

March 21, 2008

Mayor John Hieftje and City Council  
City of Ann Arbor  
100 N. Fifth Ave  
Ann Arbor, MI 48104

Mayor Hieftje and Council Members:

I am writing to discuss the Ann Arbor City Apartments project that Village Green is developing in partnership with the City of Ann Arbor and the Downtown Development Authority on the corner of 1<sup>st</sup> and Washington Streets. At the City Council Meeting on March 17, it became clear that City Council has some questions regarding this development, and my hope is to address those questions in this letter.

Ann Arbor City Apartments will be constructed as a six-story structure over four levels of parking. Village Green will own and operate the apartments, and the DDA will own and operate the parking deck. The development will include 146 residential units of varying sizes and 241 parking spaces. The project's façade will be a mix of traditional materials such as brick and stone, with significant landscaping along the streetscape.

Four main goals were identified in the site's 2006 RFP. We are addressing each of these goals in our development:

**1) Increase downtown residential density and diversity.**

- The project will incorporate 146 new residential units, compared to the single-story parking lot currently on-site.
- As opposed to so many other new developments, all units will be *for-rent*, and not for-sale, strengthening housing diversity in Ann Arbor. While anyone who income qualifies can live at the property, this development is not designed to function as student housing. We believe the apartments are a unique project which will draw young professionals and others looking for a hip and fun downtown residential experience.
- 10% of the units will be Affordable, and rented to households earning 50%-80% of AMI, furthering income diversity downtown.
- By incorporating both parking and housing, we accomplish a valuable mixed-use and diverse structure.
- Throughout the development process, the project has coordinated with the neighboring property owners and the City in what may turn out to be the redevelopment of a whole City block.

**2) Replace public parking spaces on the site.**

- Over four levels of parking, we will incorporate 241 new spaces on-site.

- We will incorporate numerous TOD and Green design concepts, including flex parking spaces (where apartment renters and parkers share spaces over the course of the 24 hour day), ZipCar, and others.
- We will provide much-needed parking for neighborhood retail and office users for the CBD of Ann Arbor.

**3) Maximize financial return to the City for the sale of the land.**

- Because there is currently no development at this corner, local merchants are being hurt. Ann Arbor desperately needs parking downtown, and thus Ann Arbor City Apartments will spark economic development in town.
- This development will create much-needed new jobs for the City.
- The expansion of the biomedical and high-tech industries in Ann Arbor has drawn a new breed of urban dwellers to the City, typically hip and upwardly mobile. Our unique *City Apartments* brand is designed with these renters in mind, offering such urban features as lively outdoor spaces, wi-fi-enabled lobbies, and high-end, cosmopolitan finishes.

**4) Maximize revenue for the DDA for the development of the site.**

- We are building 241 parking spaces for the DDA to own and manage, including 73 for the apartments residents plus 73 flex spaces for the DDA to utilize. This four-story deck replaces an existing surface parking lot.
- 146 units of housing will greatly increase taxes to the City, compared to the parking lot currently on-site.
- We have worked closely with the DDA to negotiate this development and pricing, and in January 2008 we received a Resolution of support from the DDA.

Over the past two years, we have worked closely with a number of constituents within the City of Ann Arbor, as we have pushed this development forward:

- **Downtown Development Association.** Susan Pollay has worked tirelessly to help us develop this land, and we have held countless meetings with her, the DDA Operations Committee, and the larger DDA Board. Thanks to the Resolution passed this past January, we have received the support of the DDA, after much hard-work and mutual negotiation.
- **Department of City Planning.** While we are in the early stages of the Planning and Site Plan process, our planner Jeff Kahan and Mark Lloyd have been extremely receptive and excited about our project. We have also presented our project to and met with all divisions within Planning.
- **Tom Crawford, Finance Department.** Tom Crawford has spent countless hours on the phone with us and in person, helping us to negotiate and manage our way through the City's at-times challenging bureaucracy. With Tom's help, and through countless hours of negotiation, we have structured a business deal that is acceptable to the Finance Department, the City, the DDA, our neighbors, the Planning Department, and others.
- **Community Engagement Plan.** We have reached out to and met with community groups within Ann Arbor, including the Old West Side Board,

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the Downtown Area Citizens Advisory Council, and Main Street Area Association. All these groups received our development enthusiastically, and some members have appeared at our countless community and City-meetings to voice their support.

- **Planning Commission.** Despite not being required to, we met with the Planning Commission in a working session to obtain early feedback and incorporate changes into the project where possible. We did this because we value community input and want to make the best possible project.
- **Our Neighbors.** We have met with our neighbors at the site, including Mark Hodesh and Dax Ponce De Leon. We cooperated with them, the City and all the utility companies to redo and optimize how utility services are delivered to the whole City block. We continue to have dialogue with our neighbors.

Despite the difficulties in the local and national economies, we continue to be in a strong position to proceed with this economic development. Our construction lender is Bank of America, and our Equity Partner is one of the leading pension funds in the United States. We have invested over \$250,000 in addition to two years of our time into this development. We now have reached the point where we simply need the correct amount of time to complete our architectural drawings, engineering drawings, construction pricing, and process our building permits. Our time and money continue to be at risk. Despite our best efforts and those of our consultants, various City departments and the DDA to move forward expeditiously, and through no fault of our Company, we require an extension to proceed.

In light of our strong adherence to the RFP, and in light the strong support that our development has garnered, we write this letter somewhat confused. Prior to the Council meeting on March 17, we had experienced consistent, supportive feedback from all different constituencies within the City. However, last Monday presented a major surprise to us—and for the first time, we now experience a troubling inconsistency. We do not understand what aspects of this deal are unacceptable to the City Council, in light of all the buy-in that we have received from so many constituents in Ann Arbor.

Without the support of City Council, and without the time we need to complete this complicated transaction, we would have no choice but to question whether or not to proceed with this project.

In the spirit of continuing to develop a strong public-private partnership, we are eager to meet with you, and with all members of the City Council at their convenience. We propose the following meetings, between now and the next Council meeting on April 7, 2008:

- **Wednesday, April 2.** We request the opportunity to present our project to any interested members of Council at a Special Meeting, on April 2. If there is interest in this meeting, we will happily coordinate details and rent an appropriate location. We propose a time of 6:00 PM.
- **Sunday, April 6.** We request the opportunity to meet with you and the community at your Caucus Meeting on April 6. Representatives from Village Green will attend that meeting, and we can present boards at that time and answer any additional outstanding questions.

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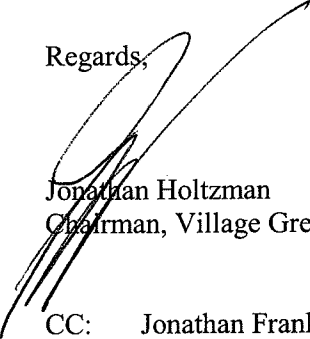
  
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- **March 24 - Present.** We would look forward to meeting Members of Council on-site at any time, to further discuss our exciting plans.

Thank you for your time. We are eager to continue in the spirit of developing a strong public-private partnership on this exciting new development. It has so much to offer Ann Arbor. We look forward to answering your questions and sharing our exciting vision in the coming weeks, months, and years to come.

Regards,

  
Jonathan Holtzman  
Chairman, Village Green Companies

CC: Jonathan Frank  
Yohannes Cramlet  
Tom Crawford  
Susan Pollay