

**Michigan State Fairgrounds  
1120 W. State Fair Avenue  
Detroit, MI  
48203**

**Highest and Best Use**

**October 8, 2009**

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## Section I Executive Summary

### Introduction

Jones Lang LaSalle is pleased to present our findings on the highest and best use for a potential disposition of the Michigan State Fairgrounds (MSF) located at 1120 W. State Fair Avenue, Detroit, MI (the "Property"). Jones Lang LaSalle confirms that the goal of this effort was to conduct the following:

1. Identify potential reuse and disposition scenarios for the Property after its current uses which include the annual State Fair, NextShot Golf, Mil Coleman Football, Equestrian Club, and Youth Connection Career Academy are discontinued in the fall of 2009.
2. Provide recommendations and potential development scenarios for the Property in the context of jobs creation and economic value to the State
3. Determine a general property value range that could be realized upon disposition based on the Property's highest and best use and comparable sales of similar properties.

As part of the initial task, Jones Lang LaSalle conducted a walk through tour of the Property and surveyed some of the land uses and proposed developments in the surrounding areas. Additionally, Jones Lang LaSalle performed a detailed market analysis of a variety of potential uses, including retail, office, multi – family, film studio, agriculture, education, and green energy to determine the development potential of each product at the Property. Given that the state of the economy and the Detroit market will evolve over the next few months and years, we have organized our recommendations of highest and best use based on **near term and long term projections**. Near term projections are for potential development within three years and long term projections are three years or more from the date of this study.

### Approach

To achieve the study's objective, Jones Lang LaSalle engaged in the following activities:

- **Reviewed current and planned uses for the Detroit Metro Area as well as the 2½ Mile Radius Surrounding the Site (Local Market Area).** Jones Lang LaSalle reviewed market data, incorporated analysis generated by the firm's research analysts, and reviewed local development trends to assess current and projected demand for various product types. In addition, Jones Lang LaSalle evaluated the potential impact on the following components of local supply and demand; regional and local demographic and

socioeconomic trends, current and planned development in the surrounding area, competing projects, and potential end users / tenants.

- **Interviewed real estate industry representatives.** Jones Lang LaSalle informally interviewed industry representatives to obtain market opinion about the development potential of the Property and the LMA. Industry representatives included local Detroit developers, brokers, and community stakeholders.
- **Evaluated the potential demand for market entry of new retail, office, multi – family, and industrial (warehouse / distribution).** Jones Lang LaSalle assessed the market dynamics and the prospects for each property type as a component of future development of the Property. The team reviewed relevant demographic and economic trends that may impact the area’s capacity to absorb future office, retail, multi – family, or industrial space.
- **Evaluated the potential demand for alternative developments and special uses.** Jones Lang LaSalle assessed the market dynamics and prospects for special uses that could be included as components of a future development of the Property. The team reviewed information published by Michigan NextEnergy, the Michigan State Film Office, and Michigan State University as well as multiple news articles and local periodicals to determine the supply / demand characteristics of the following special uses:
  - Alternative Energy Production (Solar and Wind)
  - Film Studio
  - Agriculture / Education
  - Red Wings Hockey Arena

## Assumptions

**Current Uses:** For the purposes of this report, Jones Lang LaSalle has provided recommendations based on the assumption that the State wishes to discontinue most of the current uses of the Property including the State Fair, NextShot Golf, and The Youth Connection Career Academy. As such, Jones Lang LaSalle’s recommendations pertaining to Highest and Best Use purposefully do not account for the potential for continued lease revenue accruing to the State from most of the existing tenants; however, where appropriate, the recommendations do account for the potential to sell lease rights to a third party – including the rights to assume the Joe Dumars Fieldhouse lease. .

## Summary of Findings

### Real Estate Market

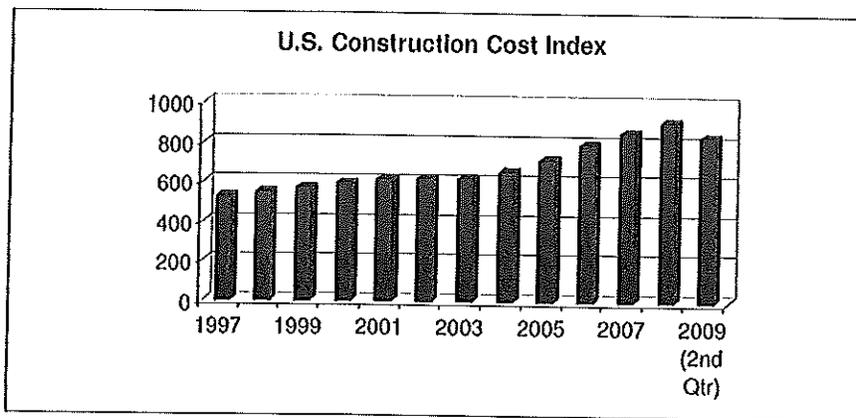
More than any other city in the country, all of the property markets in the Detroit have been roiled by the decline of the broader U.S. economy. Detroit leads the country in vacancy rates for most all property types including office, industrial, and retail and also has the second highest percentage of distressed properties in terms of total property volume. The key culprit is unemployment and the steep descent of the automotive industry over the past two years.

The shrinking payrolls among Detroit's three large automakers – and three largest employers in the area - are having a ripple effect on the broader Detroit economy as auto suppliers downsize their staffs to compensate for declines in demand. Laid off workers have cut spending on discretionary items while those who have managed to retain their jobs are saving more of their income. All of these factors have combined to create a dim forecast for property owners in Detroit.

For summary purposes, Jones Lang LaSalle has provided a key performance indicator table illustrating the vacancy and rental rate trends for each of the major property types – multi – family, office, retail, and warehouse / distribution. For added context, the table also provides summary commentary on the strengths and weaknesses of the particular property market.

| Detroit Commercial Property Market – Key Performance Indicators |   |   |        |  |
|---|---|---|--------|--|
|   | Vacancy   | Rents   | Supply | Comment  |
| Multi - Family  |    |    | Flat   | The multi – family market has fared better than other commercial property markets, but vacancies continue to inch up – albeit slightly   |
| Office  |  |  | Flat   | Detroit has the highest office vacancy rate of any metro area in the country which is nearly 30% in the Central Business District. Vacancy is directly tied to unemployment so until the unemployment rate begins to fall – the promise of turnaround appears remote   |
| Retail  |  |  | Flat   | Retail properties are fairing poorly in the marketplace with the exception of neighborhood grocery and discount retailers. The City of Detroit is especially weak with traditionally aggressive retailers such as car dealerships and Starbucks closing their doors. ALDI supermarkets and Family Dollar are the two retail chains with expansion plans within the city of Detroit |
| Warehouse / Distribution  |  |  | Flat   | Warehouse / distribution product is oversupplied in Detroit. The retail market and auto industry are the primary drivers of demand for warehouse distribution property in the area - so a turnaround will likely follow a rebound in these sectors   |

Despite the downturn in the economy and corresponding decline in building construction, construction costs remain relatively elevated when compared to historical averages over the past ten years. Turner construction, one of the largest construction companies in the world, publishes an annual building cost index to track cost trends in the industry. As the table below shows, construction costs have decreased slightly since their peak in 2008, however the 2009 YTD index remains significantly elevated compared to the index from just three to four years ago. When combined with escalating vacancy and declines in rental rates, these elevated construction cost figures make it very difficult to build new product in today's environment.



Source: Turner Construction

Given the stubbornly high development construction costs and weakness of key performance indicators for the traditional property markets in Detroit, Jones Lang LaSalle evaluated the supply and demand characteristics of special use product types that could achieve the State's goal of generating income from the Property while at the same time providing a source of employment base for local residents. The uses that were evaluated included solar energy, hockey stadium, film studio, and agricultural education. A summary of each product type is provided below.

| Detroit Special Use Property Market Summary |  |
|---|--|
| Special Use                                 | Comment  |
| Solar                                       | In 2008, the state of Michigan enacted a Renewable Energy Portfolio Standard (RPS) that calls for utility providers to procure 10% of their energy via renewable sources by 2015. In addition, the RPS provides extra credits to utility providers for renewable energy they procure using solar and other sources other than wind power. As it has in other states, the RPS is expected to force utility providers to invest in solar and wind farms to meet the RPS goals. Thus far, wind power has been the preferred source of renewable energy in Michigan due to the lack of available sunlight and an abundance of wind energy on the coasts of the great lakes. Although solar power is more prevalent in the south and west, Canadian provinces such as Ontario are attracting large solar power investments due to an extremely lucrative solar power incentive plan which |

guarantees payments of \$.42 per kw hour generated from large solar farms for the next twenty years. Ontario has proven that these incentives will work to attract solar power generation in areas that are usually not associated with extended periods of sunlight.

#### Film Studio

Due to the state's generous film incentive law, studio development has been the focus of several large scale projects in the Detroit area. Specifically, two large film studio projects are planned for Allen Park and Pontiac Michigan totaling a massive 18 sound stages and over 1.3M square feet which will flood the Detroit market with film production and ancillary facilities within the next three years. While Michigan's incentive law is spurring interest in filming in Michigan, many other states are pursuing the film industry as other sources of tax revenue dry up amid the economic downturn. In addition, it remains to be seen if the state can continue to afford such a generous tax incentive law over the long term. As a result, studio developers are waiting on the sidelines until 1) the long term viability of the incentive law is more certain, and 2) the Pontiac and Allen Park studio developments are successful in garnering interest from the film and T.V. industry.

#### Hockey Arena

In the summer of 2009, the Detroit Red Wings Hockey club announced that they will be seeking a restructured short term lease for their current venue - Joe Louis Arena (JLA). JLA has been deemed inadequate by Red Wings management; however, new stadiums in other cities are typically funded with financial assistance from state and local entities. Due to the economic downturn in Michigan, public funding of a new stadium is extremely unlikely in the near and long term unless the state experiences a rapid economic recovery. For now, Red Wing's ownership is focused on re-negotiating their lease at JLA. According to local newspaper accounts, future development sites for a new hockey stadium are limited to properties that are already owned by the management company.

#### Agriculture

Due to the Property's historical use as a farm and the agriculture orientation of the State Fair, some local community groups have proposed that the Property be converted into a year round urban farm that could be used for educational purposes as well as a source of fresh fruit and vegetables in the City of Detroit which has lacked a chain grocery store for the past several years. The Property's relatively small scale development and presumably limited environmental considerations are attributes that may allow it to feasibly support an urban farming operation more so than other vacant properties in the Detroit Metro area. Other urban sites in Detroit are under consideration for urban farming operation. Hantz farms, of Southfield, MI, is proposing to open urban farms on several vacant properties in the urban core of Detroit. Hantz is working with Michigan State University to develop best practices in Urban Farming which will consider unique considerations of an urban farming operation including security, soil testing, and containment of fertilizer and other chemical run-off.

### Existing Conditions

The Property is currently home to the annual Michigan State Fair as well as miscellaneous tenants who occupy the various structures on the Property. The State of Michigan has announced that this will be the last year of the fair and has also issued eviction notices to all of the Property's tenants with the exception of Joe Dumar's Fieldhouse. In order to ascertain the costs associated with continuing to own the Property, the State commissioned an analysis of one time and recurring costs needed to close the facility and maintain basic services. Note that the State has already granted use of the Michigan Mart building for Hob Nobble Gobble

fundraising event in November, 2009. The table below provides a summary of the existing conditions analysis.

| Decommissioning and Recurring Activities | One-Time (Moth Ball) | Annual Recurring  | Source/ Notes  |
|--|----------------------|-------------------|--|
| Moth-Ball                                | \$ 290,000           |                   | SoM DMB Facilities/JLL   |
| Security Enhancements (cameras)          | \$270,000            | \$ 10,000         | SoM DMB Facilities   |
| Site Illumination (utility/maintenance)  |                      | \$ 100,000        | SoM DMB Facilities   |
| Security                                 |                      | \$ 350,000        | SoM DMB Facilities   |
| Utilities                                |                      |                   | Bldg Ops (stated in mtg, not in notes)                                     |
| Electric                                 |                      | \$ 26,500         | Dumars Building Electric   |
| Gas                                      |                      | \$ 47,000         | Dumars Building Gas  |
| Water/Sewer                              |                      | \$ 266,000        | Based on 2008 utility bills. Inc City of Detroit payment for water run-off |
| Maintenance and Repair                   |                      |                   |  |
| Snow Removal                             |                      | \$ 11,000         |  |
| Lawn Maintenance                         |                      | \$ 6,000          |  |
| Re-boarding, etc.                        |                      | \$ 14,000         |  |
| <b>TOTAL</b>                             | <b>\$560,000</b>     | <b>\$ 830,500</b> |  |
| Special Events (Hob Nobble Gobble)       | \$15,000             |                   | One time cost for re – opening the Michigan Mart                           |
| <b>GRAND TOTAL</b>                       | <b>\$575,000</b>     | <b>\$830,500</b>  |  |

As the table illustrates, the cost of shuttering the fair and maintaining basic services on annual basis totals approximately \$1.3M in the first year and \$830,000 per year thereafter. The \$830,000 annual operating costs are herein referred to as the State's "holding costs" for the Property.

Although most of the structures on the Property are in need of infrastructure upgrades and renovation to bring them up to current standards, many of the Property's buildings have been reasonably maintained over time and offer fair accommodations for certain types of uses. It's worth noting that a few of the buildings have been upgraded and well maintained within the past 10 years and offer usable space for year round tenants. Buildings that are deemed to be in fair or good condition as reported in the Phase I ESA report include the Michigan Mart, Agriculture Building, Community Arts Building, Volunteer Center, and the Administration

Building. In addition the Outdoor Zone, which offers a valuable learning resource for the community was constructed within the past ten years and is well maintained. The table below summarizes the condition of each of the major buildings on the Property.

| Building                | Current Use                               | Size (sf) | Condition                                 |
|-------------------------|---|-----------|---|
| Michigan Mart           | Next Shot Golf / Mill<br>Coleman Football | 30,000    | Good                                      |
| West Mall               | Fair                                      | 40,000    | Good                                      |
| Ag Building             | Joe Dumar's Fieldhouse                    | 28,000    | Fair                                      |
| East Mall               | Fair                                      | 25,000    | Good                                      |
| Coliseum                | Hockey Arena / Horse<br>Shows / Circus    | 75,000    | Fair Condition – Relatively new utilities |
| Dairy Cattle            | Horse Shows                               | 54,628    | Fair                                      |
| Pole Barn               | Boarding Horses                           | 5,000     | Fair                                      |
| North Riding Area       | Equestrian Club                           | 16,000    | Fair                                      |
| Main Horse Barn         | Equestrian Club                           | 35,000    | Good to Fair                              |
| South Riding Area       | Equestrian Club                           | 16,000    | Fair                                      |
| Multi - Livestock       | Fair                                      | 72,000    | Good                                      |
| Whitehall Building      | N / A                                     | 11,000    | Poor                                      |
| Volunteer Headquarters  | Youth Career Academy                      | 2,448     | Very Good                                 |
| Band Shell              | Fair Concerts                             | 7,000     | Poor                                      |
| Dodge Pavilion          | Fair                                      | 3,275     | Fair to Poor                              |
| U.S. Grant House        | Historical                                | N / A     | Poor                                      |
| Administration Building | Property offices                          | 6,600     | Good to Fair                              |
| Community Arts Building | Theater, offices                          | 37,000    | Good                                      |
| Exhibit Building        | Fair                                      | 5,000     | Good                                      |
| Poultry Building        | Fair                                      | 38,000    | Fair                                      |
| Outdoor Zone            | Nature Learning Center                    | 3 acres   | Good                                      |

While most of the buildings are usable, significant renovation and replacement costs would be incurred to bring the facility up to current standards. Appendix II shows the renovation estimates for each building and major infrastructure component of the Property. According to

the estimates, most of the facilities are in need of a few hundred thousand dollars worth of renovation – usually to replace windows, upgrade bathrooms, and repair or replace roofing. Altogether, the estimate to renovate the entire Property is \$14M; however, it should be noted that almost half of this cost is not associated with repairing buildings, but instead addresses the need to repair overhead power lines and surface parking lots.

### **Constraints to Development**

When evaluating the potential redevelopment scenarios for the Property, it is important to note that certain attributes may inhibit the development potential of the site. In the case of the Property, there are four material issues that may inhibit future development including the following:

**Environmental Cleanup Costs:** The identification of eight records of environmental consideration (REC's) and other environmental cleanup needs related to asbestos that were uncovered as part of a Phase I environmental assessment. The estimated cost associated with the remediation of the eight REC's, asbestos cleanup, and lead based paint removal totals \$1.5M and is detailed as follows:

- Asbestos removal is estimated at \$500,000
- REC cleanup is estimated at \$350,000
- Lead based paint removal is estimated at \$660,000

**Demolition Costs:** The existing structures on the Property which would need to be demolished in order to facilitate redevelopment of the entire Property at a cost of approximately \$3.6M - according to an estimate provided by Skanska (includes the State's admin costs).

**Historical Considerations:** The historical considerations of the buildings on the Property do not formally prohibit demolition, but special interest preservationist groups may attempt to block such demolition efforts in the event of a redevelopment.

**Eight Mile Bridge Creates Negative Perception of the Neighborhood Surrounding the Property:** The elevated Woodward Avenue bridge that spans over Eight mile road creates a perceived barrier between the Property and the more populous neighborhoods immediately to the North and West in Oakland County. This barrier creates the perception that the Property is located a great distance from the surrounding neighborhoods and may discourage residents from the North and East from traveling South to patronize future commercial development of the Property.

**Competing Sites and Development Proposals:** When evaluating constraints to development, it is important to factor how the real estate market context will hamper or support development of the Property. Unfortunately, Detroit has seen multiple development sites remain vacant over the past several years as developers have struggled to obtain financing amid mounting evidence that Detroit's economy is suffering in the wake of the decline of the auto industry. Due the basic laws of supply and demand, the overabundance of vacant property in Detroit detracts from the attractiveness of the Property and therefore

depresses Property value. In addition, there are some development projects in the Detroit area that will likely serve to delay development of the Property for commercial uses. Specifically, the Shoppes at Gateway development, and the two film studio projects in Allen Park and Pontiac will likely absorb much of pentup demand for these product types in the near term. Should any of these projects fail to come to fruition, the Property's ability to support a film studio or retail development will be greatly enhanced.

**State of Michigan Law Regarding Sale of the Property:** Currently, the Michigan State Fairgrounds Act does not permit the sale or ground lease of the Property. In order to allow most flexibility in the redevelopment of the site Legislation will need to be enacted that allow for transfer of the property.

### Strengths and Weaknesses / Opportunities and Threats

The table below illustrates the Property's strengths and weaknesses when compared to other vacant sites developable sites in the Detroit metropolitan area.

| Strengths   | Weaknesses  |
|---|---|
| <ul style="list-style-type: none"> <li>▪ Good central location near the intersection of two major thoroughfares (Woodward and Eight Mile)</li> <li>▪ Large site that can accommodate multiple uses</li> <li>▪ Recognizable site due to size and previous use</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Environmental Considerations</li> <li>▪ Existing Structures</li> <li>▪ Historical Properties</li> <li>▪ Joe Dumar's Lease termination costs</li> </ul>   |
| Opportunities   | Threats   |
| <ul style="list-style-type: none"> <li>▪ State's willingness to create incentives for development</li> <li>▪ Renewable energy standards will create greater demand for solar power</li> <li>▪ Growing interest in urban farming with Michigan State University as a key source of expertise</li> <li>▪ Development of Woodward Light Rail Line could enhance the accessibility of the Property</li> <li>▪ Success of Shoppes at Gateway could set the stage for additional commercial development.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Detroit Commercial Property Markets in Steep Decline</li> <li>▪ Oversupply of available land in Detroit</li> <li>▪ Perception of declining neighborhood</li> <li>▪ Escalating construction costs</li> <li>▪ Unclear employment picture in Detroit and the broader U.S. economy</li> <li>▪ Competing retail and film studio projects on the horizon</li> <li>▪ Eight Mile road bridge creates perceived neighborhood barrier</li> </ul> |

### Potential Development Conclusions & Value

This section summarizes the potential feasibility of three development opportunities identified for the Property. Each of the opportunities is ranked as either high, moderate, low, and unlikely in terms of 1) Economic Value to the State, 2) Ability to create jobs, and 3) Market feasibility, as shown in the table below. In addition, each opportunity includes an action and set of recommendations regarding the re – use plan. Note that in calculating

economic value to the State, Jones Lang LaSalle factored both the value of the Property for a specific development, as well as savings that could be realized by avoiding such costs as early lease termination fees, demolition fees, and environmental remediation fees.

As the table indicates, there are three re-use opportunities that appear most likely to achieve the state's objectives for the Property. Each of these high potential re – use opportunities is described briefly below along with an explanation of the time frame under which the development could be achieved:

**1) Agriculture / Education – The suggested proposal would entail the following:**

- Allocate a portion of the Property and all usable farming facilities for urban farming and agricultural use – including an agricultural education facility for Detroit area high schools. Other uses could include the Joe Dumar's Fieldhouse and outdoor zone.
- Maintaining the Fieldhouse allows the state to avoid \$3.4M in lease termination costs and provides a source of income for a potential buyer of the Property.
- The outdoor zone could complement a future agricultural education center.
- This scenario could allow the state to transfer the Property to another public entity such as Michigan State University or the University of Michigan. Michigan State University in particular has a well established agriculture program and has expressed interest in expanding urban farming initiatives.
- The timeframe for this development could be very short with operations underway within six to nine months. This plan allows for the most expedited re-use opportunity for the property for the following reasons:
  - Would utilize many existing facilities – limiting the need for extensive demolition remediation
  - Would not require significant upfront capital investment (relative to other re-development alternatives). Investments would be required to modify and update buildings and to do site preparation for agriculture uses, but heavy capital expenditures for building tear down and remediation could be avoided.

**2) Neighborhood Retail – The suggested proposal would entail the following:**

- Allocate a portion of the Property for future commercial retail development in the long term. Other uses could include the Joe Dumar's Fieldhouse as well as Agriculture / Education facilities as described above.
- Maintaining the Fieldhouse allows the state to avoid \$3.4M in lease termination costs and provides a valuable source of income for a potential buyer of the Property.
- The timeframe for this development would likely depend on the success of the Shoppes at Gateway Development. If the Gateway development is successful, then the potential for retail development on the Property would likely become more realistic. Based upon projections provided by the Gateway developers, this project may be successfully

completed in three to four years. It should be noted that the state could expedite retail development by demolishing existing structures and curing any environmental considerations prior to making the properties available to developers.

**3) Film Studio Development or Alternative Energy – The suggested proposal would entail the following:**

- Allocate a portion of the Property for Film Studio Development or for future Alternative energy production such as Solar power. Other uses could include:
- Retail and Agriculture / Education uses as described above
- The timeframe for this type of development would likely come after the completion of the film studio projects in Pontiac in Allen Park. If there is sufficient demand for additional film studio development – construction could possibly commence in four to five years after the success of the other studios projects is gauged and the capital markets fully recover. The potential for Solar power on the Property would be greatly enhanced if the State of Michigan provides a long term guarantee for the alternative energy tax credit program – similar to what has been implemented in Ontario, Canada. Given the limited sunlight in this part of the continent, Ontario is one of the few areas in the northern part of the continent to garner widespread interest from solar power companies for solar power generation.

The table below summarizes Jones Lang LaSalle’s assessment of all potential re – use opportunities for the Property.

● High ● Moderate ◐ Low ○ Unlikely

| Product               | Potential |      | Action  | Recommendation   |
|-----------------------|-----------|------|---|--|
|                       | Near      | Long |   |  |
| Multi – Tenant Office | ○         | ○    | N/A   | N/A  |
| Single Tenant Office  | ○         | ○    | N/A   | N/A  |
| Neighborhood Retail   | ●         | ●    | Discuss retail needs with local community Closely monitor success of the Shoppes at Gateway. Evaluate financial incentives that may be available including TIF and renaissance zone | Allocate an area of the Property adjacent to the Shoppes at Gateway Project for future neighborhood retail development |
| Regional Retail       | ○         | ◐    | Monitor success of Shoppes at Gateway and progress of Development of Woodward light rail which could spurt demand   |  |
| Multi - Family        | ○         | ◐    | Monitor success of Shoppes at Gateway and progress of   |  |

|                            |                                  |                                  |   |   |
|----------------------------|----------------------------------|----------------------------------|---|---|
| Warehouse / Distribution   | <input type="radio"/>            | <input type="radio"/>            | Development of Woodward light rail which could spur demand<br>N / A   | N / A   |
| Film Studio / Education    | <input type="radio"/>            | <input checked="" type="radio"/> | Engage the film industry to more accurately gauge the long term need for additional studio space in addition to Allen Park and Pontiac In order to enhance the long term success and viability of film studio development, the state should move to guarantee incentive funding for certain time period | Allocate an area of the Property adjacent to the Shoppes at Gateway Project for future neighborhood retail development                              |
| Hockey Stadium             | <input type="radio"/>            | <input checked="" type="radio"/> | Engage Red Wings ownership in a dialogue to determine compatibility of the Property for a new hockey stadium  | N / A   |
| Alternative Energy (Solar) | <input checked="" type="radio"/> | <input checked="" type="radio"/> | Engage solar power companies to determine appropriate incentive offering. Take lessons learned from neighboring Ontario for proper incentives needed to spark large scale solar power development in a similar environment setting to that of Detroit   | N / A   |
| Agricultural / Education   | <input checked="" type="radio"/> | <input checked="" type="radio"/> | Complete Phase II environmental to pinpoint extent of consideration and costs associated with remediation   | Allocate a large portion of the Property for agriculture use including the entire Eastern and Southern Thirds and a portion off the Northern Third. |

## Disposition Plan

Due to the size of the Property and variations in building density on certain sections of the site, Jones Lang LaSalle recommends that the State dispose of the Property using a **phased approach** while strategically parceling out portions of the Property based upon the opportunities and anticipated timeframe for development discussed above as well as:

- **Current Uses / Structures and other constraints to development**
- **Accessibility / Visibility**

The purpose of the strategic disposition is to ensure that the state achieves its goals of receiving maximum economic benefit and creating jobs within the shortest possible timeframe. Jones Lang LaSalle has organized its recommended plan into two phases – 1) An

Interim Plan and 2) A Long Term plan that coincide with the near term and long development potential of the Property as discussed in the re – use scenarios above.

### The Interim Disposition Plan Calls for the Following:

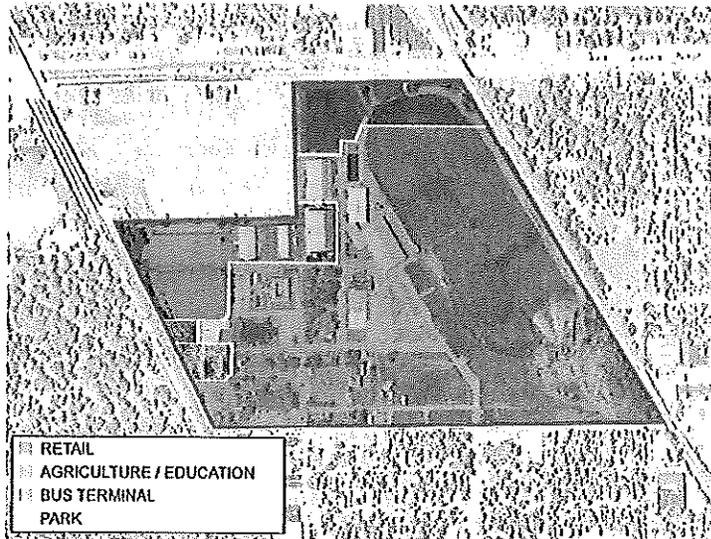
This approach would minimize the need for large capital expenses associated with demolition, remediation, and construction while maintaining long term re-development opportunities for the Property.

- Maintain the Joe Dumar's Fieldhouse (due to its long term lease commitment) and Outdoor Zone Uses
- Complete the Phase II environmental study
- Mothball the other facilities located in red below
- Hold the land and properties highlighted in red for future retail / commercial development in the long term. Investigate whether the Joe Dumar's lease and related lease income may be transferred to a third party in the event of sale of the Property.
- Convert the area shaded in green on the map below for agricultural and education uses.

### The Long Term Disposition Plan Calls for the Following:

- Engage local and state level lawmakers to create a powerful economic incentive plan to lure commercial development to the area. Incentives should include at a minimum, Tax Increment Finance (TIF), a Renaissance Zone designation, or New Market Tax Credits (NMTC) or a combination of all three.

- Package and dispose of the Woodward Avenue Parking Lot, Joe Dumar's Fieldhouse and associated lease as well as the Coliseum Building and Michigan Mart for future commercial retail development – possibly for a strip center including a grocery or drug store. To a potential buyer,



the Joe Dumar's lease provides some cash flow that can be utilized to help offset construction costs in the event of redevelopment.

- Package and dispose of the parcel highlighted in red along 8 mile road below for future retail / commercial development. This parcel will likely be sold at lease one year after the stabilization of the shops at Gateway

### Property Value Estimate

Before calculating a range for Property value, Jones Lang LaSalle first summarized the major uncertainties regarding the potential for future development of the Property. Invariably, developers and property buyers will subjectively discount their offering price for a Property based on real or perceived risks. When disposing of a Property, the property owner's negotiating position is most dramatically enhanced by eliminating unknowns or uncertainties. At this point, there are several uncertainties regarding the potential to redevelop the Property which have a negative effect on Property value.

### Development Viability Uncertainties

- **Historical Significance:** If there is significant community backlash against a demolition of the existing properties. The community may attempt to block demolition of the properties through a court order or cease and desist.
- **Infrastructure Development:** How current are the "in the ground" utilities – is there a need for Upgrading of Utilities for Higher Density Development
- **Other Uncertainties:** The following is list of other factors that may negatively influence the value of the Property. These factors are inherent in any potential land sale and reflect the fundamental risks associated with real estate development. As previously stated, it is extremely important to note that given the size and complexity of Property, a sale will most likely occur in the form of a phased takedown over three to four years. The probability that any of the below factors will change is greater when examined over a period of three to four years versus over a year or less. As a result, the value of the Property will be more sensitive to the land value uncertainties noted below.
  - A sudden rise in interest rates
  - Newly announced development projects by developers in the immediate market area or in competing markets;
  - Political roadblocks posed by historic preservationists and those in favor of keeping the fair

### Estimate of Value

Jones Lang LaSalle attempted to estimate the value of the Property based upon the findings of all of our analysis including the following:

- Demolition and environmental cleanup costs of \$5.1M
- Other land sales of comparable size in Detroit

- The previous appraisal conducted in 2007
- Discussions with Detroit developers and brokers
- Analysis of local and national real estate trends
- Analysis of uncertainties and encumbrances to development
- The strengths, weaknesses, opportunities, and threats of the Property

After reviewing our findings, it was determined that the Property, if sold today, has a negligible value. The primary reasons for this include:

- \$5.1M estimated cost to demolish the existing structures and cleanup environmental considerations
- Excess of available land in and around Detroit
- Unknown's regarding need for infrastructure upgrades
- Distressed state of the real estate property markets and capital markets which has shelved plans for many projects across the country and stalled many others in mid – construction

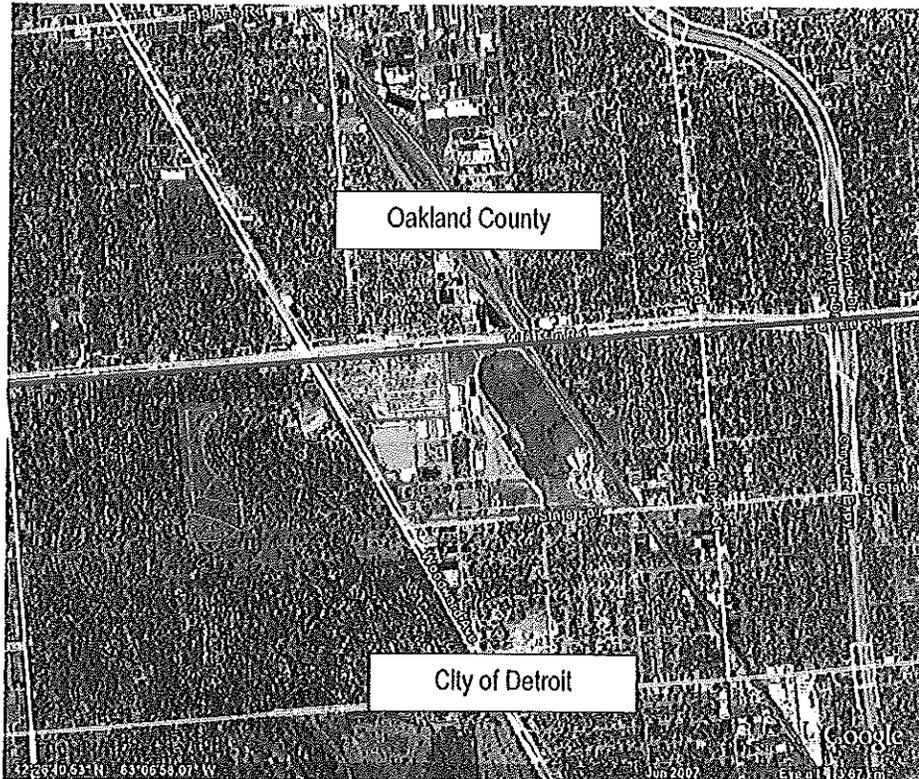


## Section II Property Overview

### Property Location

The Property is bounded by Woodward Ave to the West, 8 Mile Road to the North, freight rail to the East, and State Fair Ave. to the South. The Property is situated at the Northern border of the City of Detroit and is the gateway to Oakland County which is immediately North of 8 Mile Road.

The graphic below illustrates the location of the subject property in relation to the Oakland County and the City of Detroit. The property boundary lines are indicated with red lines on the aerial photo while the blue line indicates 8 Mile Road.

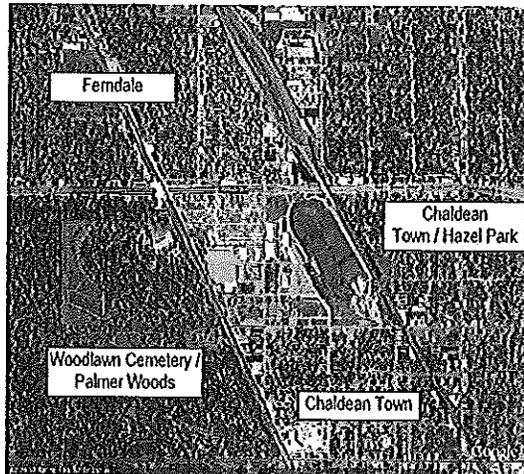


## Surrounding Uses

The Property is surrounded by mostly residential areas to the East, South, North, and West with a higher concentration of commercial activity located to the North of the Property along Woodward Ave. The following summarizes the prevalent uses in the areas surrounding the Property.

**East:** Woodlawn & Evergreen Cemetery / Palmer Woods and Sherwood Park single family residential. The residential neighborhoods to the East are occupied by more affluent households than the surrounding neighborhoods. These households would likely help support retail development on the Property.

**North:** The Ferndale neighborhood in Oakland county has grown in popularity over the past 10 years. It has developed a reputation as a haven for creative artists with boutique retail and trendy neighborhood restaurants. It is worth noting that the neighborhood to the North is accessible via the elevated Woodward Ave. bridge over Eight Mile Road. While this bridge does provide good connectivity, its size and elevation create a perceived barrier between the Property and the neighborhoods to the North.



**West:** The Hazel Park and Chaldean Town neighborhoods to the North and West appear depressed when compared to Ferndale and Palmer Woods. There are many abandoned and unkempt homes.

**South:** Chaldean Town is a mix of depressed single family housing, multi – family affordable housing, and low end strip retail such as pawn shops, gas stations, and currency exchanges. This area appears neglected and is perceived by some in Detroit to be unsafe - especially after dark.

Aerial View to the West



Aerial View to the South



## Property Facts

The following table provides a detailed breakdown of the important facts pertaining to the Property.

### Property Facts Summary

|                                  |   |
|----------------------------------|---|
| <b>Common Property Name</b>      | Michigan State Fairgrounds  |
| <b>Neighborhood Land Uses</b>    | Primarily residential to the South and East. Mix of residential and cemetery uses to the West. Neighborhood retail and small commercial uses to the North across 8 Mile Road. |
| <b>Assessor's Parcel Numbers</b> | Ward 01, Item 9845  |
| <b>Zoning</b>                    | B-4 (General Business) on 161+ acres, M-4 (Intensive Industrial) on 7 acres   |
| <b>Land Area</b>                 | 161 usable acres*   |
| <b>Historical Considerations</b> | See detail below  |
| <b>Year Built</b>                | 1905  |
| <b>Annual O &amp; M</b>          | \$830,000   |
| <b>Flood Zone</b>                | Outside of the 500 year floodplain  |

**Access and Visibility**

Site is highly visible from 8 Mile Road Bridge, Eight Mile Road and Woodward Avenue both provide excellent access to the Site from all directions. The site is accessible from Eight mile Road and State Fair Ave from the North and South directions while a signaled entrance provides access on the West via Woodward Ave. The site is also less than a mile East of the 8 Mile Road and the I - 75 interchange and is just over a mile South of the Woodward Ave and Highway 696 interchange

**Property Map**

The map on the right illustrates an aerial view of the Property with numbers referencing the name of each of the present buildings on the site. For discussion purposes, we have evaluated the uses on the Property by dividing it into thirds.

As the map shows, most of the large buildings on the Property are located on the Northern Third of the site and include:

- Michigan Mart
- West Mall
- Agriculture Building
- East Mall
- Coliseum
- Dairy Cattle Building – Equestrian Club
- Pole Barn – –Equestrian
- North Riding Area
- Main Horse Barn
- Multi – Livestock Barn
- South Riding Area
- Whitehall
- Poultry Building

According to the Phase I ESA, all of the major structures in the Northern Third are in fair to good condition with the exception of the Whitehall Building

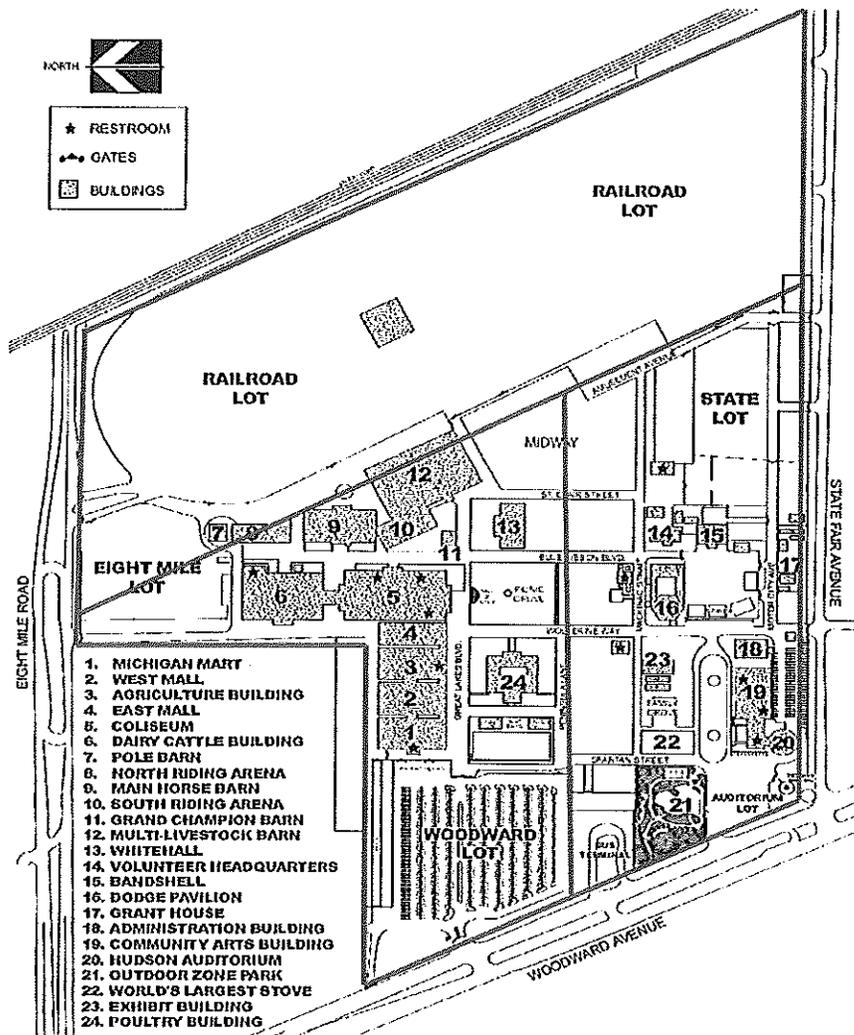
The Southern Third of the Property is characterized by less intensive uses than the Northern third. The buildings located in the Southern third include the following:

- Community Arts Building
- Hudson Auditorium
- Administration Building
- Volunteer Headquarters – Youth Connection Career Academy
- U.S. Grant House

- Bandshell
- Exhibit Building
- World's Largest Stove
- Outdoor Zone Park
- Dodge Pavilion

According to the Phase I ESA, all of the Properties in the southern third are in fair to good condition with the exception of U.S. Grant House, the Band Shell, and the Dodge Pavilion.

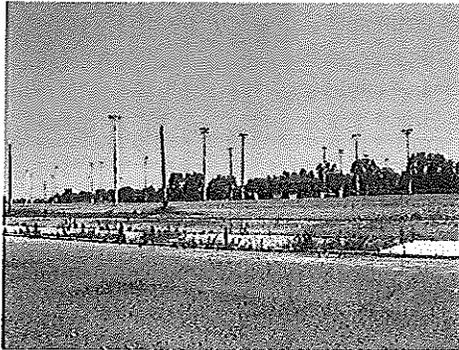
The Eastern Third of the Property of the Property is entirely vacant with the exception of the light posts and fieldhouse that once served the shuttered Softball City operation.



## Zoning Detail

The majority of the Property is zoned B-4, General Business District, while smaller (non – contiguous) portions east of the railroad and on the south side of State Fair Avenue are currently zoned M-4, intensive industrial. The uses allowed under B-4 and M-4 zoning are listed in Appendix III.

## Property Photos



## Public Transportation

### Bus

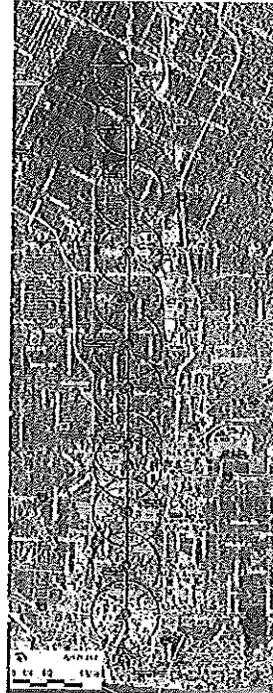
The Property serves as a significant interchange for Detroit's SmartBus system. The system's State Fairgrounds Terminal located on western portion of the Property off of Woodward Ave serves as an important bus access point to downtown Detroit as well as communities to the West, South, and North. The bus lines served by the terminal include:

- 415/420

- 450/460
- 445/475
- 465

**Woodward Light Rail**

Financial supporters of the privately funded M-1 Rail, an approximately 3.4 mile, 12 stop route from Hart Plaza to Grand Boulevard would be the “first phase” of the Detroit Department of Transportation’s proposed \$371 million light rail system. The proposed Woodward line would ultimately run from Hart Plaza to Eight Mile Road and would carry an estimated 22,200 daily riders. Construction on Phase I could begin as soon as 2010 with service beginning by 2013. The Woodward light rail line would be the first step in a regional transportation plan that includes rapid transit lines in Wayne, Oakland, and Macomb counties.

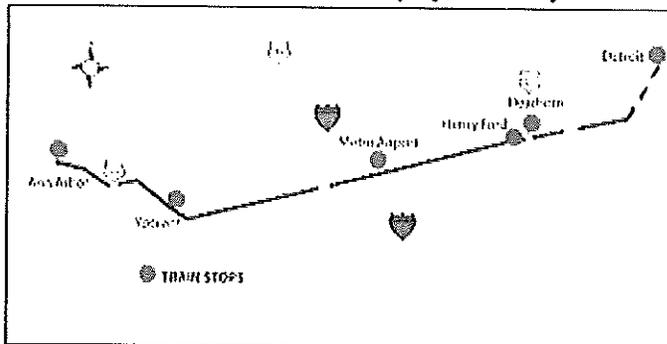


**Woodward Light Rail Fact Sheet**

|                                   |  |
|-----------------------------------|--|
| <b>Estimated Annual Ridership</b> | 22,000   |
| <b>Estimated Cost</b>             | \$371,000,000                                    |
| <b>Number of Stations</b>         | 13 to 15 from Eight Mile to Downtown (9.3 Miles) |
| <b>Job Creation</b>               | 12,000 new jobs                                  |

**Detroit to Ann Arbor Commuter Rail**

The Woodward LRT will serve as a distributor and feeder to the Ann Arbor – to Detroit commuter rail line, which is currently under consideration and may open as early as the fall of 2010. The proposed commuter rail line would run from Ann Arbor to downtown Detroit with stops in Ypsilanti, Metro Airport, Henry Ford Center, and Dearborn. The rail line is currently utilized by Amtrak as well as Norfolk Southern, Conrail, and Canadian National Railway. Various



consultants have recently been hired to study the feasibility of operating a separate commuter rail line along these already heavily traversed tracks.

## Potential Constraints to Development

### Historical Designations

A property may hold several unique distinctions pertaining to its historical significance that may inhibit or add significant costs to potential redevelopment scenarios. The Property is characterized by the following historical designations:

- Site was dedicated as a historic site #172 on Aug 29, 1958
- The following buildings are listed on the National register of historic places
  - State fair coliseum
  - Ag building
  - Dairy Cattle Building
- The following buildings are listed on Michigan's register of historic places
  - U.S. Grant House
  - Michigan State Fair Coliseum
  - Michigan State Fair Ag Building
  - Michigan State Fair Dairy Cattle Building
  - World's largest stove

Because the State of Michigan has maintained ownership of these properties and none of the properties have received historical tax credits related to redevelopment or renovation, it is unlikely that demolition of these historical improvements will be prohibited. Nevertheless, historical preservation groups and other related special interest groups may attempt to block plans for demolition of the structures which could delay or add costs to redevelopment plans for the Property.

### Environmental Considerations

Recent Phase I environmental studies on the Property have uncovered several recognized environmental conditions (REC's) associated with the Property. These REC's are the focus of a Phase II study currently underway on the Property. The Phase II Baseline Environmental Assessment (BEA) report will detail the extent of these REC's which will allow for reasonable estimates of remediation costs. The REC's in question include the following:

- Open leaking underground storage tank (UST) release adjacent to the subject Site located at the corner of Woodward and State Fair
- Former location of maintenance / machine shop
- Open leaking UST release on subject Site
- 10,000 gallon fuel oil UST located at Coliseum

- Two existing 250 and 500 gallon diesel above ground storage tanks east of the Band Shell
- 2,000 gallon fuel oil USE located at Dodge Pavilion
- Former fuel spill at Coliseum
- Observations of pooled liquid with surface sheen located in midway area

After completion of the BEA, the purchaser would not be responsible under Act 451 Part 201 as amended, for cleanup of contaminants identified, provided that conditions are not exacerbated. Exacerbation could include excavation, exposure, or transport of contaminated materials.

The preliminary findings of the Phase II analysis indicate that the cost associated with the cleanup of the eight REC's and the lead based paint will be \$350,000 and \$660,000 respectively. In addition, the existing improvements on the Property contain asbestos and lead paint that will need to be treated and mitigated prior to demolition. Estimated asbestos abatement costs in between \$450,000 and \$500,000.

### **Current Structures, Leases, and Easements / Liens**

In the summer of 2009, the Skanska construction company provided an estimate of demolition costs for all of the site structures not inclusive of environmental clean – up costs which must be performed prior to demolition. The demolition estimate for the Property assumed a demolition timeline of seven months occurring in the fall of 2009. Skanska estimated that the total cost for demolition was \$3M. This figure also does not include additional fees and administrative costs which the state estimates will amount to approximately \$600,000.

Current leases on the site of the Property include Joe Dumar's Fieldhouse LLC., Next Shot Golf, the Youth Connection, Detroit Equestrian Club, and Mill Coleman fundamentals. All of these tenants have received eviction notices and should have vacated the Property by September 30, 2009 with the exception of Joe Dumar's Fieldhouse. The lease is currently in a renewal year and the Fieldhouse manager is on record that they intend to renew for another five years. If this is true, the state will be required to pay the Fieldhouse LLC \$3.4M in order to prematurely terminate the lease.

According to the title report, there are three easements on the Property which include the following:

- Right of way for public sewer
- Grand Haven and Milwaukee railway company
- Grand trunk western railroad
- State of Michigan tax lien against Softball City (former tenant) in the amount of \$28,943

### **Summary**

Together, the historical designations and environmental considerations associated with the Property pose a risk to future redevelopment. Special interest groups could attempt to block

redevelopment plans that entail the demolition of the Fairground's historical structures, while environmental clean – up efforts for the Property could be prolonged or developers may be averse to the risk of exacerbating the conditions during redevelopment. In addition to the environmental and historical considerations of the Property, there are a few constraints to development that will need to be factored into a potential disposition price for the Property. Specifically, the demolition costs, environmental cleanup, and the lease termination fee for the Fieldhouse LLC could deduct nearly \$8M from the value of a potential disposition of the Property.

## Section III Economic and Demographic Context

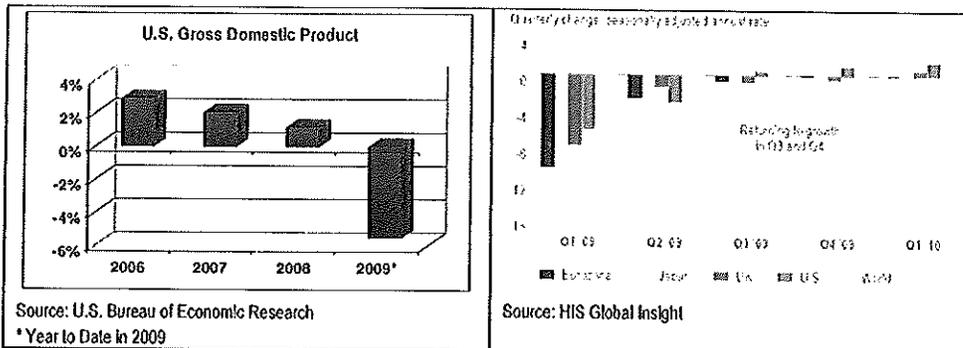
### U.S. Economic Highlights

Jones Lang LaSalle reviewed economic and demographic data to distill the effects of national and demographic trends on the development potential for the Property. The key indicators discussed below include Gross Domestic Product and unemployment for the entire U.S. These indicators provide the most concise summary of the economy and are most useful for determining The Property's highest and best use and ultimate disposition strategy.

#### Gross Domestic Product (GDP)

The preliminary release of 1st quarter of 2009, GDP showed the U.S. economy contracted by 5.7%, up from the -6.1% in the advance estimate. GDP got a boost from a lower than originally estimated reduction in inventories and from higher exports. Despite the upward revision to inventories, they remain very low, suggesting that businesses are slashing inventories in the face of reduced demand from consumers. The U.S. economy is likely to contract by 3% this year with over 1% growth in 2010. Recent economic data suggests that the housing market may be nearing the bottom and will eventually stop subtracting from GDP growth.

When compared to other major world economies, the decline in GDP for the U.S. in the 1st quarter of 2009 has not been dramatic. The Eurozone, Japan, and the U.K. all exceeded the decline exhibited by the U.S. with economic slowdown leading to a double digit decline in Japan's GDP.





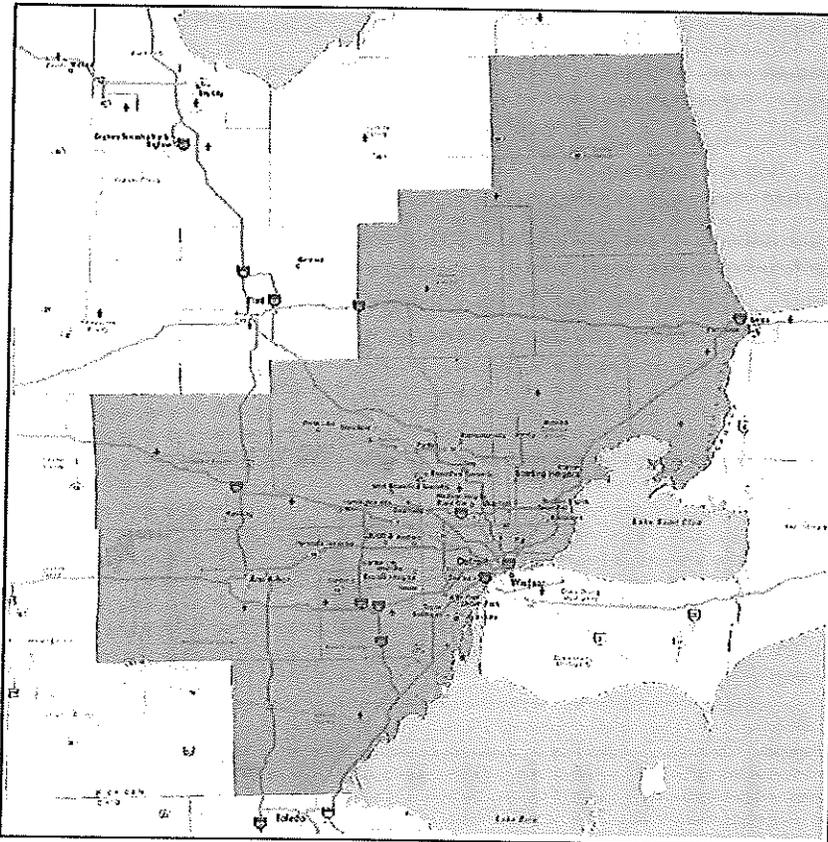
## Detroit Economic Highlights

### Overview

The demographic and economic trends for a region are critical drivers in determining the potential product mix – and thus the value for any parcel; especially one the size and complexity of the Property. For example, population trends help establish a demand base while age and income statistics identify the types of retail and residential products which will be most embraced by the marketplace. Additionally, the local employment market and education level achieved by the population are indicative of relative economic strength and underlying risk to prospective developers/investors.

### Market Area Definition

For the purposes of our analysis, we have studied the market dynamics of the Detroit MSA which includes the cities of Detroit, Warren, Livonia, Dearborn, Troy, Farmington Hills, Southfield, Pontiac, Taylor, and Novi. A map of the Detroit MSA and the component cities and counties is pictures below.



## Population

Population trends in Detroit have been largely flat for the better part of a decade and are expected to lag national trends through 2015. Despite these relatively pessimistic population growth projections, there is a silver lining that provides promise of population growth over the long term. While Detroit's unemployment rate has hovered around 7% and most recently skyrocketed to 12% (see charts below), the population growth rate has remained relatively flat and stable which suggests that many Detroit workers are choosing to stay in the area after accepting severance packages or early retirement. At this time, it is unclear if this trend will persist, however, given the high unemployment rates seen nationwide, it is likely that the population will remain stable. If unemployment begins to fall and job prospects improve in cities other than Detroit, the risk of more dramatic population loss may become more acute.

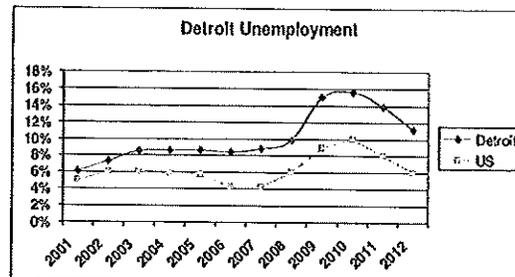
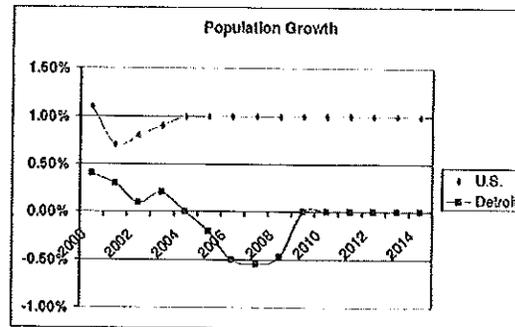
## Employment

Detroit's unemployment rate has exceeded national averages for several years due to the continued contraction of the auto industry. Recent economic turmoil has resulted in a proportionally large share of job losses for the region with Detroit's unemployment rate currently more than 12% compared to 9.5% for the nation. Note that this figure does not include those who have:

- Given up their job search as a result of prolonged unemployment
- Taken unpaid leaves of absence
- Agreed to work part time instead of full time
- Taken jobs for which they are overqualified

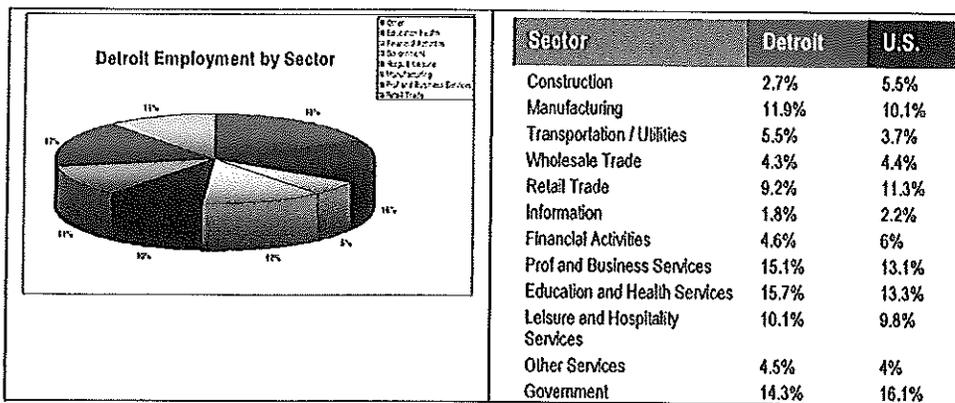
The unemployment rate is expected to continue to increase throughout the remainder of 2009 and into 2010 until it begins to decline slightly in 2011. Projecting into the future the unemployment rate is expected to exceed the national average by roughly three percent through 2012.

The chart below illustrates projected job growth from 2009 to 2013 for the largest metropolitan areas in the U.S. As the chart illustrates, projected job growth for Detroit is expected to lag behind competitive cities in the country. These pessimistic projections for Detroit are largely the result of anticipated additional job cuts for the major auto manufacturers in Detroit. As part of their restructuring plans, General Motors, Ford, and Chrysler plan to cut approximately 30,000 blue and white collar jobs by the end of 2012. More concerning, the buyout and severance



packages offered by GM for furloughed employees are expected to be much leaner than during previous staff reductions.

The tables and charts below illustrate the 20 largest employers in the Detroit MSA as well as employment by sector. As the graphics illustrate, Detroit remains heavily reliant on the auto sector for the majority of jobs in the area. Secondary employment sectors include healthcare and public service. These sectors have served as a stabilizer in the face of the decline in manufacturing and have grown by a modest .3% for year to date 2009. According to a recent Crain's Detroit article dated August 5, 2009, employer's access to capital needs to improve in order for the employment prospects of the region to change. Many small businesses are in survival mode and are unable to obtain the financing they need to grow their businesses.



| Firm                                 | # of Employees | Industry   | Firm                   | # of Employees | Industry           |
|--------------------------------------|----------------|------------|------------------------|----------------|--------------------|
| Ford Motor Company                   | 55,342         | Auto       | State of Michigan      | 11,177         | Public             |
| GM                                   | 41,861         | Auto       | Detroit Medical Center | 11,003         | Healthcare         |
| Chrysler                             | 32,697         | Auto       | Oakwood Healthcare     | 7,618          | Healthcare         |
| Detroit Public Schools               | 17,329         | Public     | DTE Energy             | 7,188          | Energy / Utilities |
| University of Michigan               | 16,832         | Education  | BCBS                   | 7,000          | Healthcare         |
| University of Michigan Health System | 16,551         | Healthcare | EDS                    | 6,711          | Software           |
| U.S. Postal Service                  | 15,385         | Public     | Comerica               | 6,169          |                    |
| Federal Government                   | 15,328         | Public     | Wayne State            | 5,046          | Public             |
| Henry Ford Health System             | 15,139         | Healthcare | Wayne County           | 4,665          | Public             |
| St. John Health                      | 14,286         | Healthcare | Visteon Corp           | 4,497          | Auto Supply        |
| City of Detroit                      | 13,762         | Public     | Johnson Controls       | 4,205          | Auto Supply        |
| Trinity Health                       | 13,012         | Healthcare | Quicken Loans          | 3,923          | Financial          |
| Beaumont Hospitals                   | 12,638         | Healthcare |                        |                |                    |

### Income

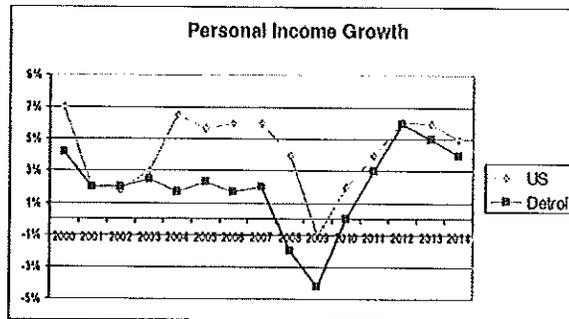
The table below illustrates the median household income for the Detroit MSA in comparison to the U.S. Median household income (MHHI). The MHHI for the area has exceeded national averages by roughly \$7,000, but census estimates indicate that gap will narrow in five years to less than \$6,000. To add context, the MSA with highest median household income in the nation is San

| Median Household Income |          |          |
|-------------------------|----------|----------|
|                         | Detroit  | U.S.     |
| 2014                    | \$62,744 | \$56,938 |
| 2009                    | \$61,752 | \$54,719 |
| 2000                    | \$49,840 | \$42,164 |

| Per Capita Income |          |          |
|-------------------|----------|----------|
|                   | Detroit  | U.S.     |
| 2014              | \$31,205 | \$28,494 |
| 2009              | \$30,155 | \$27,277 |
| 2000              | \$24,590 | \$21,587 |

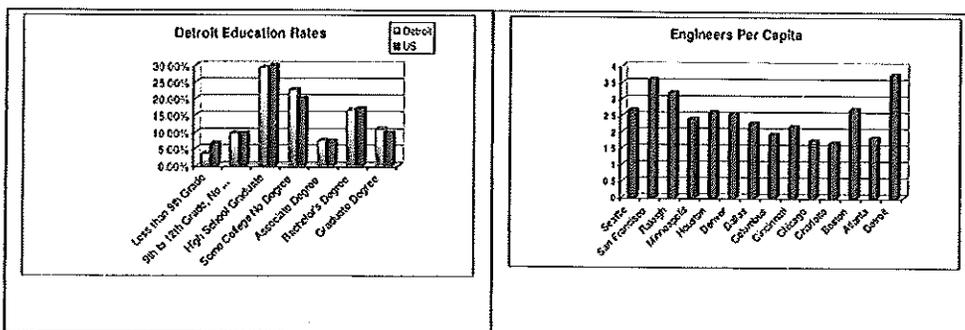
Jose with an income of \$80,638 per family. Per Capita income for Detroit has also exceeded national averages by roughly \$3,000 – this trend is expected to remain steady through 2014.

Due to the decline of the auto industry, personal income growth is expected to lag national averages until at least 2013 when the declines in the auto sectors are expected to stabilize.



### Education Rates

The chart below illustrates the education rates for the Detroit MSA relative to the nation. As the chart shows, most levels of education attainment reflect national trends. Due to the large manufacturing presence in the area, Detroit is home to a relatively dense population of engineers. According the U.S. census, Detroit has the highest number of engineers per capita in the country, trailed by San Francisco and Raleigh. This could serve as an asset for the area as new industries and small businesses sprout up to compensate for the decline in the auto industry.



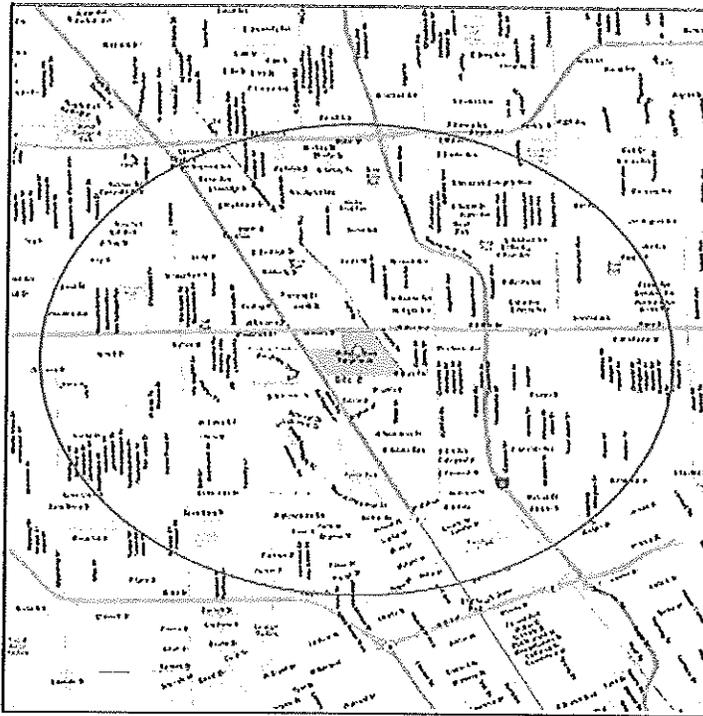
## Local Market Economic Highlights

### Overview

The demographic and economic trends for a region are critical drivers in determining the potential product mix – and thus the highest and best use for any parcel; especially one the size and complexity of the Property. For example, population trends help establish a demand base while age and income statistics identify the types of retail and residential products which will be most embraced by the marketplace. Additionally, the local employment market and education level achieved by the population are indicative of relative economic strength and underlying risk to prospective developers/investors.

### Market Area Definition

To provide a more detailed analysis of the area immediately surrounding the Property, we have defined the Local Market Area (LMA) as the two and a half mile radius around the Property. The map below illustrates the boundaries of this area.



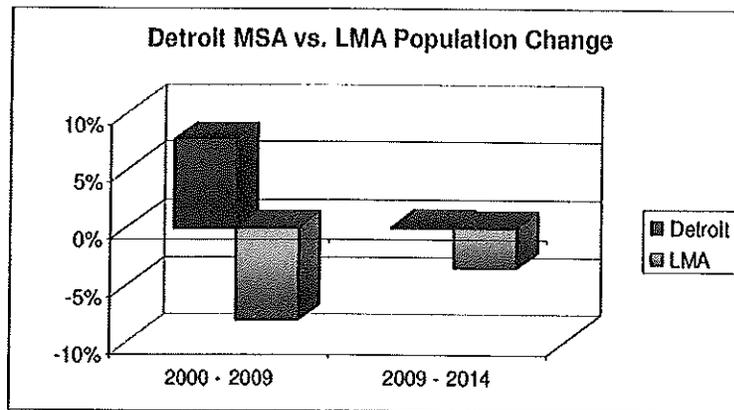
### Population

Within the Local Market Area, population is expected to decrease from 117,553 to 113,415 between 2009 and 2014, a reduction rate of 3.5%. This follows a decline of roughly 8% or approximately 10,000 people from 2000 to 2009. This compares to the Detroit MSA

population that is expected to remain unchanged from 2009 to 2014. The decline in population is definitely a cause for concern for potential reuses of the Property as new commercial development would likely draw from the surrounding population. This fact makes it overwhelmingly important to create a source of employment in the redevelopment for the Property that will encourage residents to remain in the area.

## LMA POPULATION TRENDS

|         | 2000      | 2009      | 2014 Projection |
|---------|-----------|-----------|-----------------|
| Detroit | 4,965,944 | 5,057,085 | 5,062,616       |
| LMA     | 127,789   | 117,533   | 113,415         |



## Employment

The table below illustrates the Local Market Area's employment by sector relative to the Detroit MSA. The key observation from this table is the LMA's heavier reliance on manufacturing than the Detroit MSA which may make it more susceptible to job losses in that sector. On a more positive note, the LMA has a relatively high concentration of employment in the service industries including health services which has proven more resilient in the face of the recent economic downturn.

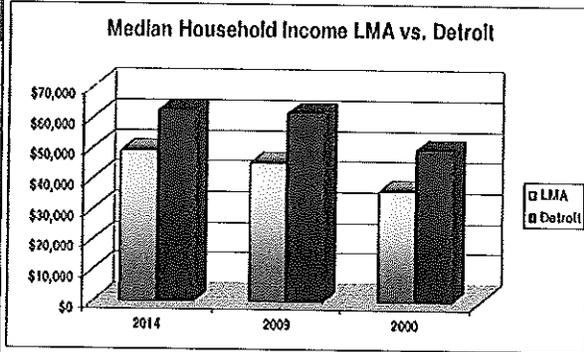
| Sector                     | LMA   | Detroit |
|----------------------------|-------|---------|
| Construction               | 3.6%  | 2.7%    |
| Manufacturing              | 13.7% | 11.9%   |
| Transportation / Utilities | 4.8%  | 5.5%    |
| Wholesale Trade            | 2.7%  | 4.3%    |
| Retail Trade               | 10.6% | 9.2%    |
| Information                | 2.7%  | 1.8%    |
| Financial Activities       | 6.2%  | 4.6%    |

|                                  |      |       |
|----------------------------------|------|-------|
| Prof and Business Services       |      | 15.1% |
| Education and Health Services    |      | 15.7% |
| Lelsure and Hospitallty Services | 50%  | 10.1% |
| Other Services                   |      | 4.5%  |
| Government                       | 5.5% | 14.3% |

**Income**

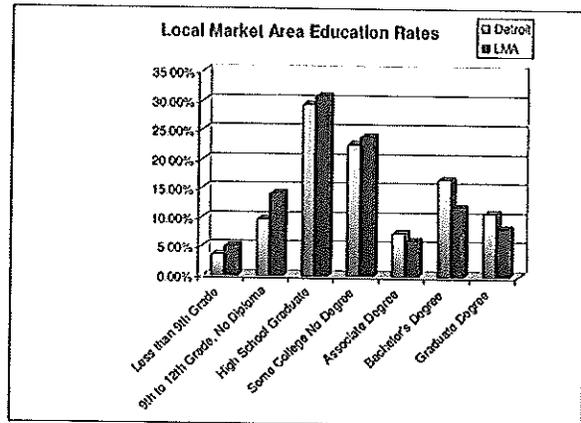
The table and chart below compare median household income and per capita income between the LMA and Detroit MSA. As of 2009, the median household income for the LMA is approximately 26% lower than the Detroit MSA. The U.S. Census expects the gap in median household income between the LMA and the Detroit MSA to shrink down to 21% by 2014 due primarily to an increase in income within the LMA.

| Median Household Income |          |          |
|-------------------------|----------|----------|
|                         | LMA      | Detroit  |
| 2014                    | \$49,281 | \$62,744 |
| 2009                    | \$45,447 | \$61,752 |
| 2000                    | \$36,337 | \$49,840 |
| Per Capita Income       |          |          |
|                         | LMA      | Detroit  |
| 2014                    | \$22,974 | \$31,205 |
| 2009                    | \$22,252 | \$30,155 |
| 2000                    | \$18,120 | \$24,590 |



**Education Rates**

The table below illustrates the education rates for LMA vs. the Detroit MSA. These figures represent a greater proportion of Detroit MSA population carries an undergraduate or graduate degree. The LMA education rates demonstrate a higher percentage of population with only a high school diploma or some college experience but no degree. These figures help to explain the lower income figures that characterize the LMA with lower education rates usually correlated to lower paying jobs.



## Section IV

### Real Estate Markets

### Context

#### Introduction

In order to assess the appropriate supply, demand, and performance of various real estate uses in the Detroit MSA, Jones Lang LaSalle reviewed the market for office, retail, industrial (warehouse), for-rent multi-family residential. In addition, Jones Lang LaSalle also evaluated the market for various special use types such as film studios, agricultural, educational, and sports stadiums.

#### Summary

- **Office:** The office property climate usually reflects the employment landscape in any given city. Markets with high unemployment naturally have weak office property fundamentals as there is less demand for office space. Due to the Detroit unemployment rate, which is one of the highest in the country, office market fundamentals in the Metro area are very weak.
- **Industrial (Warehouse / Distribution):** The primary drivers of warehouse and distribution property demand in Detroit are manufacturing activity and retail trade / consumer spending. Not surprisingly, as the auto industry has slowed, demand for distribution space has weaned which has hurt industrial property fundamentals. In addition, declines in consumer spending have slowed retail trade, forcing retailers to cut inventories before they place orders for merchandise, thereby dampening the need for warehouse and distribution space.
- **Retail:** The broader retail market has been decimated by declines in consumer spending – especially for non – essential apparel and high end retailers such as Macy’s, Nordstroms, and Saks Fifth Avenue. Neighborhood and grocery anchored retail centers have fared better in the current economy as consumer demand for groceries has remained steady or even increased with households cutting down on meals at restaurants.
- **Apartment:** Compared to other Property markets, the apartment market has fared very well with relatively steady vacancy and rental rates. While banks have made it much more difficult to obtain home mortgages, many would be buyers in years past are re – leasing their current apartments. At the same time, many previous homeowners who have foreclosed on their homes, are now turning to apartments for housing needs. While these factors are helping fuel demand, their effect on rental and vacancy rates has been somewhat muted by the so – called “shadow” rental market which consists of condo and home owners renting their residences due to their inability to meet mortgage payments. The shadow market is

accounting for a much greater supply of rental housing than in years past – therefore counteracting the effects of increases in demand on rents and vacancy figures.

- **Film Studios:** The motion picture industry has remained relatively viable amid the downturn in the economy. As of the end of 2008, the Domestic box office continued to grow, reaching \$9.79 billion after a 1.7% gain while worldwide box office reached another all-time high in 2008 at \$28.1 billion, an increase of 5.2% over 2007. In 2008, Michigan passed one of the most lucrative film incentive laws in the country in an effort to lure film producers to the state. The incentive has helped spark a flood of interest in filming in the state as evidenced by two large film studio development projects that are proposed for Allen Park and Pontiac. While the film industry appears to be gaining strength in the State, the future pace of growth remains uncertain. It is unclear how long the state of Michigan can afford to subsidize such large scale film studio projects while at the same time, many other states municipalities and states such as Toronto, Louisiana, and Massachusetts are subsidizing large scale film studio projects of their own.
- **Sports Stadium:** The Detroit Red Wings hockey team has announced their intentions to relocate from Joe Louis Arena in Detroit. The team is currently negotiating a short term lease for the arena that will provide ample time to design, finance, and build a new stadium for the team. According to a Detroit Crain's article dated June 29, 2009, the team is rumored to favor a site that they own in downtown Detroit adjacent to the Fox theatre. Unfortunately, most of these new stadiums are built with financial assistance from public sources such as the state or local municipality. Due to the current financial situation of Detroit and Michigan, it is highly unlikely that such funds will be provided any time in the near future. As a result, the team will likely continue to negotiate short term lease extensions for Joe Louis Arena until such public funds are made available.
- **Education / Entertainment:** Due to the historical use of the Property as a venue for public enjoyment and education, several stakeholders and special interest groups have proposed that the site continue to serve these purposes. The Inter – County Citizens Achieving Regional Excellence (ICARE) is one such stakeholder that has been particularly involved in proposing such uses for the Property. In the past, ICARE has proposed that the Property be redeveloped into a large recreational park including softball fields, a water park, tennis courts, and walking paths. This proposal failed to garner interest in the state government as the employment figures would be too small given the amount of investment required from the state. More recently, ICARE has proposed the development of an agriculture education facility that would partner with Michigan State University to create an urban farm on the site and educate high school students on the farming and agriculture industry. Urban farming is growing in popularity in the city of Detroit, as more properties are abandoned and residents struggle with the lack of grocery stores within the city limits. Recently, Hantz farms of Southfield, MI put forth a sophisticated proposal to transform many of Detroit's vacant properties into urban farms. The first phase is proposed for a vacant 70 acre parcel on Detroit's

lower east side. In addition to producing food, the farms are expected to harvest wind energy and utilize geothermal heat and biomass fuel from recycling compost.

**U.S. Outlook**

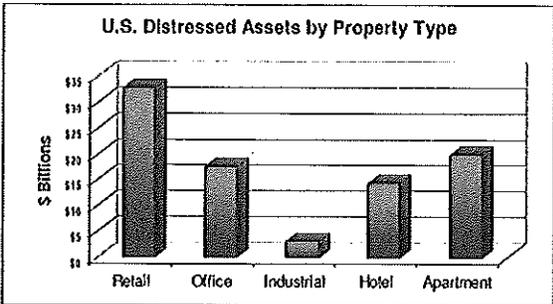
Real estate demand is very weak. All property types saw negative net absorption during the quarter along with declining rental rates during the first quarter. Delinquency rates among commercial mortgage backed securities (CMBS) are rising as property values are falling and re-financing options are very limited. New supply has mostly stopped but pipeline projects along with weak demand is severely hurting market fundamentals. Weakness is expected to continue into 2010.

**Capital Markets**

- There has been no new CMBS issuance in the U.S. since June 2008. This severely limits the number of loans that banks can make for commercial real estate since there currently is not a secondary market for securities that are collateralized with commercial real estate assets.
- The Term Asset Backed Securities Loan Facility (TALF) program was expanded to include legacy CMBS in hopes of renewing the securitization market and stimulate commercial real estate lending again.
- CMBS Delinquency Rates are rising due to falling values and lack of refinancing options. Delinquent loans are transferred to special servicers, who can foreclose or extend/modify loans.
- Life Insurance loans are still performing well, although some stress is expected.

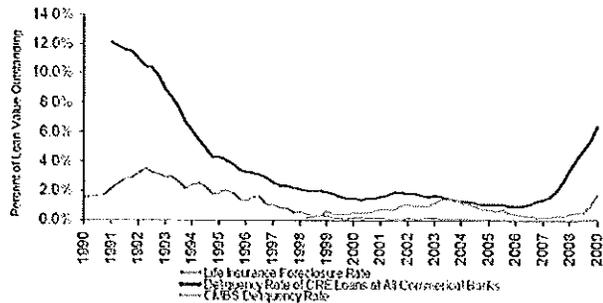
**Troubled Assets**

- Current distressed asset total is at \$108B nationwide
- Retail led all sectors with \$31B in distress
- Volume of troubled commercial properties grew by 122% in the first half of 2009
- June '09 saw particularly heavy (\$13B) addition of troubled assets

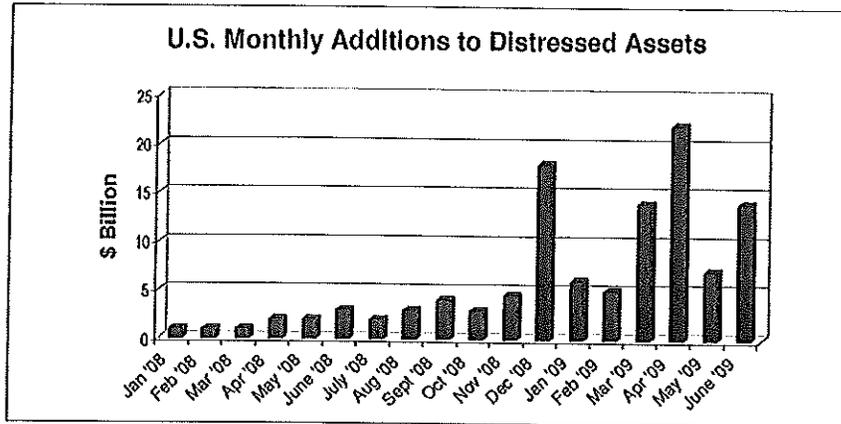


- indicating that the pace of distressed assets is increasing

- Hotels and retail are the leading the distressed asset categories
- More than half of all commercial mortgages defaulting this year serve as collateral for CMBS. This is a

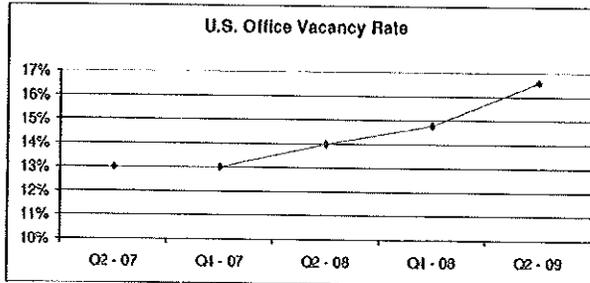


significant increase since year end when CMBS accounted for only 30%. This is because the distress associated with failed development projects was proportionately greater than it is today. Construction loans for development projects are not usually tied to CMBS.

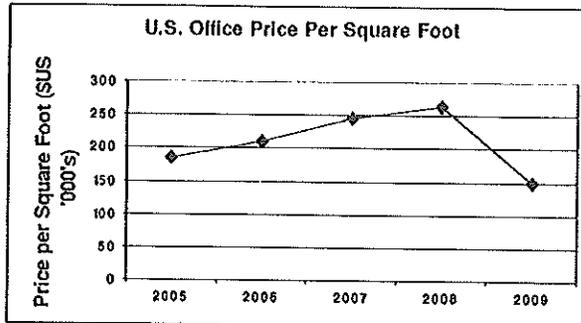


**National Office Trends**

National office trends are strongly correlated to the strength of the employment market so it is no surprise that office property fundamentals are in an aggressive nose dive across the country. The vacancy rate ended the second quarter at a 16.6%, an increase of 180 basis points since the start of the year. Effective rental rates, which usually are a lagging indicator, have finally begun to register declines as landlords make concessions to stem their losses on vacant space. The average effective rental rate for Class A space has declined 16% for all classes of space since 2008. Sales activity for office product has become non-existent for a few reasons. First and foremost, many well capitalized buyers are waiting on sidelines waiting for a wave of



declines as landlords make concessions to stem their losses on vacant space. The average effective rental rate for Class A space has declined 16% for all classes of space since 2008. Sales activity for office product has become non-existent for a few reasons. First and foremost, many well capitalized buyers are waiting on sidelines waiting for a wave of



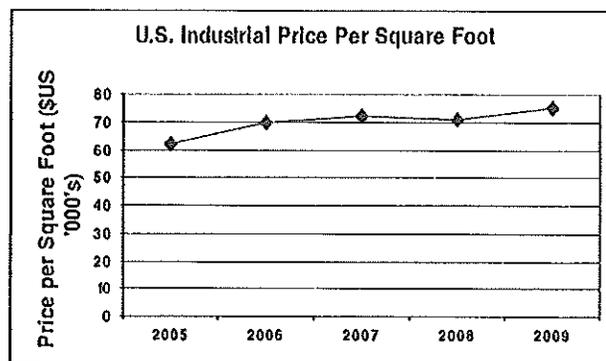
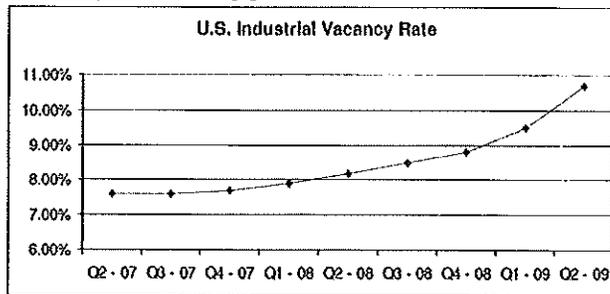
foreclosures and distressed sales to come to the market. As stated in the troubled assets section above, hundreds of billions of dollars worth of commercial real estate loans are expected to mature in 2009 and 2010 with many of these debtors needing to refinance. Previous major sources of financing including CMBS, Wall Street, and international banks have only financed 2% of re-financing's this year. With the labor market expected to bottom out in mid – 2010, office fundamentals may begin to recover in early 2011. Many analysts believe that the national vacancy rate at that time could peak at 20%, however the pace of this recovery will mirror the recovery in jobs which most economists expect will be slow.

### National Industrial Trends

The industrial / warehouse sector is comprised of a diverse set of property types including warehouse / distribution, research and development (flex), and heavy industrial (manufacturing). In the past, this sector has benefited from the diversity, posting relatively minor swings in vacancy rates during previous economic downturns.

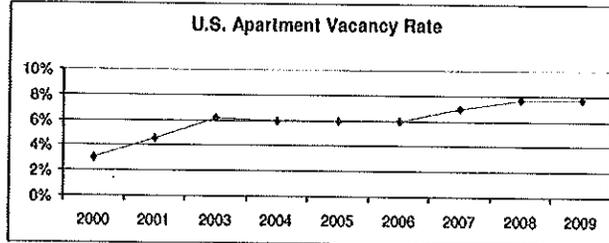
Over the past several years, however, a large number of warehouse / distribution properties have been added to this sector which has made it more susceptible to declines in global trade.

The vacancy rate for industrial space has recently soared to its largest quarterly increase on record – increasing by 120 basis points to 10.7%. This rate reflects a vacancy rate of 12.1% for warehouse / distribution, 13.3% for R&D, and 8% for industrial. At the end of the second quarter, average asking rental rates were \$5.40 per square foot which reflects a decline of 4.7% from 2008. The quarter also posted a steep 22% decline in effective rental rates indicating a strong tenants market with landlords providing generous subsidies and extended periods of free rent.



## National Apartment Trends

Despite some weakness, apartments will register the healthiest fundamentals among major commercial property sectors. The fundamentals of the market have been aided by a contraction in home financing for banks which no longer offer flexible financing options to home buyers. Despite increases in unemployment, apartment vacancies are holding steady due primarily to lack of available home financing for potential buyers. On the flip side, many home sellers are being forced to rent their homes which is creating greater competition from this so called "shadow rental" market. In general, the national apartment vacancy rate is forecasted to increase 1% to 7.7% by year end 2009 due primarily to increases in unemployment and competition from shadow rentals. Average effective rental rates will remain steady in 2009, but this trend will vary greatly by metro area with depressed housing markets experiencing severe negative declines in rent.



## National Retail Trends

The retail sector's most important economic indicator is consumer spending which is usually correlated to consumer confidence. In February of 2009, the consumer confidence index reached 25.3 - its lowest point since the index was created in 1967. Since then, the rating has risen to 49.3 but it is yet to be seen if consumer spending follows in a consistent manner. As of data reported by the U.S. commerce department August 10, 2009 consumer spending declined by .1% in June after remaining flat in May (adjusted for inflation). This largely reflects a consumer sentiment that the economy is bottoming out, but continued increases in unemployment and declines in personal income are hampering a corresponding revival of spending.

Like the industrial sector, the retail sector has many sub - sectors that have performed variably in the current economic downturn. In general, there are three types of retail properties, malls, neighborhood strip centers, and stand alone big box. How a retail property is performing is heavily dependent on the type of tenants located in the property and trade area in which the property is operating. Properties with recession resistant tenants such as discount retailers, grocery stores, and pharmacies are performing relatively well in the face of severe unemployment and pervasive declines in consumer spending.

Overall, the vacancy rate for the retail sector has increased by over .5% since 2008 and currently stands at 10.17% while average asking rents have declined nearly 2% year over year to \$18 per square foot.

Traditional malls are experiencing their highest vacancy rate in over a decade as they struggle to cope with bankruptcies and closures of anchor tenants such as Circuit City, Linen's and Things, and Mervyn's. High end mall anchors such as Nordstrom's, Saks, and Neiman Marcus are also experiencing severe declines in sales which is negatively affecting neighboring tenants within the malls.

Neighborhood strip centers are experiencing relatively modest increases in vacancy as these properties tend to be anchored by more recession resistant tenants such as pharmacies and grocery stores. The strip center can also benefit if it carries a discount retailer such as TJ Max or Marshall's

Finally, the performance of traditional big box stores is entirely dependent on the type of tenant. Discount big box retailers such as Wal – Mart, Costco, Home Depot, Sam's Club, and Target are all performing relatively well in the face of the economic decline - although not well enough to merit an aggressive new store campaign.

The table below illustrates the percent change in sales year over year from 2008 to 2009 for each major retail sector. As the table shows, the following retail tenants have proved to be relatively insulated from the recessionary downturn:

- Food and Beverage Stores
- Grocery Stores
- Health and Personal Care Stores
- General Merchandise Stores
- Food Services and Drinking Places
- Sporting Goods and Hobby Stores

| YEAR-TO-DATE SALES ENDING MARCH                               | 2008      | 2009    | % CHANGE (08/09) |
|---|-----------|---------|------------------|
| All Stores  | 1,074,582 | 966,116 | -10.1            |
| Motor Vehicle and Parts Dealers                               | 215,263   | 165,215 | -23.2            |
| Gasoline Stations   | 115,984   | 76,454  | -34.1            |
| Food and Beverage Stores                                      | 140,889   | 140,814 | -0.1             |
| Grocery Stores  | 127,637   | 127,060 | -0.5             |
| Health and Personal Care Stores                               | 61,076    | 62,399  | 2.2              |
| Building Material and Garden Equipment Stores                 | 69,392    | 61,313  | -11.6            |
| General Merchandise Stores                                    | 134,186   | 133,847 | -0.3             |
| Department Stores (excluding leased departments)              | 43,840    | 40,277  | -8.1             |
| Clothing and Accessories Stores                               | 48,706    | 45,569  | -6.4             |
| Furniture, Home Furnishings, Electronics and Appliance Stores | 53,194    | 47,989  | -9.7             |
| Furniture and Home Furnishing Stores                          | 26,816    | 23,094  | -13.9            |
| Electronics and Appliance Stores                              | 26,348    | 24,895  | -5.5             |
| Sporting Goods, Hobby, Book and Music Stores                  | 19,722    | 19,367  | -1.8             |
| Miscellaneous Store Retailers                                 | 27,502    | 26,010  | -5.4             |
| Nonstore Retailers  | 79,616    | 75,848  | -4.7             |
| Food Services and Drinking Places                             | 109,083   | 111,291 | 2.0              |

Source: US Census Bureau. All values are expressed in millions of US dollars and are necessarily adjusted.

## Detroit Outlook

### Introduction

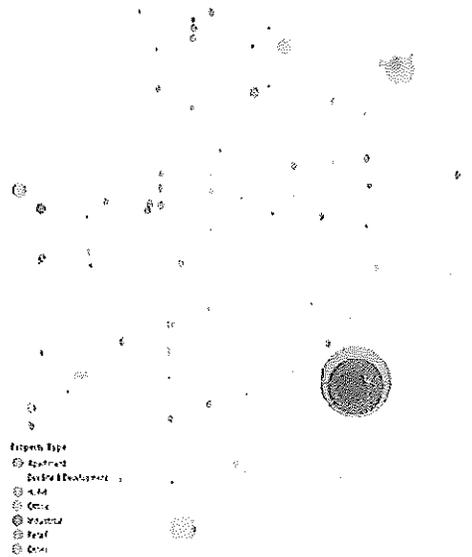
For the purposes of this study, the Detroit market is defined as Lapeer, Livingston, Macomb, Monroe, Oakland, Saint Clair, and Wayne Counties.

### Detroit Troubled Assets

The Detroit market, with 103 troubled assets valued at \$2.6B is ranked 2nd overall among U.S. markets in distress as a percentage of total property investment volume. There are a total of 103 properties in Detroit metro that fall in the category of distress. These include properties where the owner has gone into bankruptcy, or where the property has gone into receivership due to loan default. The chart above summarizes the distressed property activity in Detroit.

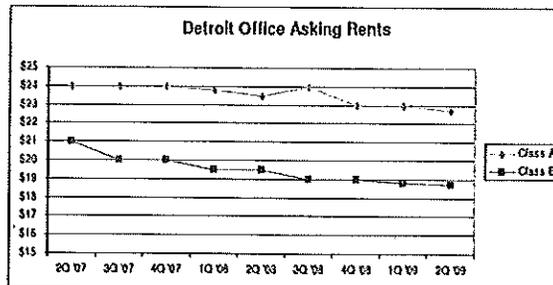
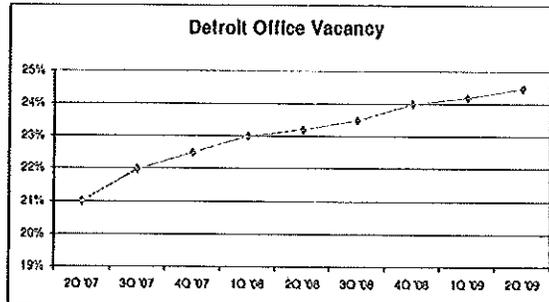
|              | \$ (Millions)  | # of Properties | # of Distressed Properties |
|--------------|----------------|-----------------|----------------------------|
| Office       | \$724          | 13              | 7,580,407                  |
| Apartment    | 146            | 0               | 3,158                      |
| Retail       | 584            | 13              | 5,533,634                  |
| Hotel        | 949            | 30              | 3,224                      |
| Industrial   | 39             | 26              | 2,381,627                  |
| Other        | 117            | 21              |                            |
| <b>TOTAL</b> | <b>\$2,559</b> | <b>103</b>      |                            |

The map to the right illustrates the relative volume of distressed properties throughout the Detroit Metro area – categorized by product type. As the map shows, the core of the Detroit central business district comprises the largest share of distressed assets in the metro area with a scattering of distressed hotel and retail assets on the fringe of the metro area. Oakland County appears to have relatively few distressed assets relative to the other surrounding counties.

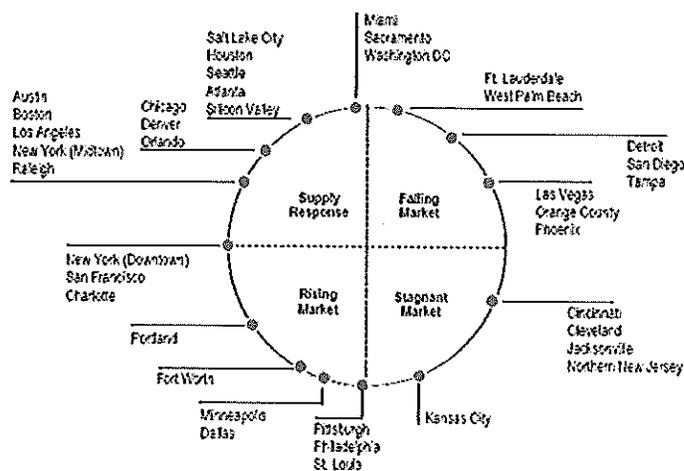


### Detroit Office

The Detroit office market has fared similarly to other property markets in the face of the current downturn. The traditional key performance indicators for the market all point to decline in the basic fundamentals of office properties. Declining rents, rising vacancies, and negative absorption all reflect the troubles in the office market that have largely been driven by high unemployment and the shuttering or consolidation of businesses. The average rental rate for Detroit Metro has decreased to \$22 per square foot down from roughly \$22.50 per square foot at the end of the first quarter of 2009. Average rental rates for Class A and B space are \$23.74 and \$18.47 per square foot respectively. Reflecting the acute weakness of the downtown market, average rental rates for the central business district are \$18.26 per square foot and \$19.76 in the suburbs. For the 2nd quarter of 2009, the metro Detroit office vacancy rate climbed 4% to 24.3% The vacancy rates in the central business district are especially high at nearly 30% - the highest vacancy rate for any CBD in the country. The property clock illustrated below is used to plot the general direction of the market in all metro areas tracked by Jones Lang LaSalle. As the clock demonstrates, Detroit is currently categorized as a



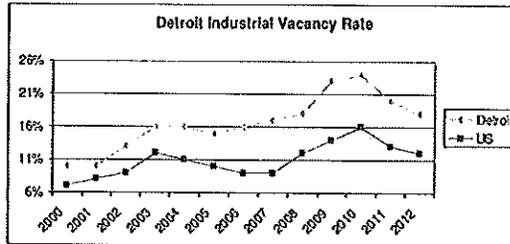
“Falling Market” due to the prevalence of rising unemployment, rising vacancies, and falling rents throughout the metro area.



## Detroit Industrial

The industrial market in Detroit has been decimated by the decline in global trade and auto industry amid the recession of the past two years. Detroit's vacancy rate has skyrocketed to levels above 20% which makes it one of the highest vacancy rates among all metro areas across the U.S. Detroit's industrial market has been particularly hard hit by GM's elimination of four brands and nearly 25% reduction in production facility space. These new vacancies have been somewhat off-set by battery maker A123's 291,000 square foot lease in Livonia. The need for industrial space is largely driven by retail trade and manufacturing activity which is fueled by consumer spending. As the vacancy rate chart above indicates, these metrics are not expected to improve until mid 2010 – at which point the industrial vacancy rate will have peaked at 25%. It will take several years for this excess supply to be absorbed by the market which will likely result in a decline in effective rental rates and an erosion of net operating income for industrial developers and landlords.

|               | Vacancy Rates |            | Asking Rent |
|---------------|---------------|------------|-------------|
|               | Current       | YTD Change | Current     |
| Manufacturing | 12.40%        | 3%         | \$4.50      |
| Warehouse     | 24.60%        | 2.10%      | \$4.48      |
| R&D           | 25.60%        | 2%         | \$7.73      |

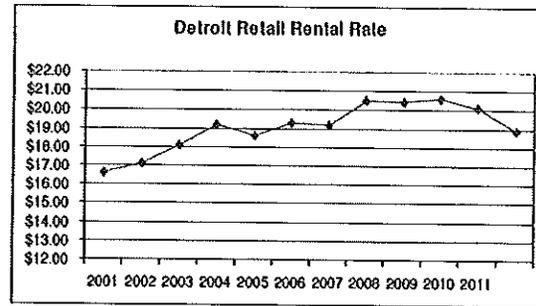


The table below presents the industrial market forecast for the next 24 months. According to Torto Wheaton Research, the vacancy rate for the Detroit area is expected to climb to approximately 37% - representing an increase of 3.9%. During this time, absorption will also be negative at -302,000 square feet which represents nearly 24% of the 12,418,000 square feet of negative absorption expected for metro Detroit.

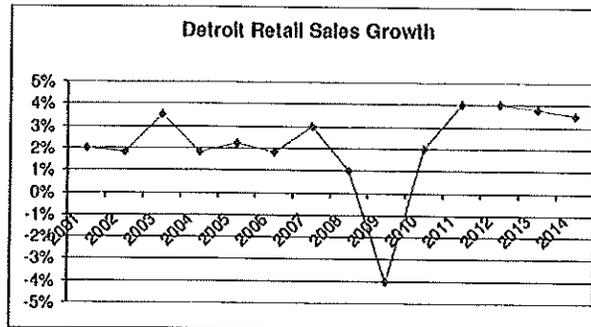
| Submarket            | Inventory        |              | Completions          |              | Net Absorption       |              | Availability Rate     |                | Plant Growth (%)<br>Performance<br>Relative to Metro |
|----------------------|------------------|--------------|----------------------|--------------|----------------------|--------------|-----------------------|----------------|--|
|                      | NPA<br>(S.F./MM) | Share<br>(%) | Av. Ann<br>(S.F./MM) | Share<br>(%) | Av. Ann<br>(S.F./MM) | Share<br>(%) | End Rate<br>(\$/S.F.) | Ann Chg<br>(%) |  |
| Airport-275          | 104,212          | 21.0         | 137                  | 15.6         | -2,691               | 23.3         | 26.9                  | 285            | Underperforms  |
| Detroit Area         | 78,431           | 15.8         | 56                   | 6.2          | -3,020               | 24.3         | 37.4                  | 350            | Outperforms  |
| Downriver            | 48,025           | 9.7          | 49                   | 7.2          | -1,015               | 8.2          | 20.7                  | 220            | Outperforms  |
| East Area            | 103,933          | 21.0         | 148                  | 21.6         | -1,663               | 15.2         | 18.7                  | 195            | Outperforms  |
| I-96 Corridor        | 55,018           | 11.1         | 151                  | 22.0         | -1,265               | 10.3         | 21.4                  | 255            | Underperforms  |
| Monroe County        | 7,565            | 1.5          | 12                   | 1.6          | -110                 | 0.9          | 15.6                  | 160            | Underperforms  |
| Oakland County/NW    | 45,960           | 10.1         | 118                  | 17.2         | -1,247               | 10.0         | 22.4                  | 270            | Underperforms  |
| Royal Oak/Southfield | 17,433           | 3.5          | 12                   | 1.6          | -367                 | 3.0          | 23.8                  | 245            | Underperforms  |
| Troy Area            | 30,444           | 6.1          | 35                   | 5.1          | -550                 | 4.6          | 21.6                  | 265            | Average  |
| <b>Total Detroit</b> | <b>485,091</b>   | <b>100.0</b> | <b>665</b>           | <b>100.0</b> | <b>-12,418</b>       | <b>433.0</b> | <b>24.5</b>           | <b>260</b>     | <b>-0.3</b>  |

### Detroit Retail

Population, personal income, and most importantly, total employment are the key metrics that drive retail demand. Not surprisingly, the weakness of these metrics in Detroit is causing turmoil within the retail property market in the area. Vacancy rates have soared to nearly 20% as tenants struggle to pay rent amid declines in sales. Meanwhile, landlords have been unwilling to commit to any extended rent concessions, believing instead that a turnaround is looming which will allow them to maintain rent levels at or near their current rates. On the bright side, deliveries of new retail space will remain suppressed with only a few hundred thousand square feet of retail planned for Detroit between 2010 and 2014. This should work to limit competition for existing retail centers and will provide an opportunity to regain losses in vacancy over time.

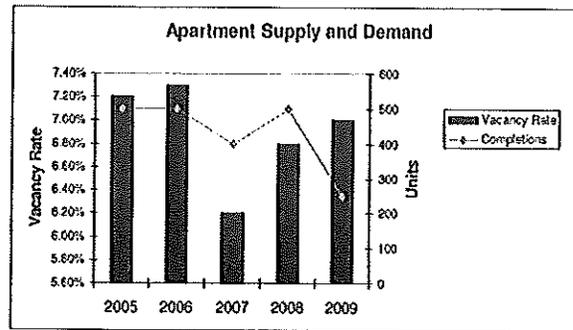
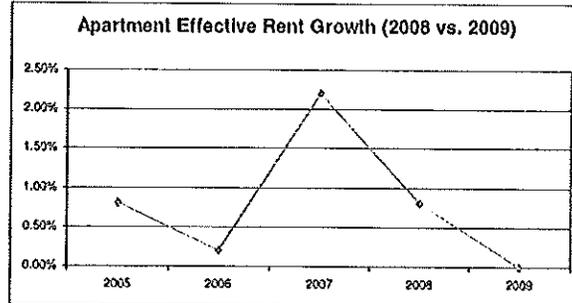


The decline of the retail market in the Detroit metro is especially acute within the city limits of Detroit. The City's retail market, or lack thereof, was recently profiled in a Wall Street Journal Article on June 17, 2009 entitled "Retailers Head for Exits in Detroit". In the article, it was noted that there are no national chain grocery stores within the city limits. A 2007 study found that more than half of Detroit residents had to travel twice as far to reach a grocery store than a fast food outlet or convenience store. Nevertheless, a few small chain groceries are expanding within the City including ALDI, and Family Dollar. The article also points to the large crowds that come to the City's farmer's markets as proof that there is still a demand for food in the City of Detroit.



## Detroit Residential

The multi – family market in Detroit varies greatly depending on the sub – market, but in general, apartment fundamentals have been buoyed by minimal construction activity and weakness in the housing market. Foreclosures and falling home prices are either forcing the population into a rental situation or giving little reason for potential home buyers to commit to a mortgage. The uncertain job market at many employers in the area is also fueling greater demand for apartments. On the supply side, few apartment developments can command rents to justify construction costs, limiting the potential competitive threat from new units. Within Detroit metro, multi – family properties will remain in high demand in Ann Arbor due to the consistent renter base provided by the University of Michigan. Other strong markets include Wayne County where tenants have few housing alternatives.



## Detroit Solar

Most economists link electricity consumption directly with economic growth. Analysts at the U.S. Department of Energy (DOE) project that the U.S. Gross Domestic Product will grow at an average annual rate of 2.9% per year through 2030. At the same time, electricity consumption is expected to grow .8% per year. Accordingly, electric power consumption and the accompanying infrastructure to produce and deliver electricity, will be about 43% greater in 2030 than it is today.

In Michigan, energy consumption has increased at an annual rate of 1.8% from 1980 through 2005. This lags the U.S. consumption growth rate over the same time period by roughly .4% and places it in the bottom half of consumption growth for all 50 states.

Traditional fossil fuel power sources such as coal and natural gas currently provide the cheapest source of electric power. However, with concerns over damage to the environment due to fossil fuel use, many states have established strong Renewable Energy Portfolio Standards (RPS) that come with steep financial penalties for not meeting the standard. With renewable energy typically costing \$.20 to \$.30 greater than coal per kilowatt hour, these standards are required in order to create a financial incentive for utility providers to supply energy through renewable means. The following summarizes how RPS have been successfully implemented in other states.

**Colorado:** In 2004, despite stiff opposition by utilities, voters there approved a ballot measure to require large utilities to generate 10 percent of their power from "green" sources by 2015. Now the state has doubled the standard to 20 percent by 2020, and 10 percent for smaller utilities. Xcel Energy, which now supports the measure, expects to hit the goal five years early.

**New Mexico:** In 2004 it adopted a 10-percent standard by 2011. But three years later it doubled that to 20 percent by 2020 for large utilities and 10 percent by 2010 for electric co-ops or private, independent electric utilities. That, in turn, has attracted major solar manufacturers that have invested millions and employed thousands in the process.

**Texas:** The state set a target in 2005 of producing 10,000 megawatts of wind power by 2025. Today, it is within a hair of reaching that goal. In 2007 alone, Illinois and Maine switched from a voluntary to a mandatory system while Delaware doubled its standard. Connecticut, Maryland, and Minnesota, furthermore, increased their percentages. The same year, North Carolina became the first southeastern state to have a renewable standard, all according to the Center for American Progress.

In October, 2008, Michigan passed the state's first Renewable Portfolio Standard which mandates 10 percent of the state's energy come from renewable sources by 2015, and provides regulatory reform that protects Michigan ratepayers and allows utility companies to build new electricity generation in Michigan. The state's two largest investor-owned utilities -- Detroit Edison and Consumers Energy -- have additional obligations beyond those of other utilities. The compliance period for the standard begins in 2012. Each utility has a unique annual obligation based on its existing renewable energy portfolio, the amount of energy that would be required to meet the ultimate 10% target during a compliance year, and the applicable percentage obligation for that year. The annual benchmarks are as follows:

- 20% of total 2015 obligation in 2012
- 33% of total 2015 obligation in 2013
- 50% of total 2015 obligation in 2014
- 100% of total obligation in 2015

In addition to the percentage-based energy requirements, a utility with more than 1 million retail customers as of January 1, 2008, (i.e., Consumers Energy) must meet a renewable energy capacity standard of 200 MW by December 31, 2013, and 500 MW by December 31, 2015. A utility with more than 2 million retail customers as of January 1, 2008, (i.e., Detroit Edison) must meet a renewable energy capacity standard of 300 MW by December 31, 2013, and 600 MW by December 31, 2015. Energy production from these new renewable energy facilities can be counted towards the percentage-based component of the standard.

The standard also contains a series of bonus credits, termed Michigan incentive renewable energy credits, for each megawatt-hour (MWh) of electricity generated by certain types of systems. These credits act in addition to the single credit that a facility receives for producing 1 MWh of electricity from a qualified resource. Thus it is

possible to earn multiple credit bonuses on a single MWh of electricity generation. The bonuses are described below.

- Electricity produced using solar power receives an additional 2 credits per MWh.
- Renewable electricity produced at peak demand times by technologies other than wind receives an additional 1/5 credit per MWh.
- Off-peak renewable electricity generation stored using advanced electric storage technology or hydroelectric pumped storage and used during peak demand times receives an additional 1/5 credit per MWh. The credit is calculated based on the initial amount of electricity used to charge the storage device, not the amount that is discharged.
- Renewable electricity produced using equipment manufactured within the state of Michigan receives an additional 1/10 credit per MWh. This add-on is only available for three years after the in-service date of the facility.
- Renewable electricity produced using a system which was constructed using an in-state workforce receives an additional 1/10 credit per MWh. This add-on is only available for three years after the in-service date of the facility.

In terms of renewable energy production potential, wind energy is generally believed to be a more prevalent renewable resource in Michigan than Solar. Studies show that the state has the potential to generate more than 16,000 megawatts of electricity via wind power with most of the wind generation sourced on the state's west and northern coasts along the shores of Lake Michigan and Lake Superior. Not surprisingly, solar power generation is generally more cost effective in areas with abundant sunlight such as in the Southeast and Western States. Some of the largest solar farms in the U.S. are detailed in the table below.

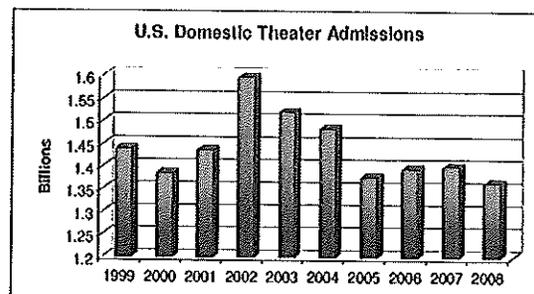
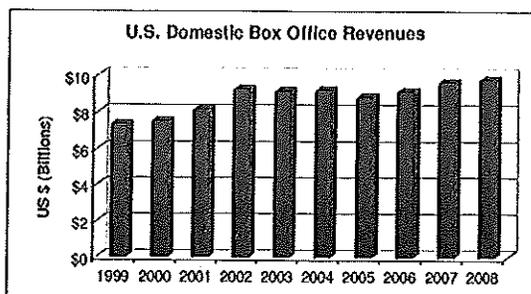
| Location                         | Name              | Utility                       | Energy Provider       | Energy Production | Comment  |
|----------------------------------|-------------------|-------------------------------|-----------------------|-------------------|--|
| California – San Luis Obispo     | N/A               | N/A                           | Opti - solar          | 550 Megawatts     |  |
| Ontario, Canada                  | Light Solar Park  | Ontario Power Authority (OPA) | Sun Edison / Skypower | 19 Megawatts      | OPA will pay \$.42 for each kwh of solar produced                  |
| Ontario, Canada                  | Sarnia Solar Park | OPA                           | Opti - Solar          | 50 Megawatts      | OPA will pay \$.42   |
| Florida – Marin County           | N/A               | Florida Power and Light       | Sun Power             | 75 Megawatts      |  |
| North Carolina – Davidson County | N/A               | Duke Energy                   | Sun Edison            | 21.5 Megawatts    | Will cost an estimated \$173M. In response to RPS of 12.5% by 2021 |

Despite the relative lack of sunlight in Detroit, solar power deserves further consideration as potential power source in Detroit. As the above table illustrates, solar power has proven to be successful in areas that have a relatively low amount of sunlight such as Ontario Canada. The reasons for this trend are primarily financial. In the past few years, Ontario has passed new legislation that guarantees generous payments to renewable energy utility providers for the next 20 years. The legislation provides a tiered payment for suppliers of renewable energy that may range from single family rooftops to multi – acre solar farms. The legislation has proven to be extremely attractive to solar providers as it removes much of the long term uncertainty associated with the revenues that can be expected from solar power generation. Such legislation has yet to be passed by any state in the U.S., but its success has also been proven in European countries such as Germany and Spain.

### Film Studio

While many industries struggle to cope with the widespread decline of the economy, the motion picture industry has thus far remained relatively unscathed by high unemployment, the collapse of credit, and declines in personal income. At the conclusion of 2008, the Motion Picture Association of America reported the following year end performance figures:

- The Domestic box office continued to grow in 2008, reaching \$9.79 billion after a 1.7% gain.
- Worldwide box office reached another all-time high in 2008 at \$28.1 billion, an increase of 5.2% over 2007.
- The total number of films released domestically in 2008 was up 1.8%, to 610 films.
- In 2008, the average movie ticket price in the U.S. rose to \$7.18, a 4.4% increase over 2007.
- The number of screens in the U.S. remains constant at just over 40,000 in 2008.



Clearly, the movie industry benefits from its appeal to all demographics and income levels. Going to the movies remains one of the most affordable outings for families -- with admission prices remaining significantly lower than alternative entertainment options such as sporting events and theme parks.

| <i>Event</i>    | <i>2008 Admission Price</i> |                    | <i>2007 Admission Price *</i> |                    | <i>08 vs. 07<br/>% Change</i> |
|-----------------|-----------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
|                 | <i>1 Ticket</i>             | <i>Family of 4</i> | <i>1 Ticket</i>               | <i>Family of 4</i> |                               |
| Football Game   | \$71.00                     | \$284.00           | \$67.11                       | \$268.44           | 6%                            |
| Basketball Game | \$50.00                     | \$200.00           | \$48.33                       | \$193.32           | 4%                            |
| Hockey Game     | \$48.72                     | \$194.88           | \$45.25                       | \$181.00           | 8%                            |
| Theme Park      | \$35.95                     | \$143.80           | \$35.16                       | \$140.64           | 2%                            |
| Baseball Game   | \$23.50                     | \$94.00            | \$22.77                       | \$91.08            | 3%                            |
| Movie Theater   | \$7.18                      | \$28.72            | \$6.88                        | \$27.52            | 4%                            |

Michigan lawmakers passed the Michigan Film Production Credit incentive program in April, 2008 in an attempt to 1) enhance the state's ability to attract film productions relative to other states and 2) to create an alternative source of employment outside of the big three automakers which continue to reduce their workforce at a breakneck pace. The incentive program can be summarized as follows:

- A refundable tax credit of up to 40% of the amount of the company's qualified expenditures incurred in producing a motion picture or other media entertainment in Michigan
- Productions may qualify for an additional 2% spending rebate if the film is shot in designated "core communities," including Detroit and Flint.
- A Film Infrastructure Credit offers a 25% tax credit off the Michigan Business Tax and is assignable for companies that invest in new film and digital media infrastructure in the state.
- The Film and Digital Media Worker Job Training Tax Credit is a 50% non-refundable and non-assignable credit for on the job training expenses for Michigan residents in advanced "below the line" crew positions on qualified productions.

Based on the structure of this incentive package, the state's intent is to not only attract film production but to also engender a long lasting film industry in Michigan by encouraging film production training and film studio development. In the winter of 2009, Michigan State University published a study documenting the success of the state's film tax credits since its inception. In the eight months between the time of the study and the passing of the law, the analysis found that 32 productions were completed in 2008, generating more than \$65M in spending and creating more than 2,700 jobs. According to Steven Miller who conducted the study for the University, many of these films were considering alternative locations, but ended up choosing Michigan after the incentive law was passed. The study projected that film industry expenditures in Michigan would continue to grow 187% from 2008 to 2012 based on experiences of Louisiana and New Mexico – both of which recently passed film incentives bills in 2002 and 2003 respectively. As of February, 2009, credit certificates ("Certificates of Completion") have been issued for 30 productions for their expenditures of \$126.4 million in Michigan with a related incentive value of \$48.0 million. If all of the approved film projects go into production, Michigan will see more

than \$435.7 million added to the state's economy. Related film incentives would total \$164.4 million.

How long Michigan enjoys its moment in the film industry remains to be seen. Critical to the state's long term success will be the continued utilization (or long term guarantee) of tax credits and the creation of a talent pool rivaling that of competitive filming locations. Currently, the state doesn't have the quantity of crews or the production facilities of more established locales such as Los Angeles, Vancouver, Toronto, New York, New Mexico, and Louisiana.

For now, many developers and investors are seeking to capitalize on the interest in filming in Michigan by proposing to build state of the art sound stages along with ancillary facilities such as film production schools, hotels, offices, post production facilities, and catering facilities. The table below summarizes the major studio and sound stage projects currently proposed or underway in Michigan.

| Michigan Film Studios (Planned or Under Construction) as of Aug 21, 2009 |  |   |   |  |
|--|--|---|---|--|
| Location   | Developer  | Scope   | Timeline                                    | Comment  |
| Allen Park   | Unity Studios / Jimmy Lifton (Hollywood Executive) | 750,000sf on 104 acres including eight sound stages, a training center and ancillary commercial development - \$146M Cost | Construction to begin in the next 12 months | Expected to employ 3,000 skilled workers. Training center will be one of the largest in Michigan. The facility will provide a one stop shop for film production. |
| Pontiac  | Raleigh Michigan Studios                           | 9 sounds stages / 600,000 sf  | Construction to begin in the next 12 months | MMP received a \$101M state tax credit over 12 years on top of a \$9M credit for infrastructure. The renaissance zone status has been approved.                  |
| Plymouth   | Stardock Systems                                   | Will invest \$900,000 to expand current location in Plymouth Township   |   |  |
| Detroit  | Wonderstruck Studios(Detroit Center Studios)       | Production facility for computer generated effects and animated content. Will invest \$86M in the proeject                |   | Expected to create 700 jobs. Wonderstruck received a state tax credit of \$17M over 12 years   |

As noted above, Michigan is not alone in its quest to attract film industry dollars. Other states that have recently passed lucrative incentive laws for the film industry include New Mexico, Louisiana, Massachusetts, and Calgary. As in Michigan,

developers and investors are drawing up plans for new studio facilities in these states that will capitalize on the wave of incentive dollars. In addition, more established filming cities such as Toronto, Vancouver, and New York have all recently completed or are in the process of building new studios and support facilities to accommodate the filming industry. The table below summarizes that have recently been completed or are in the planning stages in the U.S. and Canada.

| Large Scale Studio Development Projects in the U.S. or Canada |                                       |   |   |   |
|---|---------------------------------------|---|---|---|
| Location/Name   | Developer                             | Scope   | Timeline  | Comment   |
| Boston / Plymouth Rock Studios                                | Plymouth Rock Real Estate Investments | 1.8M square feet mixed use \$500M film and television compound, 1.1M sf of studio space, 280,000 sf of production stages, 61,000 sf of post production / data center, 200,000 sf of office. Combines all pre and post production. | Full build out for all 800,000 sf is planned for 2013 | 240 acre site -- all privately financed.  |
| Baton Rouge / Red Stick Studios                               | R.W. Day                              | \$665M studio with 18 sound stages and a \$30M educational facility   | Within 24 months                                      | Developer is receiving a 40% tax credit, but the state has recently capped its incentive package to \$25M per film studio |
| New Orleans   | Louisiana Film Studios                | \$22M for adaptive re-use of old distribution center. Six sound stages  | Partially complete                                    | Project is in financial duress due to lack of cash flow   |
| Toronto / Filmport  | Rose Film Studios                     | 750,000sf of professional studio facilities which includes 13 sound stages. Also includes 500,000sf of office, retail, hotel, conf, and restaurants   | Recently completed                                    | Project was originally a JV with Rose Film and the City. The City recently sold its stake to Pinewood studios of England  |
| New York / Steiner Studios                                    | Steiner Equities Group                | 235,000 sf expansion underway to provide a "one stop shop" for film / television tenants  | Within 12 months                                      | Will add to existing 305,000 sf facility with five sound stages, 200,000 sf of office and cafeteria                       |
| Albuquerque / Albuquerque Studios                             | Pacifica Ventures                     | Six sound stages with total of 477,000 sf of space along with ancillary facilities  | Completed   | The state offers a 25% tax rebate as well as a 0% loan for up to \$15M in lieu of back -- end interest                    |

## Hockey Arena

The Detroit Red Wings of the National Hockey League have stated that they will not renew their lease at Joe Louis Arena when it expires on June 30, 2010. On June 26, 2009, Olympia Entertainment, the parent company of the Red Wings declined its renewal option which must be renewed one year in advance of the lease expiration. Olympia Entertainment, a subsidiary of Ilitch Holdings, wishes to either re-craft a new lease that is more favorable to the Red Wings Organization or move to a new facility. Given the time length of time needed to construct a new facility, the likely scenario will involve the creation of a new short term lease for Joe Louis Arena, that will provide the Red Wings time to plan for and build a new stadium in Detroit. Several new stadium plans have been contemplated by the Red Wings in conjunction with the City of Detroit.

According to a June 29, 2009 article in Crain's Detroit, a new arena could cost more than \$300M and sources close to the Olympia Entertainment indicate that a new stadium would be built on family owned land behind the Fox Theater or between Grand River and Cass south of I-75. Given the lack of public money available for stadium construction and the inability of local sponsors such as GM, Ford and their suppliers to continue to purchase seats and advertising, the Red Wings will be hard pressed to build a new stadium if current economic conditions persist. In the short term, the Red Wings will likely renegotiate a three to five year lease at Joe Louis Arena which will provide more time to obtain financing for a new stadium.

### **Educational / Entertainment & Agriculture**

Due to the historical use of the Property as a public gathering place and educational venue, some have suggested that the re-development plan continue to provide a benefit to the community at large. Over the years, local community groups have proposed that portions of the Property be redeveloped for outdoor recreational facilities that would complement some of the existing uses such as the Band Shell, the Outdoor Zone Park, and the Picnic Grove. In 2003, the Inter-County Citizens Achieving Regional Excellence (ICARE), a neighborhood action group, proposed that the Fairground be redeveloped into a large park – in addition to creating space that would continue to accommodate the annual fair. The 2003 proposal included the following:

- Water Park
- Softball Fields
- Picnic Area
- Soccer Fields
- Skate Park
- Entertainment Pavilion
- Children's Playground

This proposal was later tabled after it failed to garner public support and interest. Over the past year, as the continued viability of the Fair has been called into question, ICARE has again proposed a re-use plan that will provide an educational and space for the community.

In July, 2009, ICARE put forth a proposal to create an agricultural education program for high school students and a year round farm on the site. The educational institution would take the form of charter school, backed by the agricultural program at Michigan State University and supported by the state level funding allocated to the students enrolled in the program. The program would leverage existing facilities located on or near the fairgrounds including the shuttered school located on the south side of State Fair Boulevard. The school would be capable of accommodating 560 students by its second year – with each student enrolled in a half day program. As such, half of each student's \$7,100 appropriation would go towards the program. Because each student would lose time in class for travel to and from the program to their home school, summer school would be required for each student which would coincide with the prime farming season on the Property. Because state funding per student could be channeled to the school, revenue estimates for the school would be as follows:

- \$994,000 in the first year
- \$1,988,000 each year thereafter

The proposal has yet to be formalized, and cost estimates for opening and operating the facility are unclear. Nevertheless, there appears to be an outpouring of community support for urban farming in the City of Detroit with Hantz Farms and Michigan State working together on a number of projects in the City. According to ICARE, Michigan State University has been briefed on this proposal and is supportive of the concept. Michigan State could use its influence with Hantz farms and the community to help provide financial and other support to the education center.

## Section V Previous Development Proposals

### Official Proposals

The table below provides summary information on the proposals that were received by the state in response the RFP issued for the Property in the spring of 2008. These proposals provide some background info on the previously proposed uses for the Property. A brief synopsis of each proposal is itemized below.

- **Salley's Alley** proposal for a bowling alley and bar / restaurant lacked an experienced management team while the financials of the deal proved to be poorly conceived
- **Metro Development Enterprises** proposed to acquire the fairgrounds to allow for future expansion of the retail development on the corner of Woodward and Eight Mile named the Shoppes at Gateway that has yet to begin construction.
- **Eight Mile Studios** provided the most experienced and financially viable team of all the proposals but the financial details were omitted until negotiations with the state could be arranged. This proposal was shelved after the abrupt deterioration of the capital markets in the fall of 2009 which forced the proposing team to withdraw their proposal.

| Proposal Entity               | Proposed Use   | Price Offered  | Comment   |
|-------------------------------|--|--|---|
| Salley's Alley                | 200,000sf facility featuring a 100 lane bowling alley, skate board, laser tag, sports bar, miniature golf  | \$500,000 in annual ground rent with a lease term of 30 years with two 30 year options                   | Profit sharing offered  |
| Metro Development Enterprises | Develop 45 – 50 acres for a 12 screen cinema, big box retail, restaurants  | \$3 psf for fee simple or \$640,000 per year for ground lease for a 50 year lease with 2 25 year options | Phase II of the Shoppes at Gateway project                                  |
| 8 Mile Studios                | Assume the operation of the fair. 10 acre film development comprised of 1 25,000 sf sound stage and 2 15,000 sound stages. Film training center and ancillary office space. Downstream potential for stadium development and retail / residential. | Not provided   | Michigan Film Incentive package is the impetus for this type of development |

## Unofficial Proposed Uses

The following table provides summary information on proposed uses for the Property that were not official responses to the RFP issued in 2008 or have been discussed among community interest groups. Included in the uses that have been considered are a solar panel farm, public park, an automotive cultural center.

| Proposal Entity              | Date of Proposal | Proposed Use  | Price Offered | Comment  |
|------------------------------|------------------|---|---------------|--|
| Alternative Energy           | 2008             | Solar Panel farm<br>Electric and<br>Car Battery Production  | N/A           | This is a major initiative of the MEDC and the SOM. The non-profit NextEnergy is assisting in efforts to bring alternative energy companies to Michigan                          |
| ICARE                        | 2003             | Public Park Facility  | N/A           | This proposal failed to garner support from the state or the community   |
| Motor Cities<br>Dream Makers | May 2008         | Monthly automotive cultural events along with an eight day auto fair. Create a \$50M trust to preserve the fair. Also initiate a business development "magnet zone" | N/A           | Development must be made tax exempt. Area must also receive all state and federal designations enabling it to attract and assist in the growth of organizations who locate there |

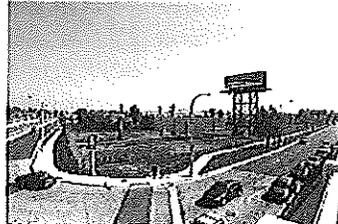
## Section VI New Development Activity in Detroit

### Economic Development Overview

The area surrounding the Property, generally defined as the neighborhoods of Palmer Woods, Sherwood Forest, Chaldean Town, Hazel Park, and Ferndale has remained largely unchanged in the recent past. New development has been limited to small scale shops and restaurants that have opened in the creative arts district of Ferndale in Oakland County. Over the past few years, the largely vacant property at the southeast corner of Eight Mile Rd and Woodward has been the focus of the first new commercial development in the area in several years. A Detroit Development Consortium, Gateway Metro Development, has been working with the City to secure Tax Increment Financing to aid in the development of the 35 acre site into a multi – tenant retail property anchored by a 200,000sf Meijer Store, Marshalls, and Home Goods. Tax Increment Financing is not in widespread use in Detroit, rather, a special bill was passed in 2007 that allowed for Tax Increment Finance (TIF) financing at the development site. The proposal also calls for additional retail space to accommodate 40 smaller retail shops and two eateries. The developers hope to open the Meijer in 2011 with the remaining space delivered by 2013. When fully developed, the mall will be the largest commercial retail development in Detroit in over 50 years.

### Shoppes at Gateway

- \$80M open air mall anchored by Meijer (200,000sf)
- Detroit's largest commercial retail development in 35 years
- 40 smaller shops and two eateries
- Planned opening in 2011
- Marshalls and Home Goods have also signed leases for the center
- Incentives include TIF, and a \$10M loan from the City's pension fund



## Private Sector Survey

The table in Appendix I captures summary information of the findings from our conversations with Detroit developers, local stakeholders, and market experts. During our discussions, a few common recommendations and conclusions emerged regarding the feasibility of redevelopment on the Property including:

- **Robust and powerful incentives that are specially customized for the Property will absolutely be required in order to make commercial development financially feasible.** Examples of such incentives include TIF, Renaissance Zone Status, and New Market Tax Credits. The reasons for this are as follows:
  - Construction costs are too high for the rents that tenants are willing to pay for all property types
  - There are too many other competing vacant sites and properties around Detroit that are located in areas with more attractive demographics
  - The carrying costs and infrastructure upgrades required for such a large site are too encumbering for developers to practically consider given the current state of capital markets
- Office and R&D product will not succeed there unless there is a corporate user who wishes to create a large presence at the Property. Multi – tenant office and R&D is a “non – starter” due to the glut of vacant office property in Detroit
- Multi – family development is not viable for the Property in the near term due to concerns over safety and lack of community amenities when compared to other locations. Over the long term, once the Woodward light rail is constructed, there may be demand for some high density residential on the Property in the form of transit oriented development.
- Retail development may work depending on the product type. Grocery stores are badly needed in Detroit and could provide an attractive near term opportunity. Over the long term, retail development that complements the Shoppes at Gateway could be promising. This, of course, depends on the success of the Shoppes at Gateway.
- Warehouse and distribution space is too oversupplied in Detroit to merit any future development on the Property. In addition, this type of development typically does not generate a high ratio of jobs per building square foot which would not justify large sums of incentive dollars from public agencies.
- Film studio development could be a compelling use on the site given the proximity to the creative arts district in Ferndale, but many investors are fearful of oversupply based upon development plans for similar projects in Allen Park and Pontiac. A long term guarantee of the film incentives currently in place could help to alleviate those fears.

## Economic Incentive Overview

The table below highlights the most commonly used economic incentives in the State of Michigan. Some of the most popular among the development community are TIF, New

Market Tax Credits, and Renaissance Zone status. Not surprisingly, these incentives allow the developer to achieve significant savings on development cost and operating cash flow.

Tax increment financing is especially favored by developers due to its relative ease in acquiring and utilizing the funds for upfront development costs. As the table indicates, TIF is currently not in widespread use in Detroit and appears to have only been used for relatively small redevelopment areas or specific redevelopment sites. This is somewhat surprising given that bonds sold and backed by Tax Increment revenues for one development are usually not marketable to the public due to a higher perception of risk that a single development is more likely to fail than a conglomeration of several projects within an area. Given that TIF legislation was specifically passed for the adjacent Shoppes at Gateway Development, it may benefit the state to consider expanding the TIF area to include the Property and surrounding neighborhoods.

#### MICHIGAN DEVELOPMENT INCENTIVES

##### Tax Credits

| Type                               | Summary   |
|------------------------------------|---|
| Brownfield<br>Redevelopment        | Credits are available for up to 12.5% of eligible investments, or 20% for certain Urban Development Area Projects as designated by the Michigan Economic Growth Authority (MEGA) Board. Projects with eligible investment greater than \$10 million require approval by the MEGA Board, with concurrence of the state treasurer. Credits for these projects are limited to \$10 million, except for one project that can not exceed \$30 million.   |
| Job creation tax credit<br>(MEGA)  | Based upon number of jobs created, wages of those jobs, total capital investment and the economic development assistance provided by the local unit of government   |
| Low Income Housing<br>Tax Credit   | A federal tax credit taken over a 10-year period supporting the production of affordable housing. The tax credit may be used by the developer, or may be sold, with the proceeds used to develop the housing units.   |
| Research and<br>Development Credit | There is a general R&D credit of 1.9% for R&D activity in Michigan. This credit, combined with the ITC and CC, cannot exceed 75% of a taxpayer's tax liability before the credits.  |
| Michigan New Market<br>Tax Credit  | In the spring of 2009, the state legislature passed a \$20M tax credit bill for eligible investments in low income communities. Beginning in 2011, organizations who qualify for the tax credit will receive a credit of 5 percent of their investment for the first three years of the award, 6 percent for the fourth and fifth years, and 12 percent in the final year. To qualify as a low-income area, communities must either have a 20 percent poverty rate or a median income of less than 80 percent of Michigan's average income. |
| Federal New Market Tax<br>Credit   | According to the Community Development Financial Institution Fund, the administrator for New Markets Tax Credits, the Property lies in a census tract that is eligible for New Market Tax Credit Funding. Since 2005, a total of \$154  |

million in NMTC capital has been invested in 50 different projects across Michigan which leveraged total projects costs of \$459 million in direct investments to build charter schools, residential housing, and a business incubator where people have the necessary tools and support to start their own businesses. In the spring of 2009, the CDFI fund awarded \$102M in tax credit authority to three Michigan awardees. A portion of the funds are currently being utilized to renovate a former GM building for the College of Creative Studies and TechTown's 300,000sf business incubation center. The Michigan Magnet Fund is the primary awardee of New Market Tax Credits in Michigan.

#### Tax Abatement

**Renaissance Zone** Areas of the state where state and local taxes are significantly reduced or eliminated. Zones last for up to 15 years, phased out in 25% increments over the last three years.

#### Tax Increment Finance

**General TIF** General TIF legislation was passed in 1980 but its use has not been as widespread as in other cities such as Chicago

**Smartzones** In 2000, the State of Michigan established 12 special "Smart Zone" 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 smart zones are located within Wayne County. Legislation allows each zone to retain property tax revenue for up to 15 years for spending on development of the zone.

**Brownfield Redevelopment TIF** Brownfield TIF revenues can be used to reimburse expenditures for environmental clean up and demolition of structures undertaken as part of a major investment. Revenues can also be used for site prep and infrastructure improvements required for the reuse of contaminated, functionally obsolete, or blighted property

#### Financing/Funding

**SBA 504 Loans** The U.S. Small Business Administration's 504 program provides small and medium-sized businesses with long-term fixed rate financing for the acquisition or construction of fixed assets. It is a take-out financing program. After the project is completed, the SBA reimburses, or takes out, the participating lender by the amount of the original loan commitment.

**Taxable Bond Financing** The purpose of this program is to provide small and medium-sized companies access to public capital markets normally available to larger companies. The principal advantage of using taxable bond financing is access to long-term (perhaps 10-20 years), fixed or variable rate financing. Since banks generally consider a long-term loan to be five years, the annual cash flow difference to a company utilizing taxable bonds can be considerable. Since the use of taxable bond proceeds is not restricted by the IRS, the taxable bond vehicle can be utilized to provide more comprehensive financing than tax-exempt bonds. In addition, interest received from a federally taxable bond issued by a Michigan governmental entity is exempt from state and local taxes.

#### Historical Property Redevelopment Tax Credits

**National Register Credit** 20% tax credit for rehabbing properties on the national register

|                              |   |
|------------------------------|---|
| <b>State Register Credit</b> | 25% tax credit against state income tax or single business tax liability      |
| <b>Combined Credit</b>       | Basic – 25% credit – non – competitive<br>Enhanced – 40% credit - competitive |

#### Special Use

|                           |  |
|---------------------------|--|
| <b>Film Tax Credit</b>    | 40% refundable tax credit "across the board". Claim an extra 2% if the property if the filming location is within Detroit. A 25% tax credit is also available to companies that invest in new film and digital media studios in the state in addition to a 50% tax credit for on the job training expenses.  |
| <b>Alternative Energy</b> | Michigan NextEnergy (MNEA) – Nonrefundable business activity tax credit. The credit is equal to the lesser of (1) the amount by which a business's "tax liability attributable to qualified business activity" for the tax year exceeds the business's "baseline tax liability attributable to qualified business activity," or (2) 10% of the amount by which the business's "adjusted qualified business activity" performed in Michigan, outside of a "Renaissance Zone," for a tax year exceeds such activity for the 2001 tax year under former MCL § 208.39e |

## Section VII Development Opportunities

### Site and Market Data Review

Drawing upon the analysis of the site, constraints to development, and economic and market data for each product type, Jones Lang LaSalle identified a series of near term and long term potential uses for the Property in light of the State's goals to generate jobs and derive economic value from a disposition of the Property. The following summarizes the salient facts regarding the site, constraints to development, and economic and market data that were critical in determining formulating near and long term re-use scenarios for the Property.

#### Site Data

- Total estimated cost to clear the Property (excluding any unforeseen remediation and state admin costs) - \$8M
  - Estimated \$3M demolition cost
  - Estimated \$500,000 asbestos removal
  - Estimated \$350,000 to address eight REC's
  - Estimated \$660,000 to remove lead based paint
  - Estimated \$3.4M lease termination cost to remove Joe Dumar's Fieldhouse tenant
- Estimated \$571,000 cost to "mothball" the facilities
- Estimated \$830,000 annual cost to maintain basic services at the Property after decommissioning
- The coliseum hockey rink is relatively new and could still provide value to a potential tenant
- Joe Dumar's Fieldhouse lease provides for \$50,000 annual lease income
- Most buildings on the Property have been well maintained and are in fair to good condition

#### Detroit Real Estate Market Summary

- More than a third of the City of Detroit is lying empty or unused
- Unemployment is plaguing virtually all property types

**Office Summary**

- Weak market fundamentals with rising vacancy and declining rental rates
- One of the worst office markets in the country

**Industrial (Warehouse / Distribution) Summary**

- Declines in consumer spending have hurt manufacturing and retail trade – traditional drivers of the industrial property market
- Vacancy rates currently stand around 20%

**Retail Market Summary**

- High end and apparel retail are struggling amid declines in consumer spending – especially for discretionary items
- Neighborhood retail centers – particularly those anchored by drugstores or grocery stores are fairing much better due to the necessities they provide consumers.

**Entertainment / Outdoor Activity Market Summary**

- While a park or recreational facility may be well received by the community, it would not provide the number of jobs desired by the state to justify the investment needed to develop and maintain the property as park space

**Stadium Arena Market Summary**

- The owners of the Detroit Red Wings are currently in negotiations for a short term lease at Joe Louis Arena which they will occupy until a new stadium can be built or identified for the team.
- Stadium developments are usually funded with the aid of public finance and are sometimes built to accommodate two professional teams (usually basketball and hockey) to improve the financials.
- Both scenarios are unlikely given the Detroit Pistons have no desire to leave their current home at the Palace of Auburn Hills and the financial standing of the State and City of Detroit do not provide flexibility to help fund the construction of a new sports venue.

**Agriculture Education**

- Agriculture uses within the city of Detroit are growing in popularity as vacant or underutilized land is restored back to viable uses. Hantz Farms, in partnership with Michigan State University, is pursuing multiple urban farming sites within the City of Detroit that will provide jobs for the community, supply healthy and fresh food for the City (which lacks a single grocery store), and provide a source of renewable energy via biomass fuels.
- Relative to building large scale commercial properties such as office buildings and retail stores, startup costs for urban farming should be minor and demand could be strong due to the lack of grocers in Detroit.

- In tangent with the concept of urban farming, some local community groups have suggested the Property be utilized for farming and agribusiness education purposes – utilizing the school across the street from the Property as well as the Property's existing structures to teach high school aged children about the farming and agriculture industries.

## Re – Use Scenarios

This section summarizes the potential feasibility of three development opportunities identified for the Property. Each of the opportunities is ranked either high, moderate, low, and unlikely in terms of 1) Economic Value to the State, 2) Ability to create jobs, and 3) Market feasibility, as shown in the table below. In addition, each opportunity includes an action and set of recommendations regarding the re – use plan. Note that in calculating economic value to the State, Jones Lang LaSalle factored both the value of the Property for a specific development, as well as savings that could be realized by avoiding such costs as early lease termination fees, demolition fees, and environmental remediation fees. Each re – use opportunity is described briefly below along with an explanation of the time frame under which the development could be achieved:

### 1) Agriculture / Education – The suggested proposal would entail the following:

- Allocate a portion of the Property and all usable farming facilities for urban farming and agricultural use – including an agricultural education facility for Detroit area high schools. Other uses could include the Joe Dumar's Fieldhouse and outdoor zone.
- Maintaining the Fieldhouse allows the state to avoid \$3.4M in lease termination costs and provides a source of income for a potential buyer of the Property.
- The outdoor zone could complement a future agricultural education center.
- This scenario could allow the state to transfer the Property to another public entity such as Michigan State University or the University of Michigan. Michigan State University in particular has a well established agriculture program and has expressed interest in expanding urban farming initiatives.
- The timeframe for this development could be very short with operations underway within six to nine months. This plan allows for the most expedited re-use opportunity for the property for the following reasons:
  - Would utilize many existing facilities – limiting the need for extensive demolition remediation
  - Would not require significant upfront capital investment (relative to other re-development alternatives). Investments would be required to modify and update buildings and to do site preparation for agriculture uses, but heavy capital expenditures for building tear down and remediation could be avoided.

**2) Neighborhood Retail – The suggested proposal would entail the following:**

- Allocate a portion of the Property for future commercial retail development in the long term. Other uses could include the Joe Dumar's Fieldhouse as well as Agriculture / Education facilities as described above.
- Maintaining the Fieldhouse allows the state to avoid \$3.4M in lease termination costs and provides a valuable source of income for a potential buyer of the Property.
- The timeframe for this development would likely depend on the success of the Shoppes at Gateway Development. If the Gateway development is successful, then the potential for retail development on the Property would likely become more realistic. Based upon projections provided by the Gateway developers, this project may be successfully completed in three to four years. It should be noted that the state could expedite retail development by demolishing existing structures and curing any environmental considerations prior to making the properties available to developers.

**3) Film Studio Development or Alternative Energy – The suggested proposal would entail the following:**

- Allocate a portion of the Property for Film Studio Development or for future Alternative energy production such as Solar power. Other uses could include:
- Retail and Agriculture / Education uses as described above
- The timeframe for this type of development would likely come after the completion of the film studio projects in Pontiac in Allen Park. If there is sufficient demand for additional film studio development – construction could possibly commence in four to five years after the success of the other studios projects is gauged and the capital markets fully recover. The potential for Solar power on the Property would be greatly enhanced if the State of Michigan provides a long term guarantee for the alternative energy tax credit program – similar to what has been implemented in Ontario, Canada. Given the limited sunlight in this part of the continent, Ontario is one of the few areas in the northern part of the continent to garner widespread interest from solar power companies for solar power generation.

The table below summarizes Jones Lang LaSalle's assessment of all potential re – use opportunities for the Property.

● High ● Moderate ○ Low ○ Unlikely

| Product                    | Potential |      | Action  | Recommendation   |
|----------------------------|-----------|------|---|--|
|                            | Near      | Long |   |  |
| Multi – Tenant Office      | ○         | ○    | N/A   | N/A  |
| Single Tenant Office       | ○         | ○    | N/A   | N/A  |
| Neighborhood Retail        | ●         | ●    | Discuss retail needs with local community Closely monitor success of the Shoppes at Gateway. Evaluate financial incentives that may be available including TIF and renaissance zone   | Allocate an area of the Property adjacent to the Shoppes at Gateway Project for future neighborhood retail development |
| Regional Retail            | ○         | ○    | Monitor success of Shoppes at Gateway and progress of Development of Woodward light rail which could spur demand  |  |
| Multi - Family             | ○         | ○    | Monitor success of Shoppes at Gateway and progress of Development of Woodward light rail which could spur demand  |  |
| Warehouse / Distribution   | ○         | ○    | N/A   | N/A  |
| Film Studio / Education    | ○         | ●    | Engage the film industry to more accurately gauge the long term need for additional studio space in addition to Allen Park and Pontiac in order to enhance the long term success and viability of film studio development, the state should move to guarantee incentive funding for certain time period | Allocate an area of the Property adjacent to the Shoppes at Gateway Project for future neighborhood retail development |
| Hockey Stadium             | ○         | ○    | Engage Red Wings ownership in a dialogue to determine compatibility of the Property for a new hockey stadium  | N/A  |
| Alternative Energy (Solar) | ○         | ○    | Engage solar power companies to determine appropriate incentive offering. Take lessons learned from neighboring Ontario for proper incentives needed to spark large scale solar power development in a similar environment setting to that of Detroit   | N/A  |



Agricultural /  
Education



Complete Phase II  
environmental to pinpoint  
extent of consideration and  
costs associated with  
remediation

Allocate a large portion of  
the Property for agriculture  
use including the entire  
Eastern and Southern Thirds  
and a portion off the  
Northern Third.

## Disposition Plan and Marketing Strategy

Due to the size of the Property and variations in building density on certain sections site, Jones Lang LaSalle recommends that the State dispose of the Property using a phased approach while strategically parceling out portions of the Property based upon the opportunities and anticipated timeframe for development discussed above as well as:

- **Current Uses / Structures and other constraints to development**
- **Accessibility / Visibility**

The purpose of the strategic disposition is to ensure that the state achieves its goals of receiving maximum economic benefit and creating jobs within the shortest possible timeframe. Jones Lang LaSalle has organized its recommended plan into two phases – 1) An Interim Plan and 2) A Long Term plan that coincide with the near term and long development potential of the Property as discussed in the re – use scenarios above.

### The Interim Disposition Plan Calls for the Following:

This approach would minimize the need for large s capital expenses associated with demolition, remediation, and construction while maintaining long term re-development opportunities for the Property.

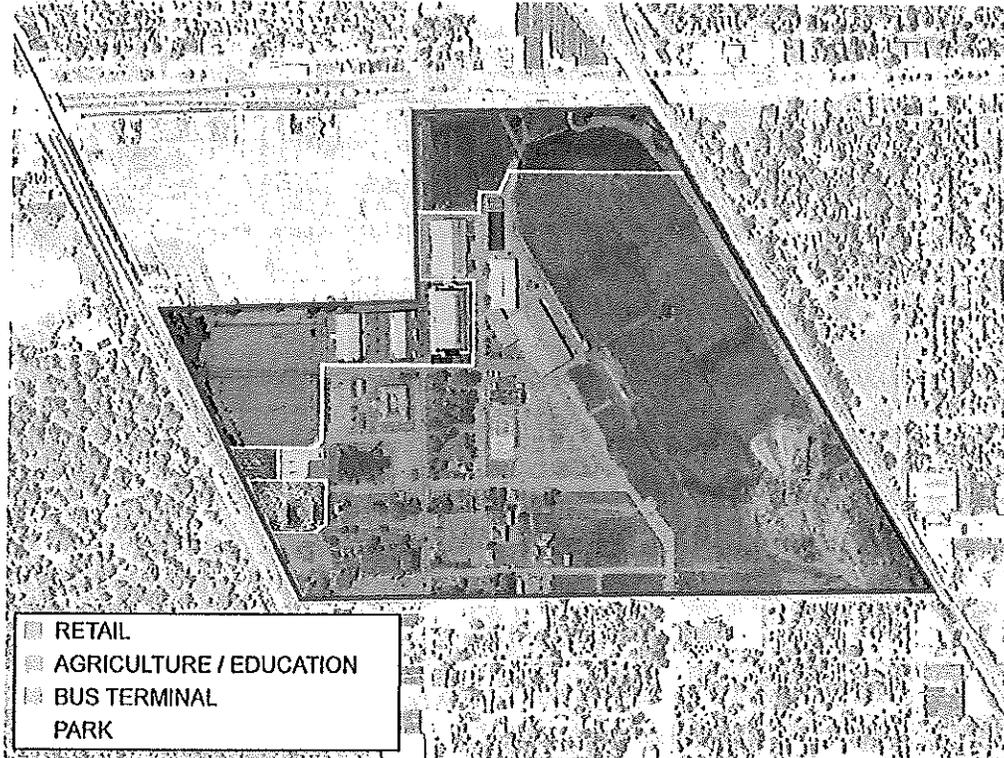
- Maintain the Joe Dumar's Fieldhouse (due to its long term lease commitment) and Outdoor Zone Uses
- Complete the Phase II environmental study
- Mothball the other facilities located in red below
- Hold the land and properties highlighted in red for future retail / commercial development in the long term. Investigate whether the Joe Dumar's lease and related lease income may be transferred to a third party in the event of sale of the Property.
- Convert the area shaded in green on the map below for agricultural and education use

### The Long Term Disposition Plan Calls for the Following:

- Engage local and state level lawmakers to create a powerful economic incentive plan to lure commercial development to the area. Incentives should include at a minimum, TIF, Renaissance Zone, or NMTC or a combination of all three.
- Package and dispose of the Woodward Avenue Parking Lot, Joe Dumar's Fieldhouse and associated lease as well as the Coliseum Building and Michigan Mart for future

commercial retail development – possibly for a strip center including a grocery or drug store.

- Package and dispose of the parcel highlighted in red along 8 mile road below for future retail / commercial development. This parcel will likely be sold at lease one year after the stabilization of the shops at Gateway



### State of Michigan Disposition Alternatives

The following is a list of land disposition scenarios that may be available in the event of a disposition of the Property. Based on the size of the Property, Jones Lang LaSalle believes that a transaction will likely entail a phased parcel sale.

*Outright Sale:* The least complicated alternative, but does not always offer the most favorable financial return for the owner

*Phased Parcel Sale:* Multiple parcel sales to specialized developers of users over time could realize higher values than an outright sale of the entire property to one buyer because smaller parcel sales most often command higher prices

*Joint Venture Development:* Joint venture development may be the optimal disposition strategy if market conditions are favorable and the financial rewards of this strategy prove to be significantly greater than those of an outright sale. Conversely, a joint venture partner may also be pursued if market conditions are very soft and an outright sale cannot be consummated. In this case, the land owner's willingness to share in the risk of development may be attractive to a developer joint venture partner.

*Land Lease:* If the owner wishes to entice offers for development and reduce barriers to entry a ground lease would be a good alternative to a fee simple sale and would allow the owner to realize steady cash flows from the Property versus a one time influx of sale proceeds.

### **Marketing Strategy**

In order to maximize the value of the Property in the event of a disposition, the State must first do the following:

- 1.) **Address legal constraints to disposition of the Property.** The Michigan State Fairgrounds Act does not permit the disposition of the Property through a sale. This fact presents an impediment to the redevelopment of the site. It will be important to enact legislation that does allow for a transfer of the Property to private parties. Doing so would provide more flexibility as development opportunities arise. This flexibility will be necessary in order to create any kind of market for the Property. Specifically, the legislation should allow the State to dispose of the Property in an outright sale and provide a broader definition of value received in the transfer. It should be noted that legislation passed last year does require that the State should consider the economic benefits of film production as the value received for the property. A similar law that extends to other industries would encourage more development opportunities for the site.
- 2.) **Explore the State's ability to sell the rights to the Joe Dumar's Lease:** This lease income provides some value to a developer. The income could be used to offset carrying costs and the costs incurred by the developer to redevelop the Property.
- 3.) **Begin efforts to arrange for development incentives:** The timeline to arrange for financing incentives such as TIF and renaissance zone status can be prolonged. The value of the property to the developer community will be greatly enhanced if these incentives can be arranged prior to the commencement of the marketing effort.
- 4.) **Explore tax treatment of agricultural property in Detroit:** As stated in our re-use plan, agricultural and educational uses appear to be greatest opportunities for property re-use in the short term. At this time, it is unclear how the City would treat such a development, however, the city's ability to make the farming operation tax exempt would greatly enhance the success of a commercial farming operation on the Property.

## Marketing Plan

If selected to assist in the marketing of the MSF, Jones Lang LaSalle would leverage our lead brokerage team in Detroit and our Public Institutions National Practice Group.

Around the globe, Jones Lang LaSalle manages land as part of our contracts with multinational organizations. Our teams regularly provide development and asset strategy and develop public-private partnerships to manage portfolios of land parcels along with other real estate assets.

Our services would:

- Leverage Jones Lang LaSalle's digital marketing platform, The Property Watch ([www.thepropertywatch.com](http://www.thepropertywatch.com)) to market the property and to distribute information to prospective bidders
- Provide the development community with a comprehensive, web-based due diligence package and detailed description of bidding requirements to reduce marketing time and facilitate the transaction for both the buyer and seller
- Create and implement a marketing campaign that emphasizes speed, certainty, and drive toward closing. Flyers, targeted e-marketing, print advertisements, and personal outreach will be designed to reach the broadest audience possible
- Work with the State to manage public relations and create opportunities for marketing through business press coverage
- Provide frequent updates to the State regarding marketing and transaction status

Solicit and review offers, select a preferred buyer, and manage the transaction to a successful close.

It will be important to develop a marketing strategy for the MSF that delivers a consistent, positive message to the marketplace. We maintain an extensive internal database of potential purchasers which allows us to quickly and efficiently market the property. Using existing databases and established relationships within the investment and development community, combined with use of *The Property Watch*, enables Jones Lang LaSalle to reach out to a wide variety of developers and investors, both locally and nationally.

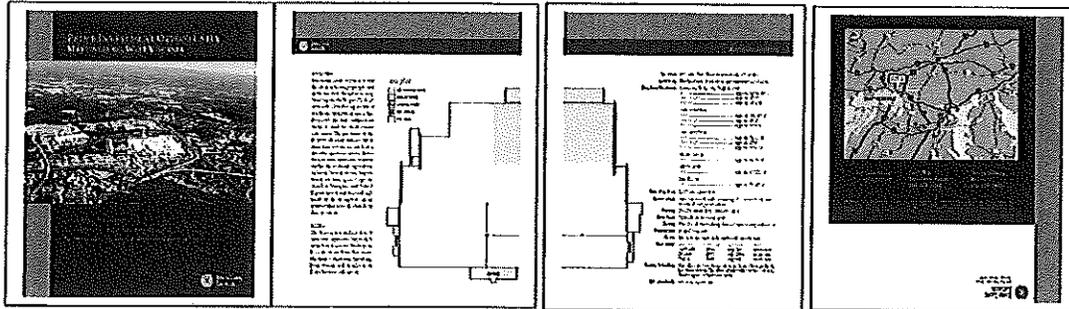
## Marketing Materials

Part of our marketing initiative would consist of designing attention-getting marketing materials and presenting the offering to our targeted prospects. We have had excellent results marketing properties in this manner, and have received positive feedback from both clients and interested parties. Flyers and brochures feature aerial photographs, high quality maps, and graphics depicting positive site and market highlights. Our materials would ensure that a professional approach is taken to the marketing of the property while providing prospects with informative materials to help facilitate the transaction.



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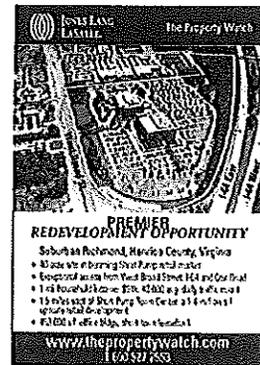




Sample marketing brochure for the disposition of a 2,000,000 square foot former General Motors warehouse and distribution facility in Martinsburg, West Virginia.

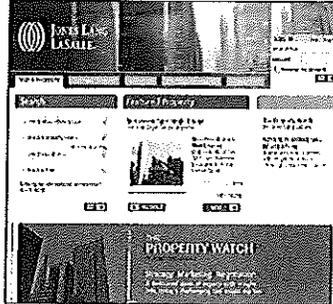
In addition to flyers and brochures, we would develop advertisements for placement in key local and national publications such as *Crain's* and the *Wall Street Journal* and appropriate Michigan publications. Such advertisements allow us to capture any additional purchasers not contained in our database of prospects.

During the marketing process, Jones Lang LaSalle would also assemble due diligence items which typically include development agreements, real estate taxes, title commitment and copies of permitted exceptions, an ALTA survey, architectural drawings, environmental reports, engineering reports and area and plat maps. The due diligence items will be uploaded onto *The Property Watch* and potential buyers would be required to register on the website in order to view the complete package. Potential buyers may also be required to submit a confidentiality agreement if desired by the State.

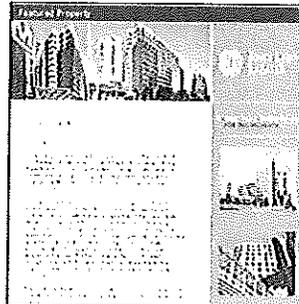


Sample Wall Street Journal ad

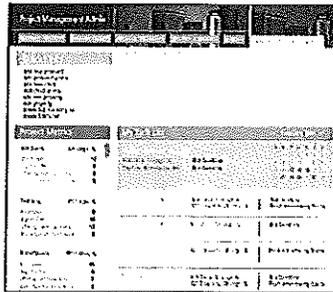
Web Site



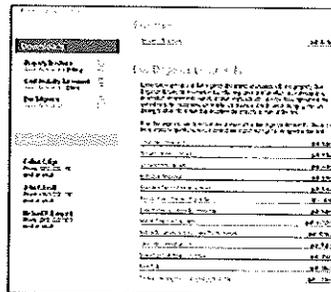
Direct E-mail



Web Site Progress Reports



Web Based Due Diligence



## Negotiations & Evaluation of Offers

In negotiating and evaluating offers, the Jones Lang LaSalle would work closely with the State. Offers would be evaluated based upon value, the buyer's ability to close and other criteria established by the State. We will also evaluate the buyer's intended property use and weigh that component appropriately.

We would typically begin the evaluation with a review and initial screening of proposals to ensure that they completely address the requirements as defined by the State and Jones Lang LaSalle. The next filter to be applied would be to analyze the qualifications (technical, business, and financial) and past performance of the buyers. Jones Lang LaSalle would then take a more comprehensive look at the proposals to assess the financial resources of the interested parties, the concept plans and financial proposals. The field would be further narrowed based on the estimated closing date, timing of implementation and development, use of property, ease of rezoning (if required), and other relevant factors jointly determined by the client and Jones Lang LaSalle.

## Due Diligence & Closing

Subsequent to contract negotiations and signing, Jones Lang LaSalle would continue to represent the State's interests in overseeing and managing due diligence efforts. Jones Lang LaSalle would also work with the Attorney General's office to help manage the closing process.

## Section VIII Property Valuation

### Previous Appraisal Summary

The table below summarizes the findings of the Property appraisal performed by commercial real estate firm Value Trends in May, 2007. The land value indicated below was determined using historical land sales information of comparable properties in Detroit. It should be noted that the value assumes the property is vacant – thus ignoring the following:

- Existing leases with Fieldhouse LLC and Little Caesar's AAA Hockey
- Historical considerations of the Property as well as buildings
- Demolition and abatement costs for existing buildings

| Previous Appraisal – Value Trends 5/20/2007 Summary |   |
|---|---|
| Major Assumptions                                   | Site is currently vacant  |
| Indicated Value PSF (161.27 acres)                  | \$1.85  |
| Indicated Value Per Acre                            | \$80,610  |
| Site Area (SF)                                      | \$7,024,921   |
| Indicated Value                                     | \$13,000,000  |
| Demo Costs  | N/A   |
| HBUse   | Assumes 35 acres will be put into commercial utilization<br>Residential and entertainment uses are possible<br>Multi-family would be located on the eastern portion of the site |

The indicated value shown in the table above was determined using comparable sales of eleven properties in Detroit located a short distance from the Property. The most recent land sale comparable transaction occurred on February, 2007 and eight of the eleven comparable transactions occurred prior to 2005. This statistic reflects the weak economic conditions that have characterized Detroit and Michigan since the mid – point of this decade.

At the time of the appraisal, there were four land parcels on the market in excess of 50 acres with an average per acre price of \$230,024.

To provide a true “apples to apples” comparison, the properties used in the land sale analysis were adjusted upward or downward depending on how they compared to the Property in areas noted below:

- Location
- Size
- Future Use
- Utility (Shape, Frontage, Development Potential)

If the comparable was superior to the Property, a downward adjustment was made to the comparable sale. Alternatively, if the comparable was inferior, an upward adjustment was made. For example, if a comparable property was viewed to be of greater utility to the subject, it was adjusted downward in an order of magnitude deemed appropriate by the appraiser.

### Comparable Properties for Sale in Michigan

Most of the land sale comparables used in the previous appraisal were deemed to be superior to the Property which resulted in a value range \$10,941,400 to \$14,027,800. In order to arrive at a narrower value range, the appraiser referenced the sale of the Rackham Golf Course which is in a superior location but is similarly sized in relation to the Property. In 2005, the Golf Course was marketed for sale received offers to purchase and redevelop for a value in excess of \$91,463 per acre. This figure translates to a value in excess of \$14,750,000 for the Property. The value of the Property was clearly determined to be lower given its inferior location. This figure ultimately served as the basis for the appraisers determination of value within the range defined above as \$13,000,000.

It should be noted that the sale of the property was ultimately blocked by the courts. The City of Huntington Woods subsequently offered \$6,000,000 (\$50,000/acre) for the property with the intent to maintain its use as a golf course. The City of Detroit did not accept this offer.

Currently, there are many large parcels on the market in southeastern Michigan. There are some that are of particular relevance to the Property. The City of Pontiac has struggled for over four years to sell the Silverdome. This 128 acre site has been the subject of multiple sales efforts. Many developers have come forward with plans for the site, but none have been able to bring their developments to fruition. The ultimate redevelopment of the Silverdome is still very much in doubt.

The former Armory site at 8 Mile Road and Greenfield Road in Oak Park has been offered for sale or development by a local developer since 2003. This 92 acre site is very similar to the Property in location and attributes. This site offers retail opportunities along 8 Mile and Greenfield with industrial applications off the main roads. The owner is not actively marketing the retail land for sale based on its desire to develop the property. The industrial land is being marketed at \$174,000 per acre.

## Estimation of Property Value

Before calculating a range for Property value, Jones Lang LaSalle first summarized the major uncertainties regarding the potential for future development of the Property. Invariably, developers and property buyers will subjectively discount their offering price for a Property based on real or perceived risks. When disposing of a Property, the property owner's negotiating position is most dramatically enhanced by eliminating unknowns or uncertainties. At this point, there are several uncertainties regarding the potential to redevelop the Property which have a negative effect on Property value.

### Development Viability Uncertainties

- **Environmental Remediation:** Environmental issues related to the Property and its potential development should be addressed immediately.
- **Historical Significance:** If there is significant community backlash against a demolition of the existing properties. The community may attempt to block demolition of the properties through a court order or cease and desist.
- **Infrastructure Development:** How current are the "in the ground" utilities – is there a need for Upgrading of Utilities for Higher Density Development
- **Other Uncertainties:** The following is list of other factors that may negatively influence the value of the Property. These factors are inherent in any potential land sale and reflect the fundamental risks associated with real estate development. As previously stated, it is extremely important to note that given the size and complexity of Property, a sale will most likely occur in the form of a phased takedown over three to four years. The probability that any of the below factors will change is greater when examined over a period of three to four years versus over a year or less. As a result, the value of the Property will be more sensitive to the land value uncertainties noted below.
  - A sudden rise in interest rates
  - Newly announced development projects by developers in the immediate market area or in competing markets;
  - Political roadblocks posed by historic preservationists and those in favor of keeping the fair

### Property Value Estimate

Jones Lang LaSalle attempted to estimate the value of the Property based upon the findings of all of our analysis including the following:

- Demolition and environmental cleanup costs of \$4.5M
- Other land sales of comparable size in Detroit
- The previous appraisal conducted in 2007
- Discussions with Detroit developers and brokers
- Analysis of local and national real estate trends

- Analysis of uncertainties and encumbrances to development
- The strengths, weaknesses, opportunities, and threats of the Property

After reviewing our findings, it was determined that the Property, if sold today, has a negligible value. The primary reasons for this include:

- \$8 to \$10M estimated cost to address the Property's development encumbrances
- Excess of available land in and around Detroit
- Unknown's regarding need for environmental remediation and infrastructure upgrades
- Distressed state of the real estate property markets and capital markets which has shelved plans for many projects across the country and stalled many others in mid -- construction.

## Appendix I - Developer and Stakeholder Survey

| Name of Firm / Group                                   | Smith Group  | Kojalan  | Burton Katzman   | Elkin Equities   | Landmark Commercial   | Value Trends Appraisal   | Grand Savwa   |
|--|--|--|--|--|---|--|---|
| Description of Firm / Group                            |  |  |  |  |   |  |   |
| Name of Contact  | Carl Reebling  | Tony Antonio   | Marlin Wrauble   | Curtis Burstein  | John Kello  | Milo Ellis   | Bill Eisenberg  |
| Phone Number   | 313.442.8420   | 248.644.7600   | 248.647.8811 or 248.496.9291 and   | 248.398.0800   | 248.468.2620  |  | 248.953.5500  |
| E-mail Address   |  |  |  |  |   |  |   |
| Address  |  |  |  |  |   |  |   |
| Interested in Receiving RFP                            | Yes  | Yes  |  | No   | No  | N/A  | No  |
| Specific Interests: Land, Buildings, Everything?       | Historical buildings provide an intriguing adaptive re-use opportunity.  | The land   |  | Geographic location is not suited for Elkin.   | None  | N/A  | None  |
| What concerns would you have about developing the site | Powerful incentives are definitely needed to stimulate development in this neighborhood. Film incentives need to be assured long term to attract serious long term interest in Michigan.                                   | Incentives definitely needed to offset negative signs of the neighborhood. Film incentives need to be assured long term to attract serious long term interest in Michigan. |  | There are beautiful redevelopment and development opportunities throughout the Detroit area that are located in much more desirable areas  | Doesn't think suburban shoppers will come to Detroit. Getting appraisals to support a project would be difficult. | Renters do not support construction costs for most new product types.  | Poor access to the site due to Woodward Bridge over 8 Mile Road.  |
| Potential Developments / Uses                          | Destination Big Box Retail (K&A Home Improvement Outlet Center, Urban concept for Target). Potential for film studio with ancillary facilities. Potential for R&D facility for multiple small corporations / entrepreneurs | Most likely a single use development opportunity - a destination anchor is needed to attract other tenants to the site   | Streets - Palmer woods is nice part Drawing from Ferndale. Site is largely clean. Non - immediate uses. No way - multi tenant. |  | Some out lot potential for fast food, but big box users would be difficult.                                       |  | Potential for a medical campus if properly master planned. It has some potential as a residential site, but there is currently no demand for such uses. |
| Other Comments   | Great centralized location within Detroit with stable demographics. Movie studio use could benefit from proximity to creative Ferndale neighborhood to the North.  | Very lucrative incentives are needed for this site. There are too many other vacant sites and redevelopment opportunities in more desirable areas of Detroit               | Traditional users would not be interested.   | Any development would need significant upfront and on-going incentives in order to be financially feasible and worth the risk and opportunity cost when comparing to other development sites | There is a decent amount of vehicular traffic, but real development potential is a least a couple of years away.  | The 8 Mile Road Bridge is a significant deterrent to commercial development south of 8 mile as it creates a perceived barrier between Oakland and Wayne County | Major incentives would be required to make a development feasible. A Renaissance Zone designation would be very helpful.                                |



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## Appendix II - Property Condition Report

# MICHIGAN STATE UNIVERSITY Maintenance Projects List Ranked on Priority Ranking

| Item | Location  | Project Description   | Project Justification<br>Condition and Repair Needs   | Construction Estimate | Budget Estimate | Comments  |
|------|---|---|---|-----------------------|-----------------|---|
| 74   | 05-Coliseum, Agriculture, Volunteer Headquarters, Dairy Cattle Building | Repair/replace stucco in areas that have fallen off or are cracked and damaged.   | Water is penetrating between the brick and stucco causing rusting and expansion of the supporting members. The source of the leaks must be stopped before the stucco is replaced. After resolving the leaks the damaged sections must be repaired.  | \$98,000              | \$125,000       | Existing stucco is cracked and falling off in chunks from the buildings exterior. This is a large safety concern due to the size and weight of the sections that have fallen off. |
| 67   | 01-Michigan Mart  | Renovate existing bath rooms to include ADA compliant and adequately sized facilities. Replace the roof, ceiling, doors and gutters.  | Bring bathrooms up to code and adequately size existing facilities common to the Mart and West Mall. The bath room roof leaks. The exterior soffit is coming loose, egress doors and frames are rotted and there are no gutters.  | \$185,000             | \$235,000       | Doors could pose a fire and egress hazard, doors are currently chained from the outside.  |
| 65   | 00-Overhead Electrical Distribution System Complex Wide                 | Remove overhead lines and provide an underground distribution system. Provide adequate area lighting. New power supply for vendor hook-ups. Provide underground service, load center and branch circuits and raceways to each building. | The electrical poles are leaning causing stability issues. The current electrical overhead distribution is antiquated and a safety hazard. Area lighting is insufficient or not operational.  | \$4,950,000           | \$8,200,000     |   |
| 62   | 15-Bandshell  | Remove and rebuild a new bandshell  | The existing bandshell is in poor condition with rotten wood and insect infestation. The roof is in poor condition. The band shell has reached the end of its useful life and should be removed and rebuilt. The cost of the repairs needed would exceed the cost of new.                           | \$1,400,000           | \$1,765,000     |   |
| 61   | 27-West(Older) Restroom   | Renovate restrooms  | Replace roof, and replace windows with operable vandal resistant type. Provide adequate mechanical ventilation. New piping, fixtures, electrical and partitions. Newly renovated restroom to comply with all codes and standards. Add downspouts that divert the rain water away from the building. | \$400,000             | \$505,000       |   |
| 59   | 06-Dairy Cattle Exterior Bathrooms                                      | Replace roof, replace fascia, gutters and downspouts.   | The roof has two large holes allowing rodents to enter and make homes. Roof underlayment and the building interior are deteriorating rapidly due to the water infiltration.   | \$85,000              | \$107,000       | The hole in the roof was patched however the roof requires replacement.   |
| 55   | 00-Complex wide   | Conduct a study and design to review and make recommendations for potable water, sanitary, storm water.   | Utilities in many cases are ineffective and past their useful life expectancy. Additional work will be needed following the study. The study will help determine the cost, scope, sequence and schedule.  | \$50,000              | \$65,000        | Additional work will result from recommendations included in the study of existing systems.   |
| 55   | 00-Pedestrian walkways-fencing, manhole repairs, trees complex wide     | Repairs to damaged hardscape areas including sidewalks, fencing, manhole repairs and trees.   | Sidewalks have cracks creating trip hazards. Some of the manhole casings need to be raised to grade they create trip hazards also. Many trees need pruning and some dying trees must be removed.  | \$185,000             | \$235,000       |   |

MICHIGAN STATE FAIR  
 Maintenance Projects List ranked on Priority Ranking

| Priority | Location   | Project Description   | Project Justification<br>Conditions and Repairs Needed   | Construction Estimate | Budget Estimate | Comments  |
|----------|--|---|--|-----------------------|-----------------|---|
| 55       | 26-East(Newer) Restroom                          | Replace roof, repair sidewalk and men's room floor and a mechanical fan for ventilation.                                      | The roof is a single ply membrane past its useful life and in poor condition. Areas of the sidewalk are cracking and spalling. An area of the mens floor has heaved and cracked. There is no mechanical means of ventilating the restrooms. A exhaust fan should be added.   | \$45,000              | \$58,000        |   |
| 53       | 03-Agriculture/ Coliseum/ Dairy Cattle Buildings | Replace all doors and frames at each facility.  | Doors do not properly open or close causing a safety and security issue. The thresholds are rising due to freeze thaw cycle which prevent the doors from operating properly. New doors should meet all current codes. Parts for current door hardware are becoming extremely difficult to obtain due to the age and style. Several doors are being secured by a chain and lock system. | \$295,000             | \$372,000       | Almost all exterior doors and frames are beyond repair.   |
| 53       | 14-Volunteer Headquarters                        | Replace Roof and repair damage to building exterior.  | The building has several leaks and one large hole in the bathroom area.  | \$95,000              | \$120,000       |   |
| 53       | 19-Community Arts Building                       | Replace 5 non-working drinking fountains with current ADA refrigerated drinking fountains.                                    | Existing drinking fountains are not operating, are potential health hazards and non-ADA.   | \$5,000               | \$6,500         |   |
| 53       | 19-Community Arts Building                       | Replace egress and loading dock doors, frames, and hardware. Door hardware to meet current ADA requirements.                  | Doors, frames and sills are corroded from salt damage, and 20 years of usage. Replace with full length hinges versus pivot style hinges also use stainless bucks.  | \$75,000              | \$95,000        |   |
| 51       | 19-Community Arts Building/ Auditorium           | Waterproof South Basement wall.   | Water has penetrated the exterior block wall causing deterioration of exterior facade and foundation, along with interior damage to bathrooms and dressing areas. Flooring has already delaminated from substrate. Possible mold residue is currently noticeable on large areas of the south wall.   | \$95,000              | \$120,000       | Investigation required to determine source of the leaking.  |
| 49       | 18-Administrator Building                        | Storefront structure is deteriorating around lower glazing. Entrance doors should be repaired or replaced including closures. | Doors rotted from salt accelerating the corrosion process. Doors are non ADA compliant.  | \$18,000              | \$23,000        | Storefront could be sandblasted and repainted. Existing doors could have continuous hinges installed along with new ADA hardware. |
| 47       | 06-Dairy Cattle                                  | Replace broken windows.   | Opening in the windows allow pigeons and other animals to enter the building.  | \$12,000              | \$15,200        |   |

MICHIGAN STATE FAIR

Maintenance Projects List Used on Priority Ranking

| Rank | Location                                  | Project Description   | Project Justification<br>Condition and Repairs Needed   | Construction Estimate | Budget Estimate | Comments   |
|------|---|---|---|-----------------------|-----------------|--|
| 47   | 19-Community Arts Building/ Auditorium    | Repair or replace upper level roof over the current AHU.  | Roof leaks have lead to deterioration of roof decking and inside ceiling. Replace roof system after installation of new AHU unit. Add roof hatch or wall ladder. Roof is believed to be beyond its useful life expectancy of 15 years.  | \$20,000              | \$26,000        | The roof was not accessible to view the type and condition of the roof.  |
| 45   | 01-Michigan Mart                          | Repair, clean and maintenance of 480volt transformer located next to the exterior DX heating and cooling air handling unit.   | Unit may be leaking oil as shown by the stains on the side of the unit. It is making a loud buzzing noise and it has a small tree sapling growing through it. Remove all surrounding trees.   | \$8,000               | \$11,000        |  |
| 43   | 00-Parking lots and roadways complex wide | Repair and replace damaged asphalt through entire complex. Repair cracks, seal coat, resurface asphalt.   | Conditions of hard surface areas range from fair to very poor. Many potholes and cracks have occurred throughout the complex. Trip hazards exist. The underground electrical distribution should be done prior to asphalt work.   | \$980,000             | \$1,240,000     |  |
| 43   | 02-West Mail                              | Replace entrance and exit doors to meet all current codes.  | The doors do not operate properly and are locked with a chain and lock system.  | \$10,000              | \$13,000        |  |
| 43   | 04-East Mail                              | Install Proper Electrical Power Distribution System for Vendors / Exhibitors.   | Two inadequate electrical service feeds with support cable, tapped into service feeds from the adjacent buildings to west and east, provide all vendor power. Cables run along steel roof trusses to feed lights and power drops; vendors tap into exposed wires. Should be replaced to comply with electrical code.  | \$40,000              | \$51,000        | The new system would consist of a series of overhead outlet boxes supplied by cable in conduit with proper service feed and disconnect / breaker system. |
| 43   | 25-Electrical substation                  | Repair, clean and maintenance of electrical gear. Repair ventilation fan for proper cooling to the gear.  | The substation is approximately 11 years old and required to perform annual cleaning, maintenance and inspection. The building does not have sufficient ventilation.  | \$2,500               | \$3,200         |  |
| 41   | 03-Agriculture                            | Install New HVAC Systems Throughout the Building. Add high efficiency forced air heating and air conditioning and provide required ventilation, especially in locker rooms. | Heating is primarily provided by ten old inefficient gas-fired unit heaters and ventilation is provided by two gable end wall fans. Neither the boys or girls locker room areas has any type of ventilation. The mechanical code requires a significant volume of exhaust air for locker/bath room applications. Significant gains in efficiency and comfort could be made while bringing the building into code compliance. Adding air conditioning will increase the buildings lease value. | \$95,000              | \$120,000       |  |
| 36   | 01-Michigan Mart                          | Install Proper Electrical Power Distribution System for Vendors / Exhibitors.   | Current distribution system consists of a series of cables run overhead in cable trays, directly from the breaker panel, to female plugs on the loose end. Cables are dropped as needed to locations. This system does not meet current electrical codes.   | \$12,000              | \$15,200        | The new system would consist of a series of overhead outlet boxes supplied by cable in conduit.  |

MICHIGAN STATE UNIVERSITY

Maintenance Projects List 1 - Ranked on Priority Ranking

| Rank | Location                               | Project Description   | Project Justification Condition and Repairs Needed  | Construction Estimate | Budget Estimate | Comments |
|------|--|---|---|-----------------------|-----------------|----------|
| 36   | 16-Dodge Pavilion                      | Perform Structural Integrity Study and Provide Repair Recommendations   | Reinforced concrete beam and column construction is deteriorating and large pieces of concrete are breaking loose. Its structural integrity is questionable. Structure should be stabilized to prevent further concrete deterioration and safety hazard of falling concrete.  | \$30,000              | \$38,000        |          |
| 33   | 19-Community Arts Building             | Expand Restroom's to meet demand and current ADA requirements.  | Building is approximately 25,000 sqft and used as a convention hall. The bathrooms don't meet current ADA requirements and additional funding is spent on temporary bathroom facilities.  | \$200,000             | \$252,000       |          |
| 33   | 19-Community Arts Building/ Auditorium | Replace both basement dressing area exhaust fan motors.   | Exhaust fans no longer operate therefore not allowing for any air exchange in lower areas. Motors can be replaced for both fans.  | \$2,000               | \$2,600         |          |
| 32   | 02-West Mall                           | Replace Heating System.   | Heating is provided by six gas-fired unit heaters mounted on the building structure and distributed throughout the interior. The units are quite old and upgrades to new higher efficiency units or a high efficiency ducted forced air system is recommended to reduce energy costs.   | \$20,000              | \$25,200        |          |
| 32   | 05-Coliseum                            | Perform Asbestos Assessment of Steam / Condensate Line Insulation and Re-Insulate Where Necessary.                | The building is heated by two steam boilers with distribution systems throughout the building. Some of the piping is uninsulated and within reach of spectators. The systems age also justifies an investigation of ACM in insulation and any remediation required.   | \$150,000             | \$190,000       |          |
| 32   | 06-Dairy Cattle Exterior Bathrooms     | Renovate bathrooms to meet current codes including plumbing, mechanical, electrical and building.                 | Water infiltration has caused deterioration to the interior of the bathrooms. The bathroom renovation will bring it up to code.   | \$225,000             | \$285,000       |          |
| 32   | 13-Whitehall                           | Demolish and remove the building.   | Repairing the building would be cost prohibitive due to the extensive repairs required. The building is currently a safety hazard.  | \$105,000             | \$134,000       |          |
| 32   | 19-Community Arts Building             | Replace HVAC System and Controls, includes all office areas, restroom ventilation, and required fresh air makeup. | HVAC system consists of two large air handling units with zoned duct systems above ceiling. Individual gas fired duct furnaces with large A/C condensing unit on roof. Mechanical rooms are very cramped with poor equipment access. AHU equipment is 30+ years old and in poor condition. Several condensate leaks and corroded components. Controls and burners are questionable. | \$395,000             | \$500,000       |          |

# MICHIGAN STATE FAIR

## Maintenance Projects List 1 - Ranked on Priority Ranking

| Location | Project Description  | Project Justification<br>Condition and Repairs Needed  | Construction Estimate | Budget Estimate | Comments  |
|----------|--|--|-----------------------|-----------------|---|
| 31       | 03-Agriculture<br>Completely Remodel both Locker / Bath Room Facilities. | Both locker/bath rooms are in poor condition; galvanized water piping, obsolete fixtures in disrepair, inadequate ADA stalls, poor heating, no ventilation, etc... | \$200,000             | \$252,000       |   |
| 31       | 03-Agriculture/<br>Coliseum/ Dairy Cattle Buildings                      | Repair or replace existing gutters and storm water drains. Repair buildings exterior from water damage.  | \$175,000             | \$221,000       | Storm water infrastructure appears to have collapsed. This is causing a further water infiltration and ponding of water around all structural surfaces. |
| 31       | 05-Coliseum  | Replace roof chimney for cooking area.   | \$12,000              | \$15,200        |   |
| 31       | 18-Administration Building   | Replace second floor Mechanical room plumbing and electrical. Potential safety hazards exist with current condition.   | \$48,000              | \$23,000        |   |
| 28       | 01-Michigan Mart   | Install Emergency Egress Lighting System.  | \$12,000              | \$15,200        |   |
| 28       | 05-Coliseum  | Add Ventilation to Ice Rink Refrigeration Mechanical Room.   | \$22,000              | \$28,000        |   |
| 28       | 05-Coliseum  | Install Emergency Egress Lighting System.  | \$18,000              | \$23,000        |   |
| 26       | 18-Administration Building   | Remove and reinstall existing panels, roof will need to be re-adhered to the fascia panels. Clean drains and cut back trees.                                       | \$10,000              | \$13,000        | Remove or cut back tree. Further examination of existing roof system using visual and thermographic detection required.                                 |

# MICHIGAN STATE FAIR

## Maintenance Projects Listed on Priority Ranking

| Rank | Location                               | Project Description   | Project Status / Condition   | Construction Estimate | Proposition Estimate | Bidder Estimate | Comments  |
|------|--|---|--|-----------------------|----------------------|-----------------|---|
| 26   | 19-Community Arts Building/ Auditorium | Replace Auditorium and office radiant heat with electric fan forced wall units. Replace steam fan coil units in the hallway. Project to follow replacement of gas AHU in the penthouse. | Removal of existing steam boiler will require this upgrade.  |                       | \$90,000             | \$113,500       |   |
| 24   | 19-Community Arts Building/ Auditorium | Tuckpoint exterior envelope.  | Water has infiltrated and will cause deterioration to the supporting structure. Blocks have already started to come loose in the upper areas of the Auditorium.  |                       | \$98,000             | \$125,000       |   |
| 24   | 24-Poultry                             | Repair / Replace Exhaust Fans   | Repairs are required to the non working exhaust fans in order to cool and exhaust the building.  |                       | \$10,000             | \$13,000        |   |
| 23   | 03-Agriculture                         | Repair back roof overhang, to avoid further water infiltration.   | Back roof overhang, roof termination is pulling loose and causing water damage.  |                       | \$10,000             | \$13,000        |   |
| 22   | 03-Agriculture                         | Insulate High Vaulted Gymnasium Ceiling.  | This building is used year round as a recreation facility. The high vaulted gymnasium roof is poorly insulated and is the major area of heat loss (heat gain in summer cooling season). Insulating the roof would significantly reduce energy costs and improve comfort. |                       | \$24,000             | \$30,500        |   |
| 22   | 19-Community Arts Building/ Auditorium | Removal or trimming of trees.   | Buildup of materials has caused ponding around clogged drains. Trees also allow for a possible security issue with access to the roof.   |                       | \$3,500              | \$5,000         |   |
| 18   | 19-Community Arts Building/ Auditorium | Renovate lower level bathrooms.   | Deterioration of existing wall panels and fixtures. Upgrade all plumbing fixtures.   |                       | \$70,000             | \$90,000        |   |
| 16   | 18-Administration Building             | Replace Roof.   | Existing shingle roof is 15+ years old and nearing its life expectancy. Roof replacement should be planned for the next 5 years to avoid failure and water damage repair costs.  |                       | \$35,000             | \$45,000        |   |
| 15   | 06-Milking Barn                        | Replace exterior fascia and downspouts, doors and windows.  | Water infiltration has caused deterioration to the building fascia causing the downspouts to no longer be effective  |                       | \$75,000             | \$95,000        |   |
| 15   | 22-Worlds Largest Stove                | Touch up paint, replace decking and fill cracks.  | A pitch for water shed is required to prevent water ponding. Backing for the interior frame should be installed. Water intrusion at the cracks could damage the stove during freeze thaw cycles. Caulking is required.   |                       | \$11,000             | \$15,000        | A contractor quote from Argyle sign was received by Daryl Love. |

# MICHIGAN STATE FAIR

## Maintenance Projects List Ranked on Priority Ranking

| Rank  | Location   | Project Description   | Project Classification<br>Condition and Repairs Needed   | Construction Estimate | Budget Estimate | Comments   |
|---|--|---|--|-----------------------|-----------------|--|
| 14  | 18-Administration Building                       | Replace All Exterior Windows With Double Pane, Low-E, Thermal Efficient Windows. Also Remove and Recover Louvered Openings for original through-the-wall A/C units which are still in place but unused. | Building still has the original single pane uncoated windows throughout. All of the window edge seals are in very poor condition. Significant energy savings potential with window replacement / upgrade.  | \$110,000             | \$140,000       |  |
| 14  | 19-Community Arts Building/ Auditorium           | Replace All Exterior Windows With Double Pane, Low-E, Thermal Efficient Windows.  | Building still has the original single pane uncoated windows throughout. All of the window edge seals are in very poor condition. Significant energy savings potential with window replacement / upgrade.  | \$80,000              | \$102,000       |  |
| 13  | 03-Agriculture/ Coliseum/ Dairy Cattle Buildings | Replace roof at Dairy Cattle Building that was damaged by excessive wind. Repair roof at the Coliseum.  | Massive water infiltration has occurred, causing the stucco to separate from the structural material underneath. Water infiltration at the coliseum continues to cause damage to surrounding areas inside the building. The coliseum roof appears to be leaking at the West side near the Hip roof transition. | \$195,000             | \$250,000       | This poses a danger from falling material that has become unstable. The Dairy Barn roof was repaired in one section where it was leaking from the wind damage.                                     |
| 13  | 18-Administration Building                       | Construct an ADA compliant bathroom that is assessable to the public on the ground floor.   | The upper floors have Non-ADA compliant bathrooms and are being used for Public access.  | \$35,000              | \$45,000        |  |
| 10  | 01-Michigan Mart                                 | Paint exterior of the building.   | Rusting has started on the south gable end. Painting is required to prevent further rusting and stop existing deterioration.   | \$12,000              | \$15,200        |  |
| <b>Total Construction Estimate:</b> Note: These are estimated construction costs only, and do not include design, or any SOM fees. The estimates are based on related historical data, means construction costs, etc.. The amount indicated should be used for budgetary purposes only. |  |   |  | \$11,613,000          | \$14,640,500    | <b>Total Budget Estimate:</b> Note: This estimate is based on the construction estimate plus 10% Design fee, plus 10% contingency, plus 5% DMB Design and Construction fee and 1% DMB Supervision. |

MICHIGAN STATE FAIR  
 Maintenance Funded Projects List Based on Priority Ranking

| Location            | Project Description   | Project Description, Condition and Repairs Needed   | Estimated Funding | Comments  |
|---------------------|---|---|-------------------|---|
| 70 01-Michigan Mart | Replace HVAC units with 2 multizone DX style units  | Three of the four existing units no longer work in the heating mode. None of the four units work in the cooling mode.               | \$325,000         | A contractor quote from RW Mead & Sons was received on December 1, 2005 |
| 70 20-Auditorium    | Replace the fan unit in the penthouse that is fed by the existing boiler with a gas fed DX style unit | The existing unit gets its hot water to heat from a outdated failing boiler. The existing unit no longer works in the cooling mode. | \$115,000         | A contractor quote from RW Mead & Sons was received on December 1, 2005 |

## Appendix III - Zoning Regulations

## ZONING

The majority of the subject is currently zoned **B-4, General Business District**, while those portions on the east side of the Grand Trunk Western Railroad corridor and the south side of State Fair Avenue are currently zoned **M-4, Intensive Industrial**. Rules and regulations pertaining to these zoning classifications are contained within the City of Detroit's Zoning Ordinance, under Article IX, Division 5 and Article X, Division 5.

### **B-4, General Business District**

The ordinance describes the B-4 District as follows.

*"The B4 General Business District provides for business and commercial uses of a thoroughfare-oriented nature. In addition to these uses, other businesses, which may benefit by drawing part of their clientele from passing traffic are permitted. Additional uses, which may be successfully blended with permitted by-right uses, are conditional."*

Section 61-9-73 of the ordinance begins to list those by-right uses permitted within the B-4, General Business District. These are as follows.

- Boarding school and dormitory
- Child caring institution
- Convalescent, nursing, or rest home
- Lofts, inside the Central Business District
- Religious residential facilities
- Shelter for victims of domestic violence
- Adult day care center
- Armory
- Auditoriums, public
- Child care center

ZONING, Continued

- Educational institution
- Fire or police station, post office, court house, and similar public building
- Governmental service agency
- Hospital or hospice
- Library
- Museum
- Neighborhood center, nonprofit
- Outdoor recreation facility
- Religious institution
- School, elementary, middle/junior high, or high
- Animal-grooming shop
- Art gallery
- Assembly hall
- Automated Teller Machine not accessory to another use on the same zoning lot, which is stand-alone, without drive-up or drive-through facilities
- Bake shop, retail
- Bank without drive-up or drive-through facilities
- Barber or beauty shop
- Business college or commercial trade school
- Cabaret, inside the Central Business District
- Customer service center without drive-up or drive-through facilities

**ZONING, Continued**

- Dance hall, public, inside the Central Business District
- Dry cleaning, laundry, or laundromat
- Establishment for the sale of beer or intoxicating liquor for consumption on the premises, inside the Central Business District
- Greenhouse or nursery with stock for retail sales
- Hotel, inside the Central Business District
- Medical or dental clinic, physical therapy clinic, or massage therapy clinic
- Mortuary or funeral home
- Motor vehicles, new, salesroom or sales lots
- Motor vehicles, new, storage lot accessory to a salesroom or sales lot for new motor vehicles
- Nail salon
- Office, business or professional
- Parking lots or parking areas for operable private passenger vehicles, except as restricted by Sec. 61-12-219 of this Code
- Parking structure
- Pet shop
- Private club, lodge, or similar use
- Radio or television station
- Radio, television, or household appliance repair shop, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Recreation, indoor commercial and health club
- Recording studio or photo studio or video studio, no assembly hall

### ZONING, Continued

- Restaurant, carry-out or fast food, where located in a multi-story building and integrated into a mixed use or multi-tenant development, and without drive-up or drive-through facilities
- Restaurant, standard without drive-up or drive-through facilities
- Retail sales and personal service in business and professional offices
- Retail sales and personal service in multiple-residential structures
- School or studio of dance, gymnastics, music, or art
- Shoe repair shop
- Stores of a generally recognized retail nature whose primary business is the sale of new merchandise with or without drive-up or drive-through facilities
- Veterinary clinic for small animals
- Blueprinting shop
- Trade services, general
- Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter.
- Marinas
- Railroad right-of-way, not including storage tracks, yards, or buildings
- Signs as provided for in ARTICLE VI of this Chapter

In addition to the previously indicated by-right uses, the ordinance also lists a number of conditional uses, which may be permitted following review and approval by the appropriate legal entity. These are as follows.

- Emergency shelter, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Fraternity or sorority house
- Loft, outside the Central Business District

**ZONING, Continued**

- Multiple-family dwelling
- Pre-release adjustment center, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Residential substance abuse service facility
- Residential use combined in structures with permitted commercial uses
- Rooming house
- Single-family detached dwelling
- Single-room-occupancy housing, nonprofit
- Town house
- Two-family dwelling
- Electric transformer station
- Gas regulator station
- Outdoor entertainment facility
- Power or heating plant with fuel storage on site
- Substance abuse service facility, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Stadium or sports arena
- Telephone exchange building
- Water works, reservoir, pumping station, or filtration plant
- Amusement park
- Arcade
- Automated Teller Machine not accessory to another use on the same zoning lot, which is

ZONING, Continued

- stand-alone, with drive-up or drive-through facilities
- Bank with drive-up or drive-through facilities
- Bed and breakfast inn
- Brewpub or microbrewery
- Cabaret, outside the Central Business District
- Customer service center with drive-up or drive-through facilities
- Dance hall, public, outside the Central Business District
- Employee recruitment center
- Establishment for the sale of beer or intoxicating liquor for consumption on the premises, outside the Central Business District
- Financial services center
- Firearms dealership
- Firearms target practice range, indoor
- Food stamp distribution center
- Go-cart track, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Golf course, miniature
- Hotel, outside the Central Business District
- Kennel, commercial
- Lodging house, public
- Motel
- Motor vehicle filling station

**ZONING, Continued**

- Motor vehicles, used, salesroom or sales lot, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Motor vehicles, used, storage lot accessory to a salesroom or sales lot for used motor vehicles, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Motor vehicle services, major, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Motor vehicle services, minor
- Motor vehicle washing and steam cleaning, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Motorcycles, retail sales, rental or service
- Outdoor commercial recreation, not otherwise specified
- Parking lots or parking areas for operable private passenger vehicles, as restricted by Sec. 61-12-219(9)(e) of this Code
- Pawnshop, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Plasma donation center, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Pool or billiard hall
- Printing or engraving shops
- Public lodging house
- Rebound tumbling center, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Rental hall
- Restaurant, carry-out or fast-food, with or without drive-up or drive-through facilities, except such use shall be prohibited on any zoning lot abutting the Woodward Avenue Gateway

## ZONING, Continued

Radial Thoroughfare where there is drive-up or drive-through facilities or where not located in a multi-story building having a mixed-use or multi-tenant development

- Restaurant, standard, with drive-up or drive-through facilities, except such use having drive-up or drive-through facilities shall not be permitted on any zoning lot abutting the Woodward Avenue Gateway Radial Thoroughfare
- Secondhand stores and secondhand jewelry stores, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Specially designated distributor's (SDD) or specially designated merchant's (SDM) establishment
- Tattoo and/or piercing parlor, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Taxicab dispatch and/or storage, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Theater and concert café, excluding drive-in theaters
- Trailer coaches or boat sale or rental, open air display, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Trailers, utility, or cement mixers, pneumatic-tired, sales, rental or service; moving truck/trailer rental lots
- Confection manufacture, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Dental products, surgical, or optical goods manufacture, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Food catering establishment
- Ice manufacture, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Jewelry manufacture, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare

### ZONING, Continued

- Lithographing, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Research or testing laboratory
- Toiletries or cosmetic manufacturing, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Tool, die, and gauge manufacturing, small items, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Vending machine commissary, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Wearing apparel manufacturing, except such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Wholesaling, warehousing, storage buildings, or public storage houses, except excluding Gratiot Avenue, such use shall not be permitted on any zoning lot abutting a designated Gateway Radial Thoroughfare
- Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter.
- Signs as provided for in ARTICLE VI of this Chapter.
- Telecommunications building, private

Area, height and placement regulations pertaining to the B-4, General Business District are listed under Article XIII, Section 61-13-25 of the City of Detroit's zoning ordinance. A few of the permitted land uses have specific limitations as to that use, whereas the majority fall under the "all other uses" category. These regulations are as follows.

**ZONING, Continued**

| <b>B-4 GENERAL BUSINESS DISTRICT</b>        |  |
|---|--|
| <b>USE</b>                                  | <b>REQUIREMENT</b>   |
| Fraternity or Sorority Houses               | Minimum Lot Area - 7,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback <sup>1</sup> - Formula A<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet  |
| Libraries or Museums                        | Minimum Lot Area - 10,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback <sup>2</sup> - Formula B<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet |
| Motel or Hotels                             | Minimum Lot Area - 7,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback - Formula A<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet               |
| Multiple-family dwellings                   | Minimum Lot Area - 7,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback - Formula A<br>Rear Setback - 30 feet<br>Maximum FAR - 2.0                      |
| Motor vehicle, used: salesroom or sales lot | Minimum Lot Area - 2,400 square feet<br>Minimum Lot Width - 30 feet<br>Maximum Height - 35 feet  |

<sup>1</sup> Determined by the following formula, designated in the Ordinance as Formula A. Formula A = Length (feet) + 2 (height) / 15.

<sup>2</sup> Determined by the following formula, designated in the Ordinance as Formula B. Formula B = Length (feet) + 2 (height) / 6.

**ZONING, Continued**

| USE  | REQUIREMENT   |
|--|---|
| Motor vehicle filling station                                  | Minimum Lot Area - various<br>Minimum Lot Width - various<br>Setbacks - various<br>Maximum Height - 35 feet<br>Maximum Lot Coverage - 40%   |
| Religious institutions   | Minimum Lot Area - 10,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback - Formula B<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet       |
| Single family dwellings; Religious residential facilities      | Minimum Lot Area - 5,000 square feet<br>Minimum Lot Width - 50 feet<br>Front Setback - 20 feet<br>Side Setback - 14 feet combined<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet |
| Two family dwellings   | Minimum Lot Area - 6,000 square feet<br>Minimum Lot Width - 55 feet<br>Front Setback - 20 feet<br>Side Setback - Formula A<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet        |
| Townhouses   | Minimum Lot Area - 7,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback - Formula A<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet        |
| All other residential and public, civic and institutional uses | Minimum Lot Area - 7,000 square feet<br>Minimum Lot Width - 70 feet<br>Front Setback - 20 feet<br>Side Setback - Formula B<br>Rear Setback - 30 feet<br>Maximum Height - 35 feet        |

**ZONING, Continued**

| USE                                      | REQUIREMENT   |
|--|---|
| Motor vehicle washing and steam cleaning | Maximum Lot Area - 10,000 square feet<br>Maximum Height - 35 feet |
| All other uses                           | Maximum Height - 35 feet  |

**M-4, Intensive Industrial**

The ordinance describes the M-4 District as follows.

*"This district will permit uses which are usually objectionable and, therefore, the district is rarely, if ever, located adjacent to residential districts. A broad range of uses is permitted in this district. New residences are prohibited with the exception of loft conversions of existing buildings and of residential uses combined in structures with permitted commercial uses. These requirements are to protect residences from an undesirable environment and to ensure reservation of adequate areas for industrial development."*

Section 61-10-73 of the ordinance begins to list those by-right uses permitted within the M-4, Intensive Industrial District. These are as follows.

- Armory
- Electric transformer station
- Fire or police station, post office, court house, and similar public building
- Gas regulator station
- Governmental service agency
- Power or heating plant with fuel storage on site
- Steam generating plant
- Telephone exchange building

**ZONING, Continued**

- Water works, reservoir, pumping station, or filtration plant
- Animal-grooming shop
- Arcade
- Art gallery
- Assembly hall
- Automated Teller Machine not accessory to another use on the same zoning lot, which is stand-alone
- Bake shop, retail
- Bank
- Barber or beauty shop
- Brewpub or microbrewery
- Business college or commercial trade school
- Customer service center
- Dry cleaning, laundry, or laundromat
- Employee recruitment center
- Financial services center
- Food stamp distribution center
- Go-cart track
- Golf course, miniature
- Greenhouse or nursery with stock for retail sales
- Kennel, commercial

**ZONING, Continued**

- Medical or dental clinic, physical therapy clinic, or massage therapy clinic
- Mortuary or funeral home
- Motor vehicle filling station as provided for in Sec. 61-12-182(2) of this Code
- Motor vehicle services, minor
- Motor vehicle washing and steam cleaning
- Motor vehicles, new or used, salesroom or sales lot
- Motor vehicles, new, storage lot accessory to a salesroom or sales lot for new motor vehicles
- Motorcycles, retail sales, rental or service
- Nail salon
- Office, business or professional
- Parking lots or parking areas for operable private passenger vehicles
- Parking structure
- Pet shop
- Pool or billiard hall
- Printing or engraving shops
- Private club, lodge, or similar use
- Produce or food markets, wholesale
- Radio or television station
- Radio, television, or household appliance repair shop
- Rebound tumbling center
- Recording studio or photo studio or video studio, no assembly hall

**ZONING, Continued**

- Recreation, indoor commercial and health club
- Rental hall
- Restaurant, carry-out or fast-food with or without drive-up or drive-through facilities
- Restaurant, standard
- Retail sales and personal service in business and professional offices
- School or studio of dance, gymnastics, music, or art
- Shoe repair shop
- Stores of a generally recognized retail nature whose primary business is the sale of new merchandise
- Tattoo and/or piercing parlor
- Taxicab dispatch and/or storage facility
- Theater and concert cafe, excluding drive-in theaters
- Trailer coaches or boat sale or rental, open air display
- Trailers, utility, or cement mixers, pneumatic-tired, sales, rental or service; moving truck/trailer rental lots
- Veterinary clinic for small animals
- Bailing of waste paper or rags
- Blueprinting shop
- Boiler repairing
- Chemical materials blending or compounding but not involving chemicals manufacturing
- Cold storage plant
- Confection manufacture

### ZONING, Continued

- Construction equipment, agricultural implements, and other heavy equipment repair or service
- Containerized freight yard
- Dental products, surgical, or optical goods manufacture
- Elevators, grain
- Feed or grain mill
- Food catering establishment
- General: High/medium-impact manufacturing or processing as defined in Sec. 61-16-102 of this Code
- General: High-impact manufacturing or processing as defined in Sec. 61-16-102 of this Code.
- General: Low/medium-impact manufacturing or processing as defined in Sec. 61-16-124 of this Code
- General: Low-impact manufacturing or processing as defined in Sec. 61-16-124 of this Code
- Greenhouse or nursery, wholesale sales only, including landscape contractors
- Ice manufacture
- Jewelry manufacture
- Laundry, industrial
- Lithographing and sign shops
- Lumber yard
- Machine shop
- Newspaper, daily, publishing or printing
- Outdoor operations of permitted land uses specified in the Manufacturing and Production use category, Sec. 61-12-62 of this Code, and as specified in the Warehouse and Freight Movement use category, Sec. 61-12-63 of this Code

**ZONING, Continued**

- Outdoor storage yards
- Railroad transfer or storage tracks
- Research or testing laboratory
- Sewage disposal plant
- Steel warehousing
- Tank storage of bulk oil or gasoline
- Toiletries or cosmetic manufacturing
- Tool sharpening or grinding
- Tool, die, and gauge manufacturing, small items
- Trade services, general
- Trucking terminals, transfer buildings, truck garages, recreational vehicle storage lots, and open areas for the parking of operable trucks
- Vending machine commissary
- Wearing apparel manufacturing
- Welding shops
- Wholesaling, warehousing, storage buildings, or public storage houses
- Aircraft landing areas for winged aircraft
- Antennas as provided for in ARTICLE XII, DIVISION 3, Subdivision G of this Chapter.
- Boat or ship yard, construction, repair, maintenance, dry dock
- Boat terminal, passenger
- Docks, waterway shipping/freighters

### ZONING, Continued

- Marinas
- Passenger transportation terminal
- Railroad right-of-way, not including storage tracks, yards, or buildings
- Signs as provided for in ARTICLE VI of this Chapter.
- Telecommunications building, private

In addition to the previously indicated by-right uses, the ordinance also lists a number of conditional uses, which may be permitted following review and approval by the appropriate legal entity. These are as follows.

- Lofts
- Residential use combined in structures with permitted commercial uses
- Auditoriums, public
- Library
- Museum
- Neighborhood center, nonprofit
- Outdoor entertainment facility
- Outdoor recreation facility
- Race track, motor vehicle
- Religious institution
- Stadium or sports arena
- Substance abuse service facility
- Adult cabaret, adult personal service establishment, adult physical culture establishment, adult supply store, adult theater

ZONING, Continued

- Amusement park
- Cabaret
- Dance hall, public
- Drive-in theater
- Establishment for the sale of beer or intoxicating liquor for consumption on the premises
- Firearms dealership
- Firearms target practice range, indoor
- Fireworks, sales
- Motor vehicle filling station other than as provided for in Sec. 61-12-182(2) of this Code
- Motor vehicle services, major
- Motor vehicles, used, storage lot accessory to a salesroom or sales lot for used motor vehicles
- Outdoor commercial recreation, not otherwise specified
- Pawnshop
- Plasma donation center
- Secondhand stores and secondhand jewelry stores
- Specially designated distributor's (SDD) or specially designated merchant's (SDM) establishment
- Abattoir, slaughter house
- Explosives storage
- Garbage, offal, or dead animal reduction
- General: Very high-impact manufacturing or processing as defined in Sec. 61-16-201 of this Code

ZONING, Continued

- Hazardous waste facility
- Incinerator plant
- Intermodal freight terminal
- Junkyard
- Outdoor operations of permitted land uses specified in the Manufacturing and Production use category, Sec. 61-12-62 of this Code, and as specified in the Warehouse and Freight Movement use category, Sec. 61-12-63 of this Code
- Police department authorized abandoned vehicle yards
- Radioactive waste handling
- Recycling center
- Rendering plant
- Salt works
- Scrap tire storage, processing, or recycling facility
- Tires, used, sales and/or service
- Towing service storage yard
- Transfer station for garbage, refuse, or rubbish
- Truck stop
- Used auto parts sales
- Waste/scrap materials: indoor storage, handling, transfer
- Ferry terminal
- Heliports
- Signs as provided for in ARTICLE VI of this Chapter

**ZONING, Continued**

• Signs as provided for in ARTICLE VI of this Chapter Area, height and placement regulations pertaining to the M-4, Intensive Industrial District are listed under Article XIII, Section 61-13-46 of the City of Detroit's zoning ordinance. A few of the permitted land uses have specific limitations as to that use, whereas the majority fall under the "all other uses" category. These regulations are as follows.

| <b>M-4, INTENSIVE INDUSTRIAL DISTRICT</b>   |   |
|---|---|
| <b>USE</b>                                  | <b>REQUIREMENT</b>  |
| Junkyard                                    | Minimum Lot Area - 2 acres<br>Front Setback - 20 feet<br>Side Setback - 20 feet<br>Rear Setback - 20 feet<br>Maximum Height - 35 feet     |
| Motor vehicle filling station               | Minimum Lot Area - various<br>Minimum Lot Width - various<br>Setbacks - various<br>Maximum Height - 35 feet<br>Maximum Lot Coverage - 40% |
| Motor vehicle, used: salesroom or sales lot | Minimum Lot Area - 2,400 square feet<br>Minimum Lot Width - 30 feet<br>Maximum Height - 80 feet   |
| Transfer Stations                           | Front Setback - 20 feet<br>Side Setback - 20 feet<br>Rear Setback - 20 feet<br>Maximum Height - 35 feet                                   |
| All other uses                              | Maximum Height - 80 feet  |

