

February 5, 2015

By Electronic Mail

Darcy C. Schmitt
Planning and Zoning Administrator
City of East Lansing
410 Abbot Road
East Lansing, Michigan 48823

RE: Park District Building A

Dear Darcy:

As was recently discussed with staff, Park District Investment Group, LLC currently controls a license to own and operate a Hotel Indigo franchise from Intercontinental Hotels Group. The license was originally granted in 2008 and extended numerous times in anticipation of the hotel finally moving forward in the East Lansing Central Business District. Intercontinental Hotels Group enjoys a strong relationship with Michigan State University School of Hospitality Management and was generous in its willingness to work with the applicant to see this project located nearby.

Unfortunately, given the length of time it is taking to work through the approval process, the applicant advised Hotel Indigo that it would not be able to meet the current deadlines under the license agreement. Intercontinental Hotels Group has made it clear they are not extending the license and is currently evaluating locating the hotel in Lansing, Lansing Township, or Meridian Township through an unrelated third-party franchisee. This is the reason why the hotel was removed from the plan.

It was also made clear by both City Council and the East Lansing Downtown Development Authority that they were disappointed in the change and wanted the applicant to evaluate options to retain the hotel. I am pleased to inform you that the applicant has entered into an agreement to joint venture with a Chicago-based third party hotel developer which has been approved by Intercontinental Hotels Group and will again proceed with plans to develop the hotel in the Park District project. This not only resolves Intercontinental Hotels Group's concerns but brings additional financial strength and expertise to the project.

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Under the revised plan, there are no changes in the site plan that was approved for Building B. Building A will contain two-levels of underground parking, first floor retail, second and third floor hotel, and five stories of residential. Thus, the height of the building is reduced from ten stories to eight stories and the number of residential floors is reduced from six to five. There will be approximately 83 hotel rooms and 77 residential units (59 two-BR units; 10-three BR units; 8 one-BR units).

Under the revised plan, there will be approximately 273 parking spaces in Building A. Highlights of the parking calculations are as follows:

- 1) The peak demand time is on weekends from 7 PM to 2 AM.
- 2) The surplus during that peak period for Building A is 43 spaces.
- 3) Please note that all of Building A parking demand combined with Building B residential demand has the same peak time of weekend nights. With those combined land uses at the peak time there is still a surplus of 11 spaces.
- 4) The combined Peak Demand for Buildings A and B is 286. With the 73 surface spaces added to the 273 spaces in Building A, there is a surplus of 60 spaces total.

We would further desire to note the following:

Issue 1: The building, through its proposed use, shall contribute substantially to the mix of desirable commercial, residential, social, cultural or employment opportunities or public amenities or open space available in the business district to achieve one or more public goals or objectives, as specified in the comprehensive plan or other strategic plan of the city, to benefit the business district, the adjacent residential or public areas, and the city as a whole.

The building conforms with the B-3 District goal to provide for a wide range of commercial and high density residential land uses designed to serve the residents and shoppers of the East Lansing City Center. The building also conforms with the Comprehensive Plan's goals for mixed-use buildings up to ten stories (although Building A will be eight) that, among other things: promote diversity in downtown housing; support both commercial and residential development; and encourage land development that can reduce the need for motor vehicles.

Building A will be unique and diversify housing in a variety of ways:

1. Since this building has no studio apartments and is not targeted at undergraduate students, the building will provide upscale amenities not typically found in undergraduate student housing such as valet parking, room service, dry cleaning pick-up and drop-off, onsite banking, restaurant and concierge services.
2. The building will be a secure facility with security personnel, dedicated electronic access to elevators, and video surveillance.

3. The residential units will be larger than those found throughout most of the City of East Lansing and offer one-of-a-kind high-rise views of the adjacent MSU campus and surrounding community. For example, the eighth floor will have penthouse type units including two-bedroom with a home office/den containing approximately 2,000 square feet each. Many two-bedroom units throughout the building are 1,300 square feet which is significantly larger than the surrounding market.
4. The building is adjacent to campus, the downtown central business district, The Peoples Church and close to the Valley Court Park and East Lansing City Hall thus offering proximity that will increase walkability and pedestrian access.
5. The building will have superior fit and finish including such items as hardwood or stained concrete floors, stainless steel appliances, and large easy access closets, apartment alarms, high end fixtures, and an intercom system.
6. Expansive views of the surrounding community given the height of floors four through eight.
7. PDIG will provide twice the number of Type A accessible type units as those required under the code. PDIG will also agree to substantially comply with generally accepted Universal Design standards.
8. A mix of uses that is not generally available in other residential buildings such as a bank, restaurant, coffee shop, other retail, and office. A resident could live, work, shop and dine without leaving the building.
9. A parking garage that is conveniently located on site and safe with valet parking and security cameras, while also having easy access to elevators at the valet drop off and heated floors to deal with ice and snow.

As has been previously discussed, the floor plans of the residential units will be large and not what would typically be found in an "undergraduate student apartment building," (e.g., four-bedrooms and four baths). The floor plans are shown in the present updated drawings. As also previously discussed, the units will have a superior fit and finish (as described in my January 8th letter).

Issue 2: The proposed Building A will generate a substantial number of temporary, part-time, and full-time employment opportunities that do not currently exist in the downtown business district.

Buildings A and B are expected to generate 225 new permanent, full-time jobs. The construction of Buildings A and B is expected to generate 179 temporary construction jobs.

Issue 3: The eight-story building will cause no significant additional negative impact on adjacent properties, public streets and parking facilities, or public utility and services.

The building will provide 273 parking spaces underground. In addition, the reduction of parking caused by the realignment and reconstruction of Albert Avenue will be replaced by surface parking to the east and south of the proposed Building B and 15 parking spaces added to The Peoples Church surface parking lot. The Carl Walker parking study commissioned by the City for a ten-story building concluded that “based on the shared model assumptions and results it appears that the parking supply can accommodate the peak demand period.” The reduction in building size will improve the parking situation. As part of the development, Park District Investment Group will also: upgrade and realign Albert Avenue; add bike lanes to Albert and Abbot Road; add traffic lanes to Abbot Road; and modernize and increase capacity of electrical, water and sewer facilities. Please note, however, that Building A could also be constructed without upgrading and realigning Albert.

Issue 4: Proposed Building A will be one of the first, and the largest, new LEED certified construction projects in the East Lansing Central Business District.

LEED (Leadership in Energy and Environmental Design) is a certification granted by the U. S. Green Building Council for design and construction that is efficient and environmentally friendly. Detailed information concerning LEED can be found at www.usgbc.org/LEED. PDIG will undertake those measures necessary to obtain LEED certification for Building A.

Issue 5: Proposed Building A will provide housing opportunities to a multi-market group of renters.

The Development Agreement will contain assurances that Building A will be operated as a multi-market building. PDIG is agreeable to provide for incentives for leases longer than twelve months and some portion of leases that do not coincide with local academic calendars.

Issue 6: Proposed Buildings A and B will generate substantial property taxes that are being used to address public infrastructure deficiencies in the East Lansing central business district that will facilitate development of other nearby property owned by the City of East Lansing and the Downtown Development Authority.

The project will generate tax increments that will be used to address approximately \$6,000,000 in public infrastructure improvements described above. In addition, the TIF recapture period has been reduced from thirty years to twenty-five years thereby returning tax revenue to the various taxing authorities sooner.

Issue 7: Economic effect of the hotel according to Oxford Economics study for IHG.

Unique Job Generation – This analysis reflects the approximate increase of jobs attributed to the hotel portion of Building A. These jobs are unique, as they provide a direct employment benefit to the city, as well as to Michigan State University’s School of Hospitality Business Graduates, who are looking to obtain a full time position in the same city as their alma mater.

- a. Hotel Permanent Full Time Jobs Generated – **75 Jobs**
- b. Hotel Management Positions Generated – **4 Jobs**
- c. Hotel Construction Jobs Generated – **60 Jobs**
- d. Hotel Partners, Sponsors, and Suppliers Generated – **12 Jobs**

Community Revenue- This analysis reflects the amount of revenue that is added to the local economy by each hotel guest throughout their respective stays.

Recreational Hotel guest – For every \$1 spent on hotel accommodations, the average IHG recreational traveler will spend \$7 in the local economy.

Business Traveler – For every \$1 spent on hotel accommodations, the average IHG business traveler will spend \$12 in the local economy.

Community Business Support – This analysis focused on the direct economic benefit of the community and its local businesses.

Hotel Revenue- Every \$18,000 in annual revenue made by the hotel supports one local job for a year.

Community Job Creation- Aside from the roughly 75 permanent fulltime jobs created by the hotel, there will be 4.25 jobs created within the local economy for each 1 permanent full time job created by the hotel. This means that with the hotel creating 75 permanent full time jobs, an estimated 319 jobs will be created.

Thank you for your continued consideration.

Sincerely,

ECKHARDT & ASSOCIATES, PC


Thomas R. Eckhardt