



March 5, 2019

City of Ann Arbor  
ATTN: Christopher Taylor, Mayor  
Larcom City Hall, third floor  
301 E. Huron St.  
Ann Arbor, MI 48104

Re: *International Transmission Company d/b/a ITCTransmission – State-Pioneer Project, Ann Arbor Airport Parcel Easement Acquisition, Parcel No. L-12-16-200-033 (SP 3252)*

Dear Mr. Taylor:

I am writing this letter on behalf of International Transmission Company d/b/a ITCTransmission. As you know, ITC is constructing a new 2.7 mile-long, overhead, double circuit, 120kV transmission line (“Transmission Line”) in Ann Arbor and Pittsfield Township. New electrical infrastructure is critical to support the Ann Arbor region both today, and its forecasted future growth.

Currently, the main source of power for the City of Ann Arbor (together with its businesses and residences) is a 40 kilovolt (kV) DTE sub-transmission line. The reliability and power quality and capacity of the existing DTE line is extremely poor. DTE reports that the Ann Arbor region is its poorest performing area in the State, experiencing loss of power to its homes and businesses on an average of every 13 days. These frequent outages result in an estimated economic loss to local businesses of more than \$1.0 million per year.

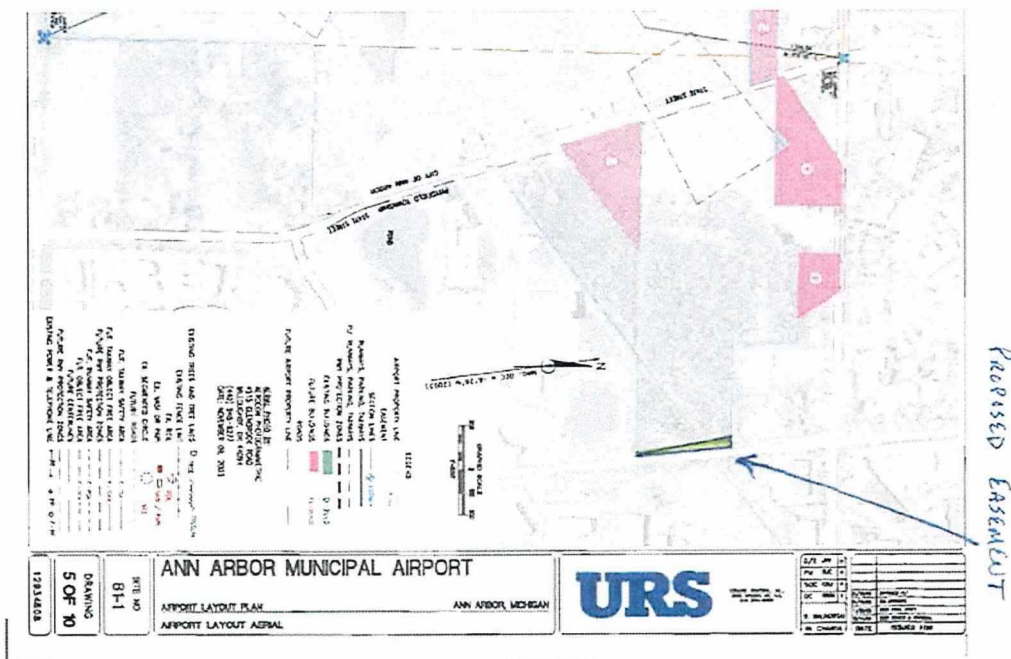
Based on the foregoing, on March 16, 2015, DTE submitted an Interconnection Request to ITC, proposing the construction of the Transmission Line, which will serve as an interconnection between an expanded substation in Ann Arbor (the State Substation), and the existing substation in Pittsfield Township (the Pioneer Substation). This Transmission Line is sometimes referred to as “State-Pioneer.” The new Transmission Line will allow for the relocation of the entire load from the 40 kV line, and will also be expected to handle anticipated new load of up to 52 megawatts (MW).

The Transmission Line was carefully planned by ITC in consultation with various local, State, and Federal agencies to reduce or eliminate, to the extent possible, impact on the community. The specific route of the Transmission Line was selected because it: (1) is the most direct connection between the two substations; (2) does not require construction of the line within the public road right-of-way; (3) is free from residential development; (4) primarily runs along the back property

lines of commercial and industrial properties; and (5) is directly adjacent to the Ann Arbor Railroad and DTE's existing sub-transmission corridor. As of the date of this letter, ITC has obtained nearly all of the property rights necessary to bring this important public project to fruition.

The route crosses a strip of land along the eastern edge at the rear of a parcel owned by the City of Ann Arbor, which is subject to the Airport Overlay District ("Property"). ITC seeks to acquire an easement consisting of 42,480 square feet (less than an acre) for a permanent transmission line over the Property ("Easement"). The proposed Easement will not affect the original intent of the Property, which is subject to the Airport Overlay District.<sup>1</sup>

As you know, ITC originally discussed this matter with the City administration and offered compensation in the amount of \$82,836 for the Easement. A copy of that original breakdown is attached as **Exhibit A**. After further discussions with the City and as an additional incentive to obtain the Easement over this Property, ITC is now increasing that offer by \$108,324 for a TOTAL OFFER of \$191,160. An aerial depiction of the proposed Easement is depicted as the green triangular area below.



<sup>1</sup> In fact, ITC applied for and obtained a Determination of No Hazard to Air Navigation on 5/25/18 from the Federal Aviation Administration (FAA), a copy of which is attached hereto as **Exhibit D**.

A copy of a parcel survey showing the location and dimensions of the Easement Area is also attached as **Exhibit B**. A copy of the form of Easement is attached as **Exhibit C**.

Based on a market study of vacant industrial and commercial property conducted by NSI Consulting & Development (“NSI”), ITC’s land agent for the project, the Property was valued at \$3.00 per square foot. ITC then applied an easement factor of 40% of fee value, which reflects the fact that although ITC’s easement grants it certain rights over the Easement Area, the City of Ann Arbor retains ownership rights, and moreover, its current use of the Property as a runway protection zone subject to the Airport Overlay District is unaffected by the easement. Indeed, considering that the Property, as part of the runway protection zone, has extremely limited utility, and as a result, is effectively unbuildable, a 40% easement factor for such vacant land gives all benefit of any reasonable doubt regarding value to the City. Simply put, ITC’s easement is less encumbering than it might otherwise be, because the Property is already significantly restricted. Application of the easement factor results in a price per square foot of \$1.20 (40% of \$3.00 per square foot). In order to incentivize the City to move forward with the Easement acquisition, we originally added an incentive payment of \$31,860.00 (an additional 25% of the total value per square foot x total square footage of the Easement Area, e.g.  $.25 \times \$3.00 = .75 \text{ cents} \times 42,480 \text{ sq. ft.}$ ). We are now offering an incentive of \$108,324, for total compensation of **\$191,160**, or **\$4.50** per square foot. See **Exhibit A**. *Thus, ITC is essentially offering to pay total compensation of approximately 150% of the total fee value of the Easement Area based on \$3.00 per square foot, which price per square foot is significantly above market value for this Property.*

Moreover, there is ample market evidence, supported by assessed values in both the City of Ann Arbor and Pittsfield Township, that NSI’s concluded value of \$3.00 per square foot for the subject Easement Area is in excess of market value. The parcel directly to the south of the Property is part of the Runway Plaza Worksenter and is used principally as a detention pond (the “detention pond parcel”). This parcel is comparable to the subject because, like the subject, it is vacant land with extremely limited utility, thus rendering it effectively unbuildable. ITC’s expert appraiser, Andy Reed of Andrew Reed & Associates, Inc., appraised this property because it is included in the project area, and concluded to a value of \$1.00 per square foot, well below the value utilized to calculate the Easement compensation for the City’s Property. A copy of the appraisal is attached as **Exhibit E**. His analysis is based largely on a review of recent sales and listings of other vacant land in the area, all of which were held for future industrial or commercial use, and which ranged in value from \$1.49 to \$1.84 per square foot. It was Mr. Reed’s opinion that the value of the detention pond parcel should be considerably

less than that of vacant land held for future development due to its extremely limited utility, and this was reflected in his value conclusion.

The highest value comparable on which Mr. Reed relied is a vacant, 6-acre parcel located on S. State Street near Ellsworth Road in Pittsfield Township. This parcel, which is held for future development, has been listed for well over a year at \$1.84 per square foot. See Swisher Commercial brochure attached as **Exhibit F**. The fact that it has not sold in that time suggests the possibility that the parcel is over-priced. Regardless, given that this parcel is considerably less encumbered than both the City's Property and the detention pond parcel, its value should be considerably in excess of the value of either parcel. NSI nevertheless valued the City's Property at over \$1.00 per square foot more than this listing. Indeed, after application of the 40% easement factor, and including the incentive payment, the final offer of \$2.42 per square foot is still in excess of the fee value for this considerably less encumbered parcel.

Similarly, the assessed values of several vacant lots near the Property also support the conclusion that ITC's offer is above the Property's actual market value. This includes lots in the Runway Plaza Worksenter, which is located immediately adjacent and to the south of the subject parcel, and the Varsity Industrial Park, which is located immediately to the east of the subject parcel. According to the Pittsfield Township assessor's records, the land for Runway Plaza lots 1 through 3, which are commercial vacant (zoned BD – Business Development), is assessed at \$2.33 per square foot, while vacant land in the Varsity Industrial Park is assessed at \$2.29 per square foot, both well below NSI's concluded value of \$3.00 for the Property. This is significant because these lots do not suffer from the same limitations on utility as the airport Property (or the detention pond parcel), but instead, like the listing discussed above, are available for future development.

Finally, both the sale price and current assessed value of a comparable vacant parcel on Victor's Way in Ann Arbor supports the position that the Property here is valued well in excess of market. According to BSA records (attached as **Exhibit G**), that 2.083 acre vacant parcel, which is used principally as a detention pond (i.e. like the parcels discussed above) was sold in June of 2015 for \$100,000, or \$1.10 per square foot. Notably, it is currently assessed at \$26,200 or \$0.29 per square foot. Whether based on the sale price or its current assessed value, this parcel reflects a market value for undevelopable property well below ITC's asking price for the easement, and supports the conclusion that the asking price is well in excess of actual market value.

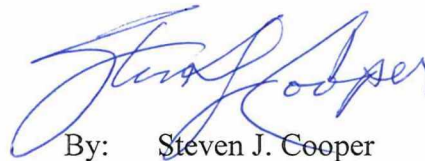
Notwithstanding all the above factors, ITC used a value of \$3.00 per square foot for the airport Property here, which reflects a value in excess of what the market would otherwise support. This was done in an effort to acquire the Property



voluntarily from the City by making an exceptional offer to purchase. Therefore, based on the foregoing, ITC is requesting approval by the City of Ann Arbor for acquisition of the Easement over the Property in exchange for compensation in the amount of \$191,160.

We thank you for your attention to this important reliability and infrastructure Project. Should you have any questions, please do not hesitate to contact me.

Sincerely yours,



By: Steven J. Cooper

Real Estate Manager – Michigan Operations  
INTERNATIONAL TRANSMISSION  
COMPANY, a Michigan corporation, d/b/a  
*ITCTransmission*

Enclosures

Cc: Stephen Postema, Esq.  
Christopher Frost, Esq.