



March 19, 2013

Lori Mullins, LLA, CTA
Community and Economic Development Administrator
City of East Lansing
410 Abbot Rd.
East Lansing, MI 48823

Dear Ms. Mullins:

Thank you for the opportunity to provide additional information regarding Capstone Collegiate Communities' ("Capstone") proposal for the Park District. The City has posed four questions:

1. **Question:** If the entity or proposed entity that will act as the developer is an LLC, please provide a list of the names of each member, the name of any managing members, as well as the ownership percentages of each member. If any member disclosed is also an LLC, please repeat the process until there are no longer any LLCs whose members have not been identified.

Response: Although Capstone will add additional partners as plans for the development progress, Capstone will serve as the lead developer. The three principals of Capstone are Rob Howland, John Vawter and Ben Walker. The three principals control 100% of Capstone and none of the principals are LLC's. If the City would like additional information about the individual ownership interests, we will provide but request that the information remain confidential.

2. **Question:** Please identify what, if any, components of the project you submitted that you expect to be financed with public debt.

Response: We would request that all public infrastructure including changes to the right of way, electrical, water and sewer infrastructure would be financed with public funds. We would also work with the city to determine the feasibility of financing with public debt a public parking garage that could be shared between the hotel, residential housing and commercial uses. Finally, Capstone would incorporate a new city farmers market into the development. The farmers market could be developed using public funds. Capstone however is willing to work with the city to determine the best means of financing the project including the use of TIF funds.

3. **Question:** Please identify what, if any, components of the project you submitted that you expect to be financed privately but reimbursed with public funds.

Response: The following components of the project would be financed with private funds and would not be reimbursed with public funds:

- a. **Hotel:** Capstone has received a letter from Starwood Hotels expressing their interest in developing an Aloft Hotel in downtown East Lansing. See attached as Exhibit A.
- b. **Commercial:** Capstone has received acknowledgement from Dublin Square Irish Pub & Restaurant, Fresh Market, and Pickwick Theatre, that all three retail components would be financed with private funds and would not seek reimbursement with public funds. Capstone is continuing to reach out to previous credit-tenant relationships it has forged over the years through Capstone developments across the United States. See attached as Exhibits B & C.
- c. **Residential:** Capstone will develop the residential portion of the project with private funds and will not seek reimbursement from public funds.

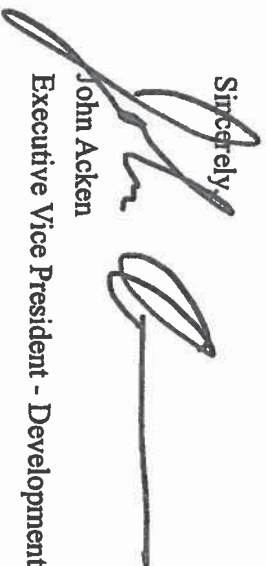
Although Capstone must maintain a financeable return, Capstone will work closely with the City to determine if it would be more advantageous to the City for Capstone to finance the infrastructure, parking garage and farmers market and be reimbursed by the City or if the City would prefer to build the infrastructure parking garage, and farmers market using public debt. Capstone has financed a number of parking garages in its recent developments including in Eugene, Oregon; Kennesaw, Georgia; and Tuscaloosa, Alabama. Depending on the final agreed upon scope of the project Capstone could finance certain improvements including the parking garage and be reimbursed using TIF funds or other sources of public funds.

4. **Question:** Please identify what, if any, components of the project you expect to be under the ownership and control of the City upon completion of the project.

Response: All public infrastructure including public utilities and public right of ways; public parking garage and farmers market that were financed using public funds either directly or through reimbursement would be under the ownership and control of the City.

Please let us know you have any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Acken', written over a horizontal line.

John Acken
Executive Vice President - Development