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Real Estate Counseling and Appraising

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Founder, 1977

September 18, 2009

Ms. Jayne S. Miller
City of Ann Arbor
100 N. Fifth Street
Ann Arbor, MI 48104

Re: Market Study Consultation of Residential Land Unit Supply Within Superior Township and the Greenbelt District.

Dear Ms. Miller:

As you requested, we have conducted a market study of existing supply of single-family residential land within Superior Township, with conclusion of its potential impact on future demand for developable land within the subject area. The attachment is our analysis and addresses statistical formulation of household growth, current level of sales activity within the subject area and categorizing of vacant land units between greenbelt and non-greenbelt area.

The Uniform Standards of Appraisal Practice (USPAP) requires us to provide our clients with certain information in conducting consulting assignments. This information is included in the enclosed section entitled Required Information and should be considered a part of this report.

This report is intended for use with assisting the client with decisions relative to formulations of land acquisition within the cited area. It is not intended for any other use.

This report has been prepared for our client and is intended for use only by the City of Ann Arbor. It may not be used or relied upon by anyone other than our client for any purpose whatsoever without the express written consent of the consultants.

Respectfully submitted,
Gerald Alcock Company, LLC

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48108

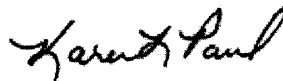
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CONTENTS

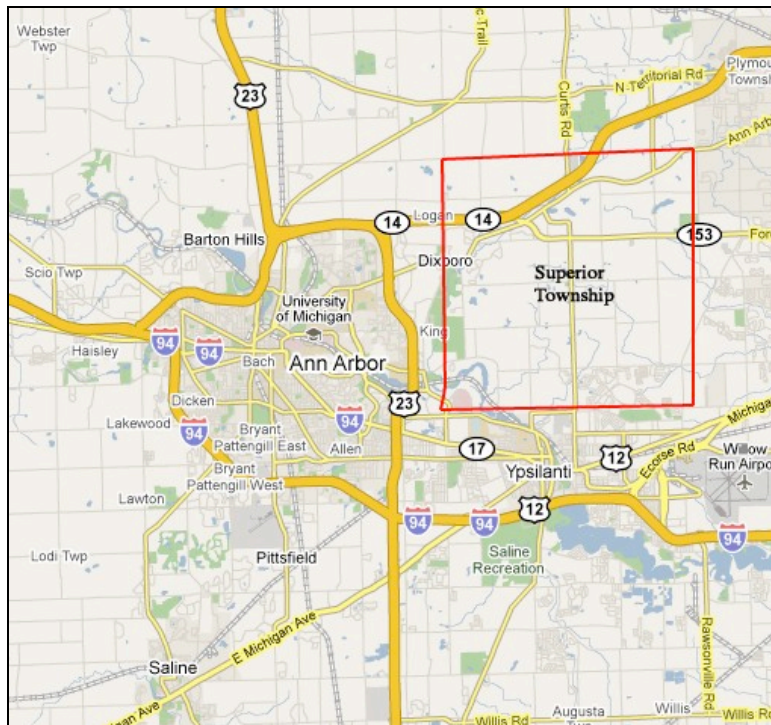
Letter Of Transmittal.....	i
Contents	ii
Analysis Of Competitive Supply And Demand	2
Identification Of Subject Boundaries	2
Intended Scope Of Analysis.....	5
Household Growth In Superior Township.....	5
Household Income Segmentation In Superior Township.....	6
Single-Family Homes Sales In Webster Township.....	8
Delineation Of Vacant Land – 1.0 To 10 Acres.....	10
Available Supply Of Vacant Land	11
Conclusions	13
Required Statements	16
Client.....	16
Define Consulting Problem.....	16
Purpose Of Consulting Assignment	16
Development And Report Process (Scope).....	16
Dates Of Report.....	17
Licensure	17
Consultant’s Certifications	18



ANALYSIS OF COMPETITIVE SUPPLY AND DEMAND

IDENTIFICATION OF SUBJECT BOUNDARIES

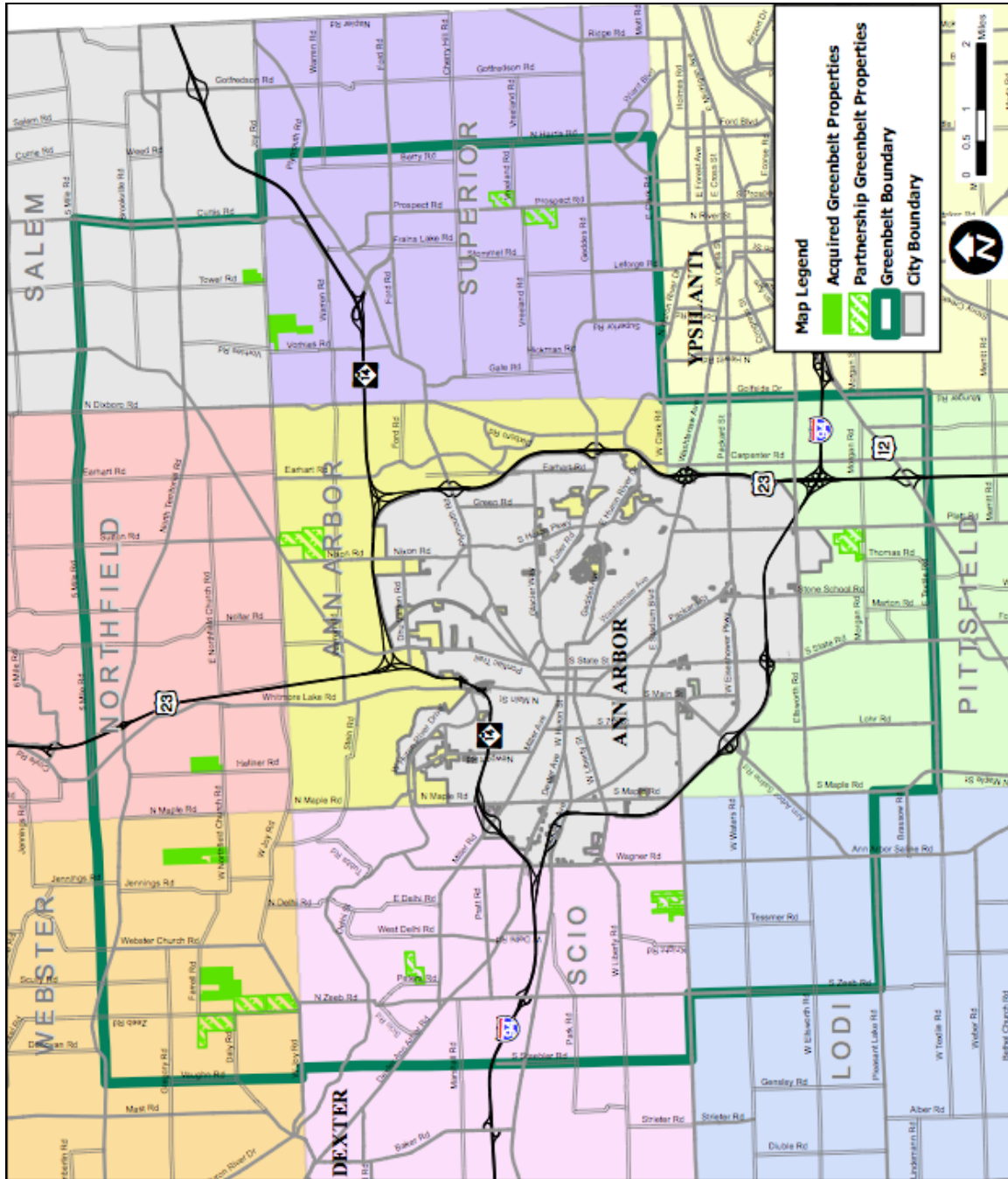
Our analysis focuses upon Superior Township which is part of the immediate eastern submarket of the city of Ann Arbor. It comprises 35.5 square miles. Based upon 2000 census data non-residential uses comprise 5.0 percent of the total land area. These uses include commercial, industrial, institutional, public and utility or transportation designations. Conversely, agricultural dedication comprises 34 percent of all lands, followed by 16 percent occupied by residential use. However, as visually confirmed through the 2000's, residential development increased thus diluting the low-density terrain.



Superior Township- Approximated Boundaries



In response to localized demand for land the city of Ann Arbor, through its Greenbelt Advisory Commission established an outer-ring boundary through the submarket region essentially creating a buffered area out of which select lands may be acquired to promote and protect vital open space. Within Superior Township the greenbelt encompasses the western two-thirds of the township. From the southern boundary, the cut off runs north along Harris Road and proceeds just east of Berry Road – ending at the northern point of Joy Road. The 24 included sections are 3 – 10, 15 – 22 and 27 through 34. A copy of the greenbelt boundary map is shown on the following page.



Greenbelt Boundary



INTENDED SCOPE OF ANALYSIS

The intent of our analysis is to formulate an opinion of absorption of existing supply of vacant single-family homesites within Superior Township thereby gauging potential for renewed demand of development interest. This analysis is outlined as follows:

- Analyze current and future household growth patterning and income levels within the township.
- Identify total number of vacant parcels within Superior Township ranging up to 10 acres in size, thus, considered individually for single-family use.
- Delineate the supply level between greenbelt and non-greenbelt area.
- Gauge current absorption of single-family homes within the township, stratified by investment level and age of construction.
- Identify lands actively marketed toward single-family use.

HOUSEHOLD GROWTH IN SUPERIOR TOWNSHIP

Within our discussion of household formulation we have relied upon statistical data provided by Southeast Michigan Council of Governments (SEMCOG) – a localized source for demographic study.

Table I, Household Growth - Superior Township*

2000 Census	2009 Estimate	2000-2009 % Change	2010 Estimate	2000-2009 % Change	2015 Forecast	2009-2015 % Change	2020 Forecast	2015-2020 % Change
3,961	5,065	27.9%	4,982	-2%	5,185	2.4%	5,321	2.6%

*SEMCOG

According to SEMCOG, as of July 2009, household formation is estimated to have increased 27.9 percent since the 2000 census. This implies an average annual growth rate of 2.94 percent. Thus, with 1,104 additional households we may imply an annual increase of 116 units. However, the bulk of this growth occurred through 2005, thus, the impact of annual growth is more dramatic.



Building permit data stemming from 2000 indicates 1,211 new home permits with 21 demolitions. This provides for 1,190 net units over the past 9.58-year-period, or roughly 124 units annually. Thus, SEMCOG’s estimate of current household formation is reasonably supported.

Table II, Building Permit Activity - Superior Township

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Single Family	54	98	108	328	251	174	37	92	51	18	1,211
Demolitions	1	0	1	1	6	4	1	2	3	2	21
										<i>Net New Units:</i>	1,190

SEMCOG provides estimates of future household formation in five-year increments. Thus, in 2010 the demographic entity implies a recessionary activity with 2.0 percent fewer households. This equates to 83 fewer occupied households. This may be supported in part by temporary vacancies of new construction or vacating of existing homes. Nonetheless, the prognosis is ‘no growth’ over the immediate term. Stemming between the current estimate and 2015, household growth is estimated at 2.4 percent, with 120 additional housing units. Notably, this pales by historical formulations. In the five-year projection stemming from 2015, a marginal increase is noted at 2.6 percent, as an additional 136 units will formulate. Concluding, over the ensuing 10.42 years, through 2020, only 256 additional households are estimated within Superior Township. This equates to 23 percent of the total growth within the current 10-year census tract. We note, however, that these formulations by SEMCOG are reissued every four years. The current estimates are effective as of August 2008 and based upon reigning economic conditions intact at the time of projection. Representatives contend that the more distant estimates are at best based upon a conservative set of assumptions and for the most part, formulated for municipal use in future planning efforts. Hence, the estimates are revised every four years. Thus, we contend that the long-range implication of growth within Superior Township may alter from that stated herein. While we contend that it may not be as robust as historically garnered, it suggests opportunity for ultimate growth in tandem with renewed migratory patterning, current supply and affordability.

HOUSEHOLD INCOME SEGMENTATION IN SUPERIOR TOWNSHIP

Housing stratification within Superior Township denotes about 67 percent being single-family detached, followed by 23 percent multiple family or manufactured housing. Condominium occupancies comprise 9.0 percent of the total. Density variation within the township owes to municipal utility support over the lower 20 percent of lands. Proceeding northward through the township and 2.0 and 5.0-acre minimum homesites



reign as municipal stance precludes extension of the utility district beyond the Geddes Road corridor. Thus, over almost 80 percent of the township a low-density terrain exists. Despite the lack of utility support, household investment within the upper tier of the township excelled over the past 15 years, pre-market slowdown. Customized builds, supported by variably sized acreage parcels are further buoyed by immediate access to cross directional expressways, subscription to the coveted Ann Arbor Public School District and influence of proximity to the Northern Campus of the University of Michigan. However, we fairly note southerly and western draw to flanking lands of the Huron River which also lures extended investment. However, while density and homogeneity visually dominates developer motivation within the southern region – and housing investment from the upper-\$100,000 through the mid-\$300,000 range, the selective affluency of the northern region historically produced investment levels *stemming from* the \$400,000 range. Thus, affordability and affluence, while geographically divided, functioned in tandem to spur continued speculative efforts by developers to this largely rural township.

According to 2000 census figures, 40 percent of housing values fall between \$100,000 and \$149,999. This reflects existing and newer builds. Following this are 14 percent of values between \$300,000 and \$499,999, while an additional 7.0 percent extend up to \$1,000,000. Notably, there are 35 homes within the township that exceed \$1,000,000. At a more moderate level of investment, only 19 percent of homes – as of 2000, were valued between \$150,000 and \$299,999. We note that these valuation segmentations are almost 10-years-old with substantial migration and housing investment occurring through the early 2000’s, especially in the upper-\$100,000 through \$299,999 range.

With over 1,000 new homes to the area in the past decade, household income stratification also migrated. As SEMCOG does not provide near term formulations of income, we cite ESRI, Inc., a national demographic entity which provides current and near-term estimates.

Households by Income	2000		2009		2014	
	Number	Percent	Number	Percent	Number	Percent
< \$15,000	485	12.3%	482	10.3%	485	9.7%
\$15,000 - \$24,999	301	7.6%	228	4.9%	232	4.6%
\$25,000 - \$34,999	362	9.2%	377	8.0%	365	7.3%
\$35,000 - \$49,999	624	15.8%	473	10.1%	516	10.3%
\$50,000 - \$74,999	749	18.9%	966	20.6%	877	17.5%
\$75,000 - \$99,999	512	12.9%	763	16.3%	1,166	23.3%
\$100,000 - \$149,999	475	12.0%	789	16.8%	698	14.0%
\$150,000 - \$199,000	146	3.7%	218	4.6%	235	4.7%
\$200,000+	301	7.6%	395	8.4%	428	8.6%
Median Household Income	\$57,103		\$70,713		\$75,361	
Average Household Income	\$82,308		\$96,596		\$99,100	
Per Capita Income	\$31,093		\$36,686		\$38,001	



Census figures for Superior Township report a median household income level in 2000 of \$57,103 – increasing to an estimated \$70,713 in 2009. In 2000, about 45 percent of households held income levels under \$50,000 and another 31 percent were in the mid-tier between \$50,000 and \$99,999. Households exceeding \$100,000 total about 23 percent. By 2009, the lower tier is diluted to 23 percent representation as migration of residency by more income capable homeowners transpires. The mid-tier and upper-tier each gain about 7.0 percent of homeowner representation. Thus, by standards of affordability, diversified housing opportunities within Superior Township have promoted a wide range of income capable homebuyers.

According to ESRI, near term expansion will bode most favorable to the mid-tier of income earners, thus, perhaps predicated upon the current supply of housing within the mid-\$100,000 to upper-\$200,000 range. The upper-tier will move nominally as will the lower segments of household income levels.

SINGLE-FAMILY HOME SALES SUPERIOR TOWNSHIP

Household expansion to Superior Township is to the extent that new construction opportunity is supported, duly in balance with the existing home sale market. However, as the past three years have demonstrated, the bust to the housing market dampened demand for new homes, as the downward spiral on existing homes – either through location, foreclosure or otherwise distress, brought forth a legion of variably aged homes to the market. The following statistics, taken from the Ann Arbor Board of Realtors multiple list system and Superior Township municipal records, summarizes sales activity over the past year for homes within three price segments. Also within this pool of data we isolate sales of homes that were constructed between 2000 and 2009, thus, identifying movement of product that may compete with new home construction.



Table III, Superior Township Home Sales - Sept. 2008 through August 2009*

Sale Price	\$125,000 - \$200,000	\$201,000 - \$350,000	\$351,000 - \$1,000,000	Total
All Ages	57	27	23	107
Absorption Rate	4.75 UPM	2.25 UPM	1.92 UPM	8.92 UPM
Average Sale Price	Mid-\$170,000	Mid-\$200,000	\$550,000	
Days on the Market (DOM)	47	87	121	
Number of Homes Currently For Sale	33	14	16	63
Potential Future Absorption, All Ages	7 Months	6 Months	8 Months	7 Months
Built Since 2000	50	22	17	89
Absorption Rate	4.17 UPM	1.83 UPM	1.42 UPM	7.42 UPM
Average Sale Price	Mid-\$170,000	Mid-\$200,000	\$650,000	
Days on the Market (DOM)	45	117	99	
Number of Homes Currently For Sale, Blt Since 2000	27	5	10	42
Potential Future Absorption, Built Since 2000	6.5 Months	3 Months	7 Months	5.5 Months

** Ann Arbor Board of Realtors / Superior Twp. Assessor*

Within the past year, ending August 31, 2009, there were 57 home sales between \$125,000 and \$200,000. This equates to 4.75 unit sales-per-month. Of the total sales, 50 homes – or 88 percent of the total, were constructed since 2000. The average price point within this segment is the mid-\$170,000. We note that of the total sales in this price range, about 37 percent were the result of foreclosure. With discounts from historical sales up to 70 percent, this price range covers a number of homes that had previously subscribed to higher price points. Also noted, are 16 new home transfers in projects such as Pulte’s Prospect Pointe and Lombardo’s Prospect Pointe East. Thus, while foreclosure activity for relatively newer homes is evidenced, these two builders are able to move new product within a similar price point.

In the \$201,000 to \$350,000 range there were 27 sales providing an average rate of absorption at 2.25 units-per-month. Of the total, 81 percent of sales were for homes constructed since 2000. The average price point is in the mid-\$200,000 range. Of all sales, 15 homes – or 56 percent were the result of foreclosure. Another seven, however, represent new construction sales – priced in the low-\$200,000 range.

Lastly, we report sales for homes exceeding \$350,000 in price point, up to \$1,000,000. There were 23 transfers over the past year, indicating an absorption rate of 1.92 units-per-month. Average pricing was \$550,000 and represents sporadic acreage estates, as well as those homes within Glenborough, Timberwood, Mathaei Farms, Tanglewood and Arbor Hills. Of the total, 17 homes, or 74 percent of the total, were constructed since 2000. Notably, six of these were new construction sales with an average investment level in the upper \$600,000 range.



Collectively, there were 107 sales in the cited year – spanning in price from \$125,000 to \$1,000,000. Absorption is calculated at 8.92 units-per-month. While we note sales of homes at a lower threshold we do not consider them to offer feasibility of investment level to compete with new construction.

We also canvassed the multiple list service for current supply of available homes within the market. Utilizing current rates of absorption, we calculate potential duration of inventory to the market of the various price points. As shown, over each segment, future potential absorption of current supply ranges between 3.0 and 8.0 months. This does not reflect vacant land parcels held for future buildout. Taken together, there are 63 homes available on the market, with a projected seven-month supply of inventory. Narrowing to those homes constructed since 2000, there are 42 available, with a supply level calculated at 5.5 months.

DELINEATION OF VACANT LAND – 1.0 TO 10 ACRES

Future growth within Superior Township is impacted to the extent that ample supply may support ongoing demand. Within Superior Township the range of supply varies owing to a broad range of new home price points. As previously stated, density-laden projects of the southern region promote new home opportunity in the upper-\$100,000 to historically, the low-\$300,000 range. Lands along the Huron River, or proceeding over the northern tier of the township provides for an eclectic array of buildout with investment levels typically exceeding \$400,000 and cresting to \$1,000,000.

We canvassed the township for vacant land units capable of sustaining single-family buildout. Data was provided by the Superior Township Assessor, and supplemented by the Washtenaw County Geographic Information System, as well as site canvassing. Sizing ranges up to 10 acres. While some buildout may occur on larger sites, the majority of growth will occur within the cited range. We delineated these sales between greenbelt and non-greenbelt areas, and further accounting for rural sites and those within rural or contemporary subdivisions. The current stock of buildable units is summarized in the following table.



Table IV, Vacant Parcel Summary

Total Vacant Parcels in Township Up to 10 Acres:		589	
<i>Outside of Greenbelt:</i>			
Subdivision	90		
Rural	51		
Total Vacant Outside Greenbelt:	141	24%	
<i>Inside Greenbelt:</i>			
Subdivision	323		
Rural	125		
Total Vacant Inside Greenbelt:	448	76%	

There are 589 total parcels within Superior Township, ranging up to 10 acres in size and allowing for immediate residential buildout. Of this, 24 percent are located in the non-greenbelt area and strongly denoted with subdivision configuration in southern tier projects such as Fairway Glen and Woodside Village.

Within the greenbelt are 448 vacant units of mostly subdivision identification. Dominating in representation are southern tier land units within Prospect Pointe and Prospect Pointe East. Spanning north of Geddes Road are multi-acre homesites within projects such as Glennborough, Arbor Hills, Mystic Forest and Matthaei Farms.

We note that the greenbelt possesses 76 percent of all the buildable land units of our study. This balance is slightly elevated in comparison with total greenbelt land representation of 67 percent. Conversely, there are 24 percent of non-greenbelt building units held within township lands that comprise 33 percent of all non-greenbelt area. Thus, the level of supply is proportionately greater in greenbelt versus non-greenbelt area.

AVAILABLE SUPPLY OF VACANT LAND

While we calculate 589 vacant land units within the township bounds, only a portion of these may be available for purchase within the open market. So too, and outside of the scope of this report, there may be limitations of use over some of the land units. Whether land locked, committed to cultivation, lacking adequate municipal site requirements or possessing inferior soil structure, the ultimate level of developability and use may vary. Nonetheless, our intent is to identify those lands that represent opportunity for household expansion.



Utilizing data from the Ann Arbor Board of Realtors multiple listing service, Superior Township records, and a visual canvass of active developments we derive 362 vacant land units available for sale or marketed for package buildout. Of the total, 87 units, or 24 percent are located outside of the greenbelt area. As stated earlier, weighting representation in subdivision configuration are vacant land units within southern tier developments Woodside Village and Fairway Glen. Only two acreage land units, to the best of our knowledge, are offered for sale.

<i>Table IV, Land Units Available for Sale</i>		
Total Vacant Parcels For Sale		362
Outside Greenbelt:		
Subdivision	85	
Rural	2	
Total Outside Greenbelt:		87
Inside Greenbelt:		
Subdivision	263	
Rural	12	
Total Inside Greenbelt:		275

Within the greenbelt region are 275 available land units. Of the total, 179 units – or 65 percent, is held within Prospect Pointe and Prospect Pointe East. These two projects flank the east and west side of Prospect Road, stemming immediately south of Geddes Road. Stemming northward into rural terrain, approximately 23 percent more subdivision units are found in projects such as Glennborough, Arbor Hills, Fleming Lake and Mystic Forest. Scattered throughout the region are 12 variably sized acreage homesites.

Thus, available lands within Superior Township tend to be represented by cohesive development efforts – whether through formal site condominium planning or collective subdividing. The result yields individual accessing roadways, underground utilities and often, architectural control.

While we note a robust supply of land, there are only two arms-length transfers of land units, stemming from September 2008 and both within the greenbelt region. To this, there are a handful of foreclosure sales, also within the greenbelt area. We note that actively listed parcels decreased as buyer reception remains languid. Hence, actively marketed units vary with intent of the seller, as does the price. However, as exclusivity remains tantamount to some northern projects, developers may opt to hold in favor of restored market conditions. So too as demonstrated in the southern tier, density-laden



subdivisions rely upon package marketing efforts of the builder and thus, land units are not typically sold outright.

CONCLUSIONS

Based upon the data provided:

- Household formation through 2020 is estimated at 256 units.
- Current supply of all existing homes absorb at a rate of 8.92 units-per-month.
- Homes constructed since 2000 exhibit an absorption rate of 7.42 units-per-month.
- There is approximately a 7.0-month supply of existing homes within Superior Township listed for sale.
- There is about a 5.5-month supply of gently-occupied homes within Superior Township listed for sale.
- There are 589 vacant land units within Superior Township. Of this, 362 units, or 61 percent of the stock, are currently available within the market.
- While current market conditions currently exerts downward pressure on sales of individual vacant land units or packaged builds, the extended prognosis assumes re-established tendencies for migratory patterns as affordability at the lower end of the price range and exclusivity at the upper end of the range may support ongoing demand. While potentially varying in occurrence, we rely upon current demographic forecasts issued by SEMCOG as the basis for our analysis.
- Considering 362 currently available land units and SEMCOG's forecast of 256 additional households formulated through 2020 (ensuing 10.42 years), a **14.50-year level of supply** is currently calculated within Superior Township.
- Alternatively, we may look at absorption of raw land based upon the sales rate of gently-occupied housing (constructed since 2000). Currently, there are 42 relatively newer homes available within the market. Hence, the 362 vacant land units may feasibly compete within this market. At the current 7.42 units-per-month rate of absorption for gently-occupied homes, a 4.50-year supply may be calculated. However, as we are unable to forecast future supply of gently-occupied homes to the market, this gauge of supply is somewhat inelastic.



- SEMCOG projects 256 households over the ensuing 10.42 years, or roughly 25 units annually. We note that in the past one-year period there have been 29 new home sales. Thus, while we may assume increased consumer activity in concert with re-established market conditions, the fact that there have been 29 households garnered in the past year may speak to a more optimistic formulation of growth over the future term.
- Historically, new housing activity remained fairly strong through 2005 – averaging 169 units-per-year. In 2006 through 2009 there have been an additional 198 permits issued, or roughly 50 per-year. While it is doubtful that we will return to the historical caliber of development, we note that Superior Township has superseded the submarket with new home formulations over the past four years and given continued affordability at the lower end of the range, may remain favored along with its immediate eastern submarket location.

Concluding, we recognize that 76 percent of vacant land within Superior Township is located inside of the Greenbelt. These lands vary as to size, utility access, school district identification and ultimate buildout. However, long established within the market is the cohesive development effort that brings about affordability within the southern tier and exclusivity of the northern tier. Thus, with varied topography, location, school district and pricing, the land units sustain greater breadth of appeal. However, discussions with local realtors confirm a more languid market for upper tier properties and the outlook of such remaining cautious. Historical absorption of these units have been discriminate – an accepted facet of the exclusive market. As developers opt to hold, or marginally realign expectations, future demand may continue in modest proportion. Alternatively, the density-laden units of the southern tier were born of rapid success of sales. Marketing prowess of the builders, along with relative affordability brought intense interest to the township over the past 10 years. While there are a number of units available – inside and outside the greenbelt area, bottlenecked development land – once eyed for eventual transition to a similar use, now sit idle. Barring an alternative use of these tracts, it may be plausible to assume a future residential use at some distant point and also at such a time that feasibility allows.

Optimistically, we calculated a potential four-year supply of vacant land units. More conservatively may be an outlook of 14.50 years. In between lies the fact that household formation within Superior Township continues despite one of the largest downturns in the market. This progress owes to commitment of developer interest and the ability to meet a niche market of affordability or provide greater lure of amenity. Superior Township maintains an immediate eastern location to the city of Ann Arbor. Corporate and medical office expansions to the area have bolstered resident interest and may continue to over the nearer and future term. So too, as foreclosure activity may subside, homebuyer interest to new construction may re-establish thus promoting increased tendencies for absorption



of supply. Thus, concluding, while a 4.50-year absorption of existing supply appears robust, we also acknowledge that a 14.50-year projection may be overly conservative. From this, we foresee a 10-year supply of residential units to be reasonable within Superior Township.



REQUIRED STATEMENTS

CLIENT

The consultants were engaged by the City of Ann Arbor, by and through Ms. Jayne S. Miller, to prepare this consulting report.

DEFINE CONSULTING PROBLEM

Evaluate the level of supply and potential absorption of vacant land within Superior Township in order to evaluate future demand for development land.

PURPOSE OF CONSULTING ASSIGNMENT

The purpose of this consulting assignment is to assist our client, the City of Ann Arbor, with planning purposes of potential acquisition of vacant land for the Greenbelt Program.

DEVELOPMENT AND REPORT PROCESS (SCOPE)

To facilitate supply levels and demand factors, the consultants reviewed data from the Superior Township Assessor and the Ann Arbor Board of Realtors multiple list service. We referred to demographic data issued by the Southeast Michigan Council of Governments (SEMCOG) and ESRI, Inc., a national consulting firm. This information was utilized to gauge household growth and qualification of new housing opportunities within the township.



DATES OF REPORT

The effective date of this consulting service is September 1, 2009. The date of this report is September 18, 2009.

LICENSURE

In Michigan, consultants/appraisers are required to be licensed/certified and are regulated by the Michigan Department of Labor and Economic Growth, Licensing Division, P.O. Box 30018, Lansing Michigan 48909. The consultants are currently and properly licensed as appraisers.



CONSULTANT'S CERTIFICATIONS

I certify that, to the best of my knowledge and belief:

1. the statements of fact contained in this report are true and correct,
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions,
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved,
4. my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. the reported analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP),
6. the reported analysis, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute,
7. as of the date of this report, Michael T. Williams has completed the continuing education requirements of the Appraisal Institute,
8. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives,
9. I have made a personal inspection of the subject neighborhood that is the subject of this report,
10. no one provided significant professional assistance to the author or authors of this report.

A handwritten signature in black ink, appearing to read "M.T. Williams".

Michael T. Williams, MAI



CONSULTANT'S CERTIFICATIONS

I certify that, to the best of my knowledge and belief:

1. the statements of fact contained in this report are true and correct,
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions,
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved,
4. my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. the reported analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation (USPAP),
6. the reported analysis, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute,
7. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives,
8. I have made a personal inspection of the subject neighborhood that is the subject of this report,
9. no one provided significant professional assistance to the author or authors of this report.

A handwritten signature in cursive script that reads "Karen L. Paul".

Karen L. Paul

AGREEMENT BETWEEN
GERALD ALCOCK COMPANY, LLC
AND
CITY OF ANN ARBOR
FOR
PROFESSIONAL SERVICES

The City of Ann Arbor, a Michigan municipal corporation, having its offices at 100 North Fifth Avenue, Ann Arbor, Michigan 48104 ("City"), and Gerald Alcock Company, a Michigan, Limited Liability Company, with its address at 315 East Eisenhower Parkway, Suite 5, Ann Arbor, Michigan, 48108 ("Consultant"), agree as follows:

The Consultant agrees to provide professional services to the City under the following terms and conditions:

I. DEFINITIONS

Administering Service Area means Community Service Area.

Contract Administrator means Jayne Miller acting personally or through any assistants authorized by the Community Service Area Administrator.

Project means real estate market analysis in Webster Township and Superior Township to estimate the likelihood of future conversion of existing agricultural land and open space to residential developments. The appraiser will gather data on the number of residential lots currently on the market in both Webster and Superior Township – both vacant land and developed land – to determine how long it will take the market to absorb this current supply and when there may be a greater threat of future conversion of agriculture land and open space to development.

II. DURATION

This agreement shall become effective on July 10, and shall remain in effect until satisfactory completion of the Services specified above unless terminated as provided for in this agreement. It is anticipated by the parties that delivery of reports(s) will occur by September 9, 2009.

III. SERVICES

- A. The Appraiser shall furnish to the City a market analysis and report, as described more thoroughly in Exhibit A. The appraiser will present findings to the Greenbelt Advisory Commission in September 2009.
- B. Quality of Services under this agreement shall be of the level of professional quality performed by experts regularly rendering this type of service. Determination of acceptable quality shall be made solely by the Contract Administrator.
- C. The Appraiser shall perform its Services for the Project in compliance with all applicable laws, ordinances and regulations.

IV. COMPENSATION OF CONSULTANT

- A. The total fee to be paid the Appraisal firm under this agreement, inclusive of any and services provided under subsection 1 shall not exceed \$6,570.00
 - 1. The Appraisal firm will be compensated for the report in the amount of \$6,570.00. Payment shall be made upon delivery and acceptance of the reports by the Contract Administrator and an invoice for payment of services by the Consultant to be forwarded to the City at the time the reports are delivered.
- B. The Appraiser shall keep complete records of time spent and materials used on the Project so that the City may verify invoices submitted by the Appraiser. Such records shall be made available to the City upon request and submitted in summary form with each invoice.
- C. It is understood and agreed between the parties that the compensation stated above is inclusive of any and all remuneration to which the Appraiser may be entitled.

V. INSURANCE/INDEMNIFICATION

- A. The Appraiser shall procure and maintain during the life of this Contract, such insurance policies, including those set forth below, as will protect itself, its subcontractors and unless otherwise specified, the City from all claims for bodily injuries, death or property damage which may arise under this Agreement; whether the acts were made by the Appraiser or by any subcontractor or anyone employed by them directly or indirectly. The following insurance policies are required:
 - 1. Professional Liability insurance protecting the Consultant and its employees in an amount not less than \$1,000,000.
 - 2. Worker's Compensation Insurance in accordance with all applicable state and federal statutes. Further, Employers Liability Coverage shall be obtained in the following minimum amounts:
 - Bodily Injury by Accident - \$500,000 each accident
 - Bodily Injury by Disease - \$500,000 each employee
 - Bodily Injury by Disease - \$500,000 each policy limit
 - 3. Commercial General Liability Insurance equivalent to, as a minimum, Insurance Services Office form CG 00 01 07 98. The City of Ann Arbor shall be an additional insured for work performed under this contract. The following minimum limits of liability are required:
 - \$1,000,000 Each occurrence as respect Bodily Injury Liability or Property Damage Liability, or both combined.
 - \$2,000,000 Per Job General Aggregate
 - \$1,000,000 Personal and Advertising Injury
 - 4. Motor Vehicle Liability Insurance, including Michigan No-Fault Coverages, equivalent to, as a minimum, Insurance Services Office form CA 00 01 07 97. The City of Ann Arbor shall be an

additional insured. There shall be no added exclusions or limiting endorsements. Coverage shall include all owned vehicles, all non-owned vehicles and all hired vehicles. Further, the limits of liability shall be \$500,000 for each occurrence as respects Bodily Injury Liability or Property Damage Liability, or both combined.

5. Umbrella/Excess Liability Insurance shall be provided to apply excess of the Commercial General Liability, Employers Liability and the Motor Vehicle coverage enumerated above, for each occurrence and for aggregate in the amount of \$1,000,000.
- B All insurance required by this Agreement shall be considered primary as respects any other valid or collectible insurance that the City may possess, including any self-insured retentions the City may have; and any other insurance the City does possess shall be considered excess insurance only and shall not be required to contribute with this insurance. Further, the Appraiser agrees to waive any right of recovery by its insurer against the City.
 - C. In the case of all Agreement involving on-site work, the Appraiser shall provide to the City before the commencement of any work under this Agreement documentation demonstrating it has obtained the abovementioned policies. Documentation must provide and demonstrate an unconditional 30-day written notice of cancellation in favor of the City of Ann Arbor. Further, the documentation must explicitly state the following: (a) the policy number; name of insurance company; name and address of the agent or authorized representative; name and address of insured; project name; policy expiration date; and specific coverage amounts; (b) any deductibles or self-insured retentions which shall be approved by the City, in its sole discretion; (c) that the policy conforms to the requirements specified. An original certificate of insurance may be provided as an initial indication of the required insurance, provided that no later than 21 calendar days after commencement of any work the Consultant supplies a copy of the endorsements required on the policies. Upon request, the Consultant shall provide within 30 days a copy of the policy(ies) to the City. If any of the above coverages expire by their terms during the term of this Agreement, the Consultant shall deliver proof of renewal and/or new policies to the Administering Department at least ten days prior to the expiration date.
 - D. Any insurance provider of Appraiser shall be admitted and authorized to do business in the State of Michigan and shall carry and maintain a minimum rating assigned by A.M. Best & Company's Key Rating Guide of "A-" Overall and a minimum Financial Size Category of "V". Insurance policies and certificates issued by non-admitted insurance companies are not acceptable unless approved in writing by the City..
 - E. To the fullest extent permitted by law, for any loss not covered by insurance under this agreement, the Appraiser shall indemnify, defend and hold the City, its officers, employees and agents harmless from all suits, claims, judgments and expenses including attorney's fees resulting or alleged to result, to its proportionate extent, from any negligent, grossly negligent, reckless and/or intentional wrongful or tortious acts or omissions by the Consultant or its employees and agents occurring in the performance of this agreement.

VI. COMPLIANCE REQUIREMENTS

- A. Nondiscrimination. The Appraiser agrees to comply with the nondiscrimination provisions of Chapter 112 of the Ann Arbor City Code and to take affirmative action to assure that applicants are

employed and that employees are treated during employment in a manner which provides equal employment opportunity and tends to eliminate any inequality based upon race, national origin or sex. The Consultant agrees to comply with the provisions of Section 9:161 of Chapter 112 of the Ann Arbor City Code, Exhibit B.

B. Living Wage. The Appraiser is a "covered employer" as defined in Chapter 23 of the Ann Arbor City Code and agrees to comply with the living wage provisions of Chapter 23 of the Ann Arbor City Code. The Appraiser agrees to pay those employees providing Services to the City under this Agreement a "living wage," as defined in Section 1:815 of the Ann Arbor City Code, as adjusted in accordance with Section 1:815(3) and specified in Exhibit A; to post a notice approved by the City of the applicability of Chapter 23 in every location in which regular or contract employees providing services under this Agreement are working; to maintain records of compliance; if requested by the City, to provide documentation to verify compliance; to take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee or person contracted for employment in order to pay the living wage required by Section 1:815; and otherwise to comply with the requirements of Chapter 23. A copy of selected provisions of Chapter 23 of the Ann Arbor City Code is attached as Exhibit C.

VII. WARRANTIES BY THE CONSULTANT

- A. The Appraiser warrants that the quality of its Services under this agreement shall conform to the level of professional quality performed by experts regularly rendering this type of service.
- B. The Appraiser warrants that it has all the skills, experience, and professional licenses necessary to perform the Services it is to provide pursuant to this agreement.
- C. The Appraiser warrants that it has available, or will engage, at its own expense, sufficient trained employees to provide the Services specified in this agreement.
- D. The Appraiser warrants that it is not, and shall not become overdue or in default to the City for any contract, debt, or any other obligation to the City including real and personal property taxes.

VIII. TERMINATION OF AGREEMENT

- A. This agreement may be terminated by either party without further notice in the case of a breach of this agreement by the other party, if the breaching party has not corrected the breach within 15 days after notice of the breach.
- B. The City may terminate this agreement if it decides not to proceed with the Project, including any Work Statement issued under the terms of the Agreement, by notice pursuant to Article XII. If the Project is terminated for reasons other than the breach of the agreement by the Appraiser, the Appraiser shall be compensated for reasonable time spent and reasonable quantities of materials used prior to notification of termination.

- C. The remedies provided in the Agreement will be cumulative, and the assertion by a part of any right or remedy will not preclude the assertion by such party of any other rights or the seeking of any other remedies.

IX. OBLIGATIONS OF THE CITY

- A. The City agrees to give the Appraiser access to the Project area and other City owned properties as required to perform the necessary Services under this agreement.
- B. The City shall notify the Appraiser of any defects in the Services of which the Contract Administrator has actual notice.

X. ASSIGNMENT

- A. The Appraiser shall not subcontract or assign any portion of the services without prior written consent from the City. Notwithstanding any consent by the City to any assignment, Appraiser shall at all times remain bound to all warranties, certifications, indemnifications, promises and performances, however described, as are required of it under the Agreement unless specifically released from the requirement, in writing, by the City.
- B. The Appraiser shall retain the right to pledge payment(s) due and payable under this agreement to third parties.

XI. NOTICE

All notices and submissions required under this agreement shall be by personal delivery or by first-class mail, postage prepaid, to the address stated in this agreement or such other address as either party may designate by prior written notice to the other. Notice shall be considered delivered under this agreement when personally delivered to the Contract Administrator or placed in the U.S. mail, postage prepaid to the Administering Service Area/Unit, care of the Contract Administrator.

XII. CHOICE OF LAW

This Agreement will be governed and controlled in all respects by the laws of the State of Michigan, including interpretation, enforceability, validity and construction. The parties submit to the jurisdiction and venue of the Circuit Court for Washtenaw County, State of Michigan, or, if original jurisdiction can be established, the United States District Court for the Eastern District of Michigan, Southern Division, with respect to any action arising, directly or indirectly, out of this Agreement or the performance or breach of this Agreement. The parties stipulate that the venues referenced in this Agreement are convenient and waive any claim of non-convenience.

XIII. OWNERSHIP OF DOCUMENTS

Upon completion or termination of this Agreement, all documents (i.e., deliverables) prepared by or obtained by the Appraiser as provided under the terms of this Agreement shall be delivered to and become the property of the City. Original basic survey notes, sketches, charts, drawings, partially completed drawings, computations, quantities and other data shall remain in the possession of the Appraiser as instruments of service unless specifically incorporated in a deliverable, but shall be made available, upon request, to the City without restriction or limitation on their use. The City acknowledges that the documents are prepared only for the Project. Prior to completion of the contracted Services the City shall have a recognized proprietary interest in the work product of the Appraiser.

Unless otherwise stated in this Agreement, any intellectual property owned by Appraiser prior to the effective date of this Agreement (i.e., preexisting information) shall remain the exclusive property of Appraiser even if such Preexisting Information is embedded or otherwise incorporated in materials or products first produced as a result of this Agreement or used to develop Deliverables. The City's right under this provision shall not apply to any Preexisting Information or any component thereof regardless of form or media.

XIV. CONFLICT OF INTEREST

Appraiser certifies it has no financial interest in the Services to be provided under this agreement other than the compensation specified herein. Appraiser further certifies that it presently has no personal or financial interest, and shall not acquire any such interest, direct or indirect, which would conflict in any manner with its performance of the Services under this agreement. The Appraiser further covenants that in the performance of this Agreement no person having any such interest shall be employed.

Further, Appraiser covenants that no officer, member or employee of the Appraiser or its subcontractors who exercises any functions or responsibilities in the review or approval of the undertaking or carrying out of the Agreement has any personal or financial interest, direct or indirect, in this Agreement or in the proceeds thereof.


XV. SEVERABILITY OF PROVISIONS

Whenever possible, each provision of this agreement will be interpreted in a manner as to be effective and valid under applicable law. However, if any provision of this agreement or the application of any provision to any party or circumstance will be prohibited by or invalid under applicable law, that provision will be ineffective to the extent of the prohibition or invalidity without invalidating the remainder of the provisions of this agreement or the application of the provision to other parties and circumstances.

XVI. EXTENT OF AGREEMENT

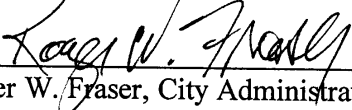
This Agreement together with any affixed exhibits, schedules, work statements or other documentation constitutes the entire understanding between the City and the Appraiser with respect to the subject matter of the Agreement and it supersedes, unless otherwise incorporated by reference herein, all prior representations, negotiations, agreements, or understandings, whether written or oral. Neither party has relied on any prior representations, of any kind or nature, in entering into this agreement. This agreement may be altered, amended or modified only by written amendment signed by the Consultant and the City.

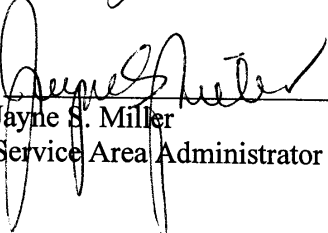
FOR GERALD ALCOCK CO., LLC

By: 
Michael T. Williams, MAI
Its: Principal and President

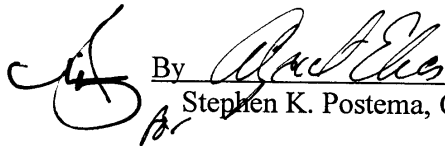
FOR THE CITY OF ANN ARBOR

Approved as to substance

By: 
Roger W. Fraser, City Administrator

By: 
Jayne S. Miller
Service Area Administrator

Approved as to form and content

By: 
Stephen K. Postema, City Attorney

**EXHIBIT A
SCOPE OF SERVICES**

1. Survey the vacant and available for sale lots within subdivisions. (Number and general price range)
2. Survey via MLS vacant and available for sale acreage building sites, 1.0 to 10.0 acre parcels. (Number and general price range).
3. Survey via MLS available and for sale existing homes. (Number and general price range). The above will represent the total supply of available building sites and existing homes which compete for home buyers moving into these areas. We will try to distinguish within this data those sites/homes that are within and outside of the Greenbelt although they will all compete against one another.
4. Compile and analyze inferred demand through new building permits issued and demographic forecast to estimate future demand per year.
5. Analyze and estimate the approximate range of absorption for existing inventory. For instance, if there are 100 existing homes and building sites in Webster Twp and the new households to area average 10 per year over the last couple years, then $100 / 10 = 10$ +/- years to absorb the existing supply.
6. This would be considered a consulting assignment and must comply with Standards 4 and 5 of USPAP. Thus, a brief written report must be prepared by the appraisers. With some maps, charts, required statements, and summary analysis and conclusions, this will be a 20-30 page document.

**GENERAL CONDITIONS
Delivery of Services**

Time is of the essence of each and all of the provisions of this Agreement, and the provisions of this Agreement shall extend to and be binding upon and inure to the benefit of the City. The Appraiser agrees to fully complete the type of form of appraisals specified in the Work Statement and furnish them to the City within the time specified in the Work Statement or this Agreement (as applicable), it being fully understood and agreed by the parties in the event the Appraiser shall fail to do so, the City may without the necessity of notice, terminate the services of the Appraiser without incurring any liability for a payment for appraisals submitted after the due date, or may elect to deduct, in the sole discretion of the City, as a liquidation of damages, a sum of money equal to one-third of one percent ($1/3$ of 1%) per calendar day for the first fifteen days and after the fifteenth day the amount shall be increased to one percent (1%) per calendar day of the total fee if the performance of the entire agreement is delayed beyond the due date and the same may be done with respect to the individual parcel(s) that have not been received by the due date. Upon written request by the Appraiser, an extension of time may be granted by the Contract Administrator in writing. It is further agreed that if a liquidation of damages is imposed pursuant to this agreement, any money due and payable to the City thereby, may be retained out of any money earned by the Appraiser under the terms of this agreement.

EXHIBIT B
FAIR EMPLOYMENT PRACTICE

The consultant, its agents or sub-contractors, shall comply with all requirements of Chapter 112 of Title IX of the Code of the City of Ann Arbor and in particular the following excerpts therefrom:

9:161 NONDISCRIMINATION BY CITY CONTRACTORS

- (1) All contractors proposing to do business with the City of Ann Arbor shall satisfy the nondiscrimination administrative policy adopted by the City Administrator in accordance with the guidelines of this section. All contractors shall receive approval from the Director prior to entering into a contract with the City, unless specifically exempted by administrative policy. All City contractors shall take affirmative action to insure that applicants are employed and that employees are treated during employment in a manner which provides equal employment opportunity and tends to eliminate inequality based upon race, national origin or sex.
- (2) Each prospective contractor shall submit to the City data showing current total employment by occupational category, sex and minority group. If, after verifying this data, the Director concludes that it indicates total minority and female employment commensurate with their availability within the contractor's labor recruitment area, i.e., the area from which the contractor can reasonably be expected to recruit, said contractor shall be accepted by the Director as having fulfilled affirmative action requirements for a period of one year at which time the Director shall conduct another review. Other contractors shall develop an affirmative action program in conjunction with the Director. Said program shall include specific goals and timetables for the hiring and promotion of minorities and females. Said goals shall reflect the availability of minorities and females within the contractor's labor recruitment area. In the case of construction contractors, the Director shall use for employment verification the labor recruitment area of the Ann Arbor-Ypsilanti standard metropolitan statistical area. Construction contractors determined to be in compliance shall be accepted by the Director as having fulfilled affirmative action requirements for a period of six (6) months at which time the Director shall conduct another review.
- (3) In hiring for construction projects, contractors shall make good faith efforts to employ local persons, so as to enhance the local economy.
- (4) All contracts shall include provisions through which the contractor agrees, in addition to any other applicable Federal or State labor laws:
 - (a) To set goals, in conference with the Human Resources Director, for each job category or division of the work force used in the completion of the City work;
 - (b) To provide periodic reports concerning the progress the contractor has made in meeting the affirmative action goals it has agreed to;
 - (c) To permit the Director access to all books, records and accounts pertaining to its employment practices for the purpose of determining compliance with the affirmative action requirements.

- (5) The Director shall monitor the compliance of each contractor with the nondiscrimination provisions of each contract. The Director shall develop procedures and regulations consistent with the administrative policy adopted by the City Administrator for notice and enforcement of non-compliance. Such procedures and regulations shall include a provision for the posting of contractors not in compliance.
- (6) All City contracts shall provide further that breach of the obligation not to discriminate shall be a material breach of the contract for which the City shall be entitled, at its option, to do any or all of the following:
- (a) To cancel, terminate, or suspend the contract in whole or part and/or refuse to make any required periodic payments under the contract;
 - (b) Declare the contractor ineligible for the award of any future contracts with the City for a specified length of time;
 - (c) To recover liquidated damages of a specified sum, said sum to be that percentage of the labor expenditure for the time period involved which would have accrued to minority group members had the affirmative action not been breached;
 - (d) Impose for each day of non-compliance, liquidated damages of a specified sum, based upon the following schedule:

<u>Contract Amount</u>	<u>Assessed Damages Per Day of Non-Compliance</u>
\$ 10,000 - 24,999	\$ 25.00
25,000 - 99,999	50.00
100,000 - 199,999	100.00
200,000 - 499,999	150.00
500,000 - 1,499,999	200.00
1,500,000 - 2,999,999	250.00
3,000,000 - 4,999,999	300.00
5,000,000 - and above	500.00

- (e) In addition the contractor shall be liable for any costs or expenses incurred by the City of Ann Arbor in obtaining from other sources the work and services to be rendered or performed or the goods or properties to be furnished or delivered to the City under this contract.

EXHIBIT C
LIVING WAGE ORDINANCE EXCERPTS

The Consultant, its agents or sub-contractors, shall comply with all requirements of Chapter 23 of Title I of the Code of the City of Ann Arbor and in particular the following excerpts therefrom:

1:813. Definitions.

For purposes of this Chapter, the following definitions shall apply:

- (1) "Contractor/vendor" is a person or entity that has a contract with the City primarily for the furnishing of services where the total amount of the contract or contracts with the City exceeds \$10,000 for any 12-month period. "Contractor/vendor" does not include a person or entity that has a contract with the City primarily for the purchase of goods or property, or for the lease of goods or property to or from the City.
- (2) "Covered Employee" means a person employed by a covered employer to perform services which are covered or funded by the contract with or grant from the City; provided, however, that persons who are employed pursuant to federal, state or local laws relating to prevailing wages shall be exempt from this Chapter.
- (3) "Covered Employer" means a contractor/vendor or grantee that has not been granted an exemption from this Chapter pursuant to Section 1:817.
- (4) "Employee" means an individual who provides personal services performed for wages under any contract calling for the performance of personal services, whether written or oral, express or implied. The term "employee" does not include any individual who volunteers to perform services for an employer if
 - (a) The individual receives no compensation or is paid expenses, reasonable benefits, or a nominal fee to perform the services for which the individual volunteered; and
 - (b) Such services are not the same type of services which the individual is employed to perform for such employer.
- (5) "Employee Health Benefits" or "Health Benefits" means providing health care benefits for employees (or employees and their dependents) at employer cost or making an employer contribution toward the purchase of such health care benefits for employees (or employees and their dependents), provided that the employer cost or contribution equals no less than \$1 an hour for the average work week of such employee, and provided further that any employee payment or contribution toward health care shall not exceed 50 cents an hour for the average work week for such employee.
- (6) "Grant" means any form of financial assistance to a "Grantee" as set forth and defined in Section 1:813(7). "Grant" does not include financial assistance used for the purchase or lease of property or other non-personnel costs.

- (7) "Grantee" is a person or entity that is a recipient of any financial assistance from the City in the form of any federal, state or local grant program administered by the City, revenue bond financing, tax increment financing, tax abatement, tax credit, direct grant, or any other form of financial assistance that exceeds \$10,000 for any 12-month period, including any contractors, subcontractors, or leaseholders of the grantee whose contract, subcontract or lease with the grantee exceeds \$10,000 for any 12-month period.
- (8) "Living Wage" means a wage equal to the levels established in Section 1:815.
- (9) "Person" means any individual, co-partnership, corporation, association, club, joint adventure, estate, trust, and any other group or combination acting as a unit, and the individuals constituting such group or unit.
- (10) "\$10,000 for any 12 month period" is computed by taking the total amount of the contract, grant or loan and dividing it by the number of months the contract, grant or loan covers.

1:814. Applicability.

- (1) This Chapter shall apply to any person that is a contractor/vendor or grantee as defined in Section 1:813 that employs or contracts with five (5) or more individuals; provided, however, that this Chapter shall not apply to a non-profit contractor/vendor or non-profit grantee unless it employs or contracts with ten (10) or more individuals.
- (2) This Chapter shall apply to any grant, contract, or subcontract or other form of financial assistance awarded to or entered into with a contractor/vendor or grantee after the effective date of this Chapter and to the extension or renewal after the effective date of this Chapter of any grant, contract, or subcontract or other form of financial assistance with a contractor/vendor or grantee.

1:815. Living Wages Required.

- (1) Every contractor/vendor or grantee, as defined in Section 1:813, shall pay its covered employees a living wage as established in this Section.
 - (a) For a covered employer that provides employee health care to its employees, the living wage shall be \$8.70 an hour, or the adjusted amount hereafter established under Section 1:815(3).
 - (b) For a covered employer that does not provide health care to its employees, the living wage shall be \$10.20 a hour, or the adjusted amount hereafter established under Section 1:815(3).
- (2) In order to qualify to pay the living wage rate for covered employers providing employee health care under subsection 1:815(1)(a), a covered employer shall furnish proof of said health care coverage, and payment therefor to the City Administrator or his/her designee.

- (3) The amount of the living wage established in this Section shall be adjusted upward no later than April 30, 2002, and every year thereafter by a percentage equal to the percentage increase, if any, in the federal poverty guidelines as published by the United States Department of Health and Human Services for the years 2001 and 2002. Subsequent annual adjustments shall be based upon the percentage increase, if any, in the United States Department of Health and Human Services poverty guidelines when comparing the prior calendar year's poverty guidelines to the present calendar year's guidelines. The applicable percentage amount will be converted to an amount in cents by multiplying the existing wage under Section 1.815(1)(b) by said percentage, rounding upward to the next cent, and adding this amount of cents to the existing living wage levels established under Sections 1:815(1)(a) and 1:815(1)(b). Prior to April 1 of each calendar year, the City will notify any covered employer of this adjustment by posting a written notice in a prominent place in City Hall, and, in the case of a covered employer that has provided an address of record to the City, by a written letter to each such covered employer.