



September 20, 2016

VIA OVERNIGHT DELIVERY

Mr. Derek Delacourt
Community Services Area Administrator
CITY OF ANN ARBOR
Larcom City Hall
301 East Huron Street
Ann Arbor, MI 48104

Mr. Thomas Crawford –
Chief Financial Officer
CITY OF ANN ARBOR
Larcom City Hall
301 East Huron Street
Ann Arbor, MI 48104

Re: 350 S. Fifth Ave., Ann Arbor / Proposed Modification to Deed Covenants/Restrictions

Gentlemen:

Attached is a copy of our proposed modifications to the Deed Covenants/Restrictions which currently encumber the above-referenced property.

As you know, our development team (comprised of The Habitat Company, CA Ventures and Hughes Properties) has worked closely with Ann Arbor City staff over the past 13 months in order to minimize the modifications to the existing Deed Covenants/Restrictions that we will need before we are able to acquire and subsequently develop the property. We believe the only tangible “accommodation” that we are requesting is the delay of the City’s right of reverter, which any new development team certainly would require.

In full cooperation, we are prepared to include several additions to and modifications of our plans suggested by representatives of the City. We were pleased to make the changes because they are sensible and consistent with the economics of our project and good planning. In addition, we have learned of the importance of “workforce housing” to the City of Ann Arbor and the apparent lack of quality workforce housing in the downtown area. For the past 45 years, The Habitat Company has been very committed to the development and management of workforce and affordable housing and is pleased to offer the following commitment for our proposed project:

- (1) No less than 20 “micro-units” will be included in the building, with square footages of about 380 sq. ft. to about 400 sq. ft., and with rents at the lowest levels in the building; and
- (2) At least six of the 20 “micro-units” will be designated as “workforce housing”, meaning that they will be offered at rents for which persons earning no more than 80% of the area median income may qualify. We will assume the responsibilities of enforcing the associated income limitations and will satisfy the City that we have honored our commitment.

Given that the existing Deed Covenants/Restrictions do not require any workforce housing in the eventual project, and that we are not aware of any other newly-constructed multi-family apartment communities in Ann Arbor containing workforce housing units, we trust that these workforce housing units will be appreciated by the City and the community.

At the City's request, we will send you copies of our most recent renderings of our proposed project and will be pleased to answer any questions the City may have. We look forward to working closely with the City throughout the Site Plan Approval / Design Review processes in order to finalize the design and development plans for our project as well as to clarify all aspects of the workforce housing component.

We are excited about this development opportunity which we believe will provide the following tangible benefits to the City of Ann Arbor:

- (a) A very high quality mixed-use development in the heart of downtown Ann Arbor
- (b) Approximately 233 residential units, including at least 20 "micro-units" with moderate rents, six of which will be designated as "workforce housing"
- (c) Large plate office space above the first floor consisting of at least 14,000 sf (gross)
- (d) First floor retail space (including a high quality small convenience grocery store)
- (e) Creation of construction and permanent jobs
- (f) Enhanced real estate tax revenue
- (g) Accommodation of Ann Arbor Area Transit Authority with no request for curb cuts on Fourth Avenue

In light of the foregoing, we respectfully request that the City staff include our proposed modifications to the Deed Covenants/Restrictions on the Agenda for the October 6 City Council meeting and recommend approval by the City Council of such modifications.

We look forward to working with you soon on these matters. Thanks in advance for your consideration.

Very truly yours,

THE HABITAT COMPANY LLC



Daniel E. Levin
Chairman

Encl.