

**AFFIDAVIT OF GERARD MARKEY, ASSESSOR
CERTIFYING FUNCTIONAL OBSOLESCENCE**

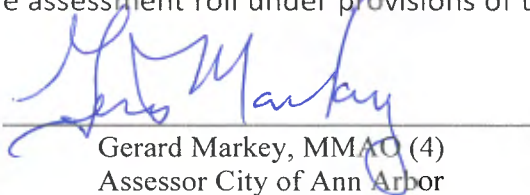
STATE OF MICHIGAN)
)**ss**
COUNTY OF WASHTENAW)

Gerard Markey, being duly sworn, deposes and says as follows:

1. I am the Assessor for the City of Ann Arbor, Michigan, which is located in Washtenaw County.
2. I have gained professional experience and knowledge in the related subject matter areas such as real estate appraisal, finance, and property valuation since April 1982, and have also obtained the highest level of assessor certification since that time. I am currently certified as a Michigan Master Assessing Officer MMAO (4).
3. On September 12, 2019, I personally inspected the property located at 3874 Research Park Drive in the City of Ann Arbor (APN 09-12-09-303-012) in my official capacity of City Assessor.
4. The property at 3874 Research Park Drive contains a one-story industrial/office structure and a paved surface parking area. The property was designed and previously used for research and development purposes.
5. During the inspection, it was my observation that the industrial/research shop area was constructed on a different grade elevation than the office. Access between the office and industrial/research area is gained by a series of stairs that has been covered with a barrier-free ramp. The industrial/research area is divided into several small work or lab areas constructed of concrete block walls that would have to be razed to accommodate another unrelated intended use. The industrial/research building has rooftop air-handling exhaust equipment dedicated to serving the former user's operations that may not be usable by the next user. The rooftop units may have to be removed possibly causing the roof to be replaced.

The building is currently in a state of disrepair. Examples of disrepair observed during the inspection included, but were not limited to, high water table causing flooding in the basement level, damage to the electrical panels due to flooding, water damage to the foundation walls, peeling paint, damage to ceiling surfaces, wear and tear to floorcovering, and outdated locker room and bathroom fixtures.

6. The interested buyer of the real estate has prepared and submitted the City of Ann Arbor's functional obsolescence questionnaire supplying the Assessor with additional information aiding in making a determination of severity of functional obsolescence.
7. The building was originally constructed in 1966 and later remodeled in 1995. The building has been unoccupied for several years. It is my expert opinion that this structure is at or near the end of its economic life.
8. The structure severely underutilizes the site in its present condition and prevents the site from achieving its highest and best use.
9. The property located at 3874 Research Park Drive pursuant to Act 381, of PA 1996, is uncompetitive with recently constructed industrial/research properties in the vicinity.
10. *The Dictionary of Real Estate Appraisal*, 5th Edition, defines functional obsolescence as "A loss in value within a structure due to changes in tastes, preferences, technical innovations, or market standards." (Appraisal Institute, page 249).
11. The underlying basis for my functional obsolescence opinion is stated above in paragraphs 5 through 10.
12. The above determination is made for the sole purpose of determining whether the property is an "eligible property" under the provisions of the Brownfield Redevelopment Act (PA 381, 1996). The above determination is not intended to reflect the official opinion of the City Assessor's Office in determination of the true cash value for the current and/or any future assessment roll under provisions of the General Property Tax Act, Act 206 of 1893.


Gerard Markey, MMAR (4)
Assessor City of Ann Arbor

Subscribed and sworn before me this 20 day of September 2019


Signature

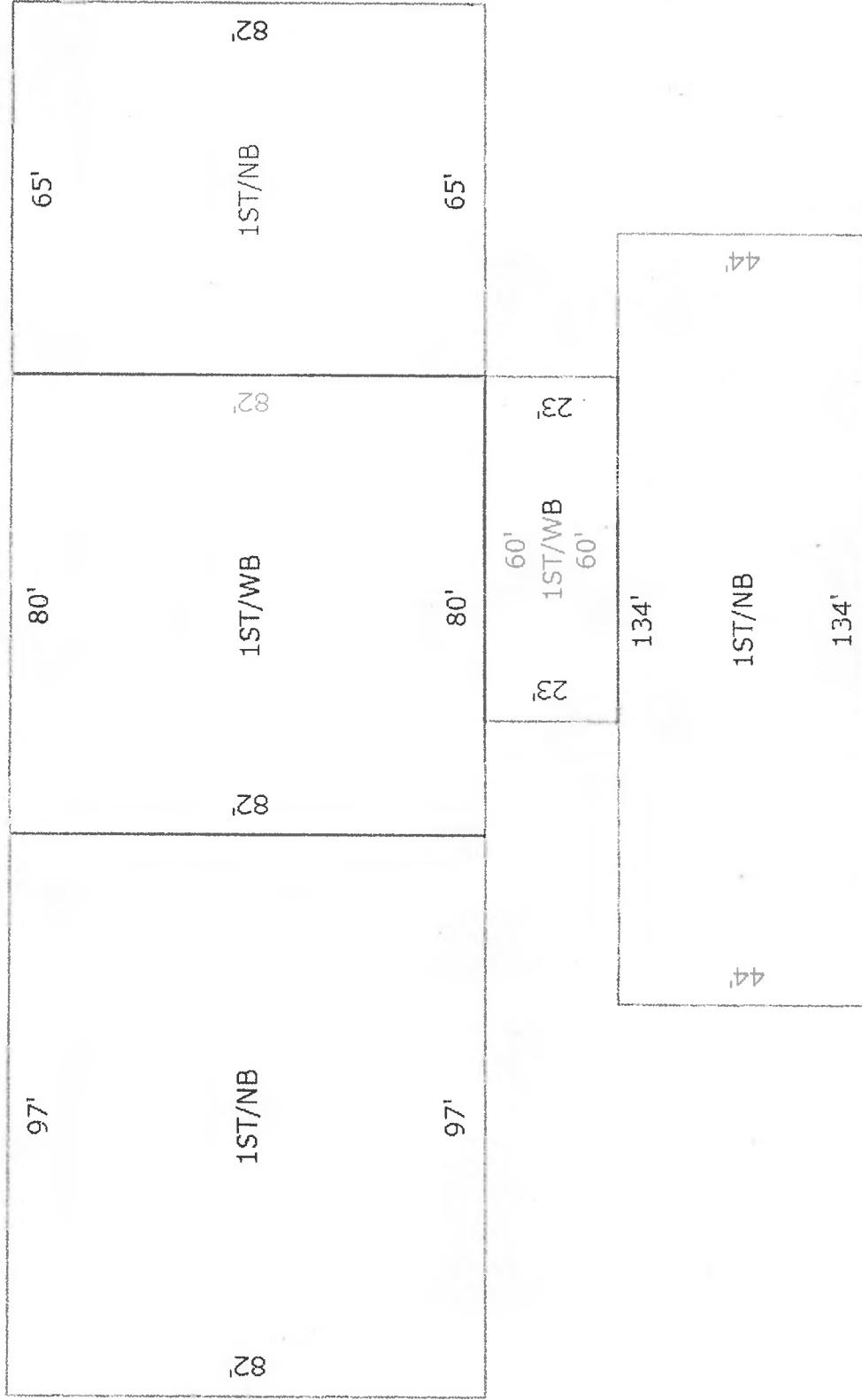
Jennifer Alexa, Notary Public
Print

Washtenaw County, Michigan

Commission Expires: March 4, 2020

JENNIFER ALEXA
Notary Public, State of Michigan
County of Washtenaw
My Commission Expires March 4, 2020
Acting in the County of Washtenaw

Intention of owner to demolish entire building
 (Per discussions with owner 9/12/2019)



South
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AB/11-19-14

Functional Obsolescence Questionnaire for 3874 Research Park Drive

The Brownfield Redevelopment Financing Act permits certain development financing incentives intended to induce redevelopment of eligible properties. This statement for request for information is intended to identify from the qualified applicant those improvements qualifying the redevelopment project as being eligible for the brownfield redevelopment incentive.

For properties seeking designation as “functionally obsolete,” please provide a description of the project and other redevelopment eligibility information. Attach your response on a separate attachment to each of the (11) eleven statements below.

1. Explain or list reasons why the property is unable to adequately perform the function for which it was intended.

- The building is located at 3874 Research Park Drive in the City of Ann Arbor (Parcel ID: 09-12-09-303-012) and is 27,120 square feet.
- The building was constructed in 1966.
- The building is constructed with out-dated construction materials, an inefficient layout, outdated heating & cooling, single-purpose design, and other inefficient features.
- The layout of the buildings on the site is inefficient, requiring demolition to optimize site density.
- Current construction pricing is at record levels, resulting in elevated costs for demolition, site work, and vertical construction that make it more difficult to achieve risk-adjusted rates of return.
- In-place infrastructure is aging and requires improvements.
- The design and other basic information on the property can be found here:
<https://bsaonline.com/SiteSearch/SiteSearchDetails?SearchFocus=All+Records&SearchCategory=Address&SearchText=3874+research&uid=283&PageIndex=1&ReferenceKey=09-12-09-303-012&ReferenceType=0&SortBy=&SearchOrigin=0&RecordKeyDisplayString=09-12-09-303-012&RecordKey=1%3d09-12-09-303-012%3a%3a4%3d09-12-09-303-012&RecordKeyType=1%3d0%3a%3a4%3d0>

2. What is the highest and best use of the property as originally designed and constructed?

- As originally designed, the highest and best use was as a vehicle emissions testing and validations center. The building was designed and constructed in a way as essentially a single-purpose facility, and one which is outdated for even its initial use. As it stands, it cannot serve as a functional building in the current marketplace, nor could it serve as an emissions testing center in the current marketplace without significant building modifications.

3. What was the immediately preceding building occupancy use?

- The building was owned by Federal-Mogul and used in its powertrain division to test and validate engine emissions using dynamometers and other equipment.

4. What is the proposed building occupancy use?

- The proposed replacement involves redevelopment, demolition, and construction of new office and lab space. The new space will be placed on the market for research and development or general office uses as part of a larger redevelopment effort along Research Park Drive.

5. Describe if applicable, any material loss in value resulting from:

- Overcapacity* - While the current building square-footage is reduced from what could be on the parcel, the current layout is an inefficient use of the square-footage based on current market demands.
- Changes in technology* - The building was constructed in 1966 and has outdated heating, electrical and other building capacities that need to be upgraded significantly to meet current market demands
- Deficiencies or super adequacies in the current design* - In addition to poor layout and outdated materials, the building features a large underutilized basement which houses and an out of date heating element for the building.

6. Describe any other factors internal to the property that affects the property's functionality including affecting the property's value.

- Major deficient features include poor internal layout, outdated and inefficient building material and construction, outdated heating elements.

7. Describe any deficiencies in the property that may cause a negative relationship with other surrounding properties external to the subject property.

- Poor site layout and dated design/materials do not meet energy code and present traffic circulation needs. Common transportation access with the adjacent property will make the entire site more efficient and allow circulation within the entire business park.
- No stormwater detention is addressed on site.
- High water table presents a flooded basement condition within the building.

8. What is the cost to acquire the property in “as-is, where-is” condition”

- The current assessed value for the building is \$764,400 or about \$1.5 million in fair market value; the purchase price of the property is \$1.19M.

9. What is the estimated cost to cure the functional obsolescence after the transfer of ownership?

- There is no clear cure to FO. Stormwater retention is not addressed at the site in its current condition.
- The interior layout is not and cannot be cured for ADA standards.
- Insufficient life safety systems are in place.
- The layout is not conducive to modern space configurations.
- The basement is inaccessible for ADA standard.

10. What is the percent of cost to cure versus cost to acquire (#8 / #9)?

- Greater than 300%

11. If a completed Brownfield Redevelopment plan has not been previously provided to the City’s finance director, please attach a copy of the plan.

- Per conversation with City’s finance director, we plan to submit a Brownfield Plan but would like to include certification as Functionally Obsolete prior to full plan submission.