

1320 South University Apartments, LLC

April 3, 2012

Ann Arbor City Council
301 East Huron
Ann Arbor, MI 48107

Re: Rezoning application to D1 with conditions by 1320 South University Apartments, LLC

Dear Council Members,

The undersigned is a manager and an owner of the above-captioned property (1320 SU). This letter is tendered to clarify certain misconceptions that seem to have arisen regarding the property and its ownership. Suffice it to say that as: a resident of the Michigan for nearly 70 years, a University of Michigan graduate, an owner of an active business in the City of Ann Arbor for over 23 years, that presently provides 14 full-time jobs, (and over 20 part-time jobs), an owner in properties in the City that pay over \$300,000 in real estate taxes annually, and an owner in 1320 SU for 35 years (1977), we are vitally interested in the health and welfare of both the City and UM. To characterize the property as being owned by outsiders not familiar with Ann Arbor is blatantly false.

Another misconception is that the D-2 zoning of this parcel would provide a reasonable transition from the 170 foot building directly adjacent to 1320 SU, the Mud Bowl and Washtenaw. We have consulted with experts who have advised that due to the restrictions in the D-2 zoning as it affects 1320 SU, it is economically unfeasible to undertake any new development of the property under such zoning. The costs of the land, demolition, construction, professional fees, financing and anticipated City mandated improvements, would be prohibitive when weighed against the estimated income from such a reduced project. Therefore, the “down-zoning” of the parcel from its prior zoning category, (that would have allowed high-rise construction of greater height and density than what we have proposed), has rendered the property sterile regarding further development. There certainly is no incentive to undertake the risk, and expenditure of effort, time, and money that would be required for such an undertaking without the possibility of some reasonable economic reward. We have held the building in essentially its present configuration for 35 years, and we will continue to do so in the future given the existing D-2 zoning.

Finally, we have been advised the “down-zoning” of the property in 2009 (which we feel was wrongful) was done, in part, as a compromise between the City and a few neighbors. We have asked our experts to identify the economic impact on the potential real estate tax revenues that are being forgone yearly, due to this action. Assuming that a project could

be built as outlined in our proposal, their calculations indicate that the estimated public revenues gained by the City, school, etc., generated from the project would be between \$1,000,000 and \$1,100,000 annually in excess of the present taxes on the property. Every year of delay is a potential for a loss of the opportunity to generate this revenue, and a 10-year delay would amount to over \$10,000,000 in potential revenues to the City and other public entities.

At present, there is a window of opportunity where there are both interested builders and available financing at reasonable costs that would make such a project attractive. How long this window stays open is anybody's guess. It is my opinion that eventually the property will be rezoned in line with our proposal to accommodate an economically viable project that would enhance the beauty and vitality of the area. Given that the property was previously deemed appropriate for the requested use, it would be unfortunate lose the potential of over \$1,000,000 a year in real estate taxes in the meantime.

Very truly yours,

1320 South University Apartments, LLC

By:



Philip Sotiroff