

March 11, 2020

Peter Dewan, Chair *(via e-mail)*
Downtown Development Authority
410 Abbot Road
East Lansing, MI 48823

RE: Letter of intent to acquire the DDA properties at 314 – 344 Evergreen Avenue

Dear Mr. Dewan,

Convexity Properties values its relationship with the East Lansing community and stakeholders. For the past four years we have been committed to delivering on all obligations and commitments made through the design, approval and construction processes of our development and the associated public way and infrastructure improvements. Now, less than four months from completion of The Abbot on what was a very prominent blighted corner in downtown East Lansing, we trust the community appreciates our commitments and dedication. Our proposal for the DDA properties on Evergreen Avenue (Albert Commons) is unique, and we are exceptionally qualified to quickly deliver a transformational improvement to downtown East Lansing while simultaneously addressing your debt obligations associated with the property.

Following our response to the DDA RFP and submission of a redevelopment plan on February 24, 2020, however, it came to our attention that select new multifamily properties in downtown East Lansing are now being assessed at significantly higher values than anticipated. Last week the City Assessor informed us that the valuation methodology he is using for those assessments has changed from what he told us in May of 2018. The 2018 methodology and associated property tax were incorporated in the financial modeling of our proposal. The property tax resulting from this new valuation methodology has a significant adverse impact on the Albert Commons underwriting, and the project we proposed is no longer feasible. We have evaluated multiple options but have yet to find a solution that would achieve an outcome similar to our original analysis. For this reason, we regret to inform you that Convexity Properties is withdrawing its letter of intent submitted on February 24, 2020 to acquire the DDA properties at 314-344 Evergreen Avenue.

If you or the City of East Lansing have any insights or suggestions that may facilitate the implementation of our proposal, we would welcome the opportunity to learn about and discuss them. We are equally concerned about how our current project, The Abbot, and also our proposed 'Building C' will be impacted. In the meantime and in consideration of the process, the recent change in the assessment methodology makes the proposed project unfeasible, and we respectfully withdraw our letter of intent.

Sincerely,

A handwritten signature in blue ink, appearing to read "David B. Nelson", with a long horizontal flourish extending to the right.

David B. Nelson
Partner, Head of Global Investments & Real Estate, DRW Holdings, LLC

cc:

Tom Fehrenbach, Director, Department of Planning, Building & Development / City of East Lansing
Aaron Blatt, Director of Acquisitions / Convexity Properties
Chris Oakley, Director of Design / Convexity Properties
David Pierson, Partner / McClelland & Anderson, LLP