the market and City of Detroit officials and surrounding neighborhoods would support. Explain how you would “position” the development opportunity to the market, City officials, and neighborhood groups. Share the timeframe that you envision for the delivery of the project – including any phases, as appropriate.

Include in your response:

- a. Square footage to be developed according to product type,
- b. Any improvements to the site that you expect public funds to contribute to, and
- c. Phasing for the project.

V. FINANCIAL STRUCTURE

FINANCIAL OFFER TO THE STATE OF MICHIGAN

The State is interested in maximizing the value of the MSF as a revenue generator for the State of Michigan. Using the following preliminary constructs and queries, please provide your input under the following circumstances:

- What value would you give the State of Michigan for the fee simple title to the entire MSF, or the Eight Mile and Railroad Lots?
- Assuming the value in the above bullet, what annual ground lease payment would you give the State of Michigan for the site (% of value)? How would you structure a ground lease agreement with the State of Michigan? What annual escalators would you offer? Ground rent resets? When would the ground lease payments commence? What amount of these payments would you be willing to guarantee or prepay today?
- How would you creatively structure a joint venture agreement with the State of Michigan to include the State of Michigan’s participation in the value created at this site? Please assume that the State of Michigan will limit their investment and risk in the project to ground leasing the land to a joint venture or development team.

- Using the massing and mix that you provided in Section IV (Vision), identify the financial structure that you would offer the State of Michigan under a long-term ground lease (50 year). Clearly delineate which payments would be guaranteed and which would be at risk for the State of Michigan.
- The site will require construction commencement guarantees. Please describe what guarantees you will provide to ensure that this development will proceed as planned.

The State is supporting payment of a transaction fee from the selected developer to The Staubach Company. This fee will be Four (4%) Percent of the net present value of the projected ground lease payments (discount rate of 6%). The fee will be payable on complete execution of the ground lease.

VI. SUBMITTAL INFORMATION

RFP responses are requested no later than June 10, 2008.

Please submit five **(5) copies** of your proposal to:

The Staubach Company – Great Lakes Region
3000 Town Center
Suite - 2222
Southfield, MI 48075
Attn: – Dave MacDonald – Principal

Please direct any questions to either Dave MacDonald at (248) 936 1250 (dave.macdonald@staubach.com), or Peter Larkin at (202) 639 4551 (peter.larkin@staubach.com).

TIMING / SCHEDULE

As stated earlier, our team's goal is to have a development team selected by July 11, 2008. We appreciate your thoughts and responses to this RFP and encourage you to contact us with any questions or comments you might have regarding this opportunity by May 29, 2008. After that date, we will not be able to respond to any questions.

The State reserves the right to withdraw or terminate this RFP at any time. The State may, at its sole discretion, initiate negotiations with one (or more) selected respondents, and may conduct a Best and Final Offer negotiation between these respondents.

ATTACHMENT: Exhibit A

Exhibit A

MICHIGAN STATE FAIRGROUNDS & EXPOSITION CENTER

