

WASHTENAW COUNTY HOTEL AND MOTEL ASSOCIATION

P.O.Box 3101, Ann Arbor, Michigan 48106

March 26, 2010

Honorable Sabra Briere
P. O. Box 8647
Ann Arbor, Michigan 48107

Dear Councilmember Briere:

The Washtenaw County Hotel and Motel Association, which includes all of the major hotels in Ann Arbor, with a total of over 1,800 employees, wishes to advise you that we oppose the hotel and conference centers that have been proposed for the Library Lot by Acquest Realty and Valiant Partners L.L.C. We are convinced, through our many years of industry experience, and for the reasons stated below, that these projects would be high-risk real estate ventures. Consequently, it is our belief that neither the City nor its agencies should rely on the hotel's forecasted revenue for twenty to thirty years to pay the debt service on the conference center bond or to make the twenty years of payments for the purchase or the seventy-five years of payments for the lease of the Library Lot from the City, as is proposed by Valiant Partners L.L.C.

Demand for hotel rooms and for conference and ballroom space in Ann Arbor and in many other parts of the country has been trending downward even before Pfizer's departure from the City in 2008. It is apparent that this downward trend will continue as companies continue to reduce their travel budgets by utilizing the Internet and improved teleconferencing and video conferencing to make sales presentations and provide information to their customers, thereby avoiding the hassle of airline travel and significant lodging, dining and meeting expenses.

The industry standard, Smith Travel Research's "Star" report, states that our area's upscale hotel occupancy rate for 2009 was 62% with an average daily room rate of \$102.27. The Valiant proposal projects that its stabilized third year hotel occupancy rate will be 75.8% with an average daily room rate of \$208.89. If travelers were willing to pay twice the going rate to stay in Ann Arbor, opportunistic developers would have built hotels downtown many years ago, and without taxpayer assistance.

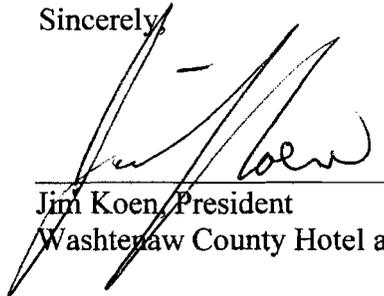
An illustration of the cyclical nature of our business is the fate of the once highly successful Hyatt Regency Hotel in nearby Dearborn, with 62,000 square feet of conference and ballroom space. It suffered an operating loss before debt service of \$1.3 million last year and has not made a mortgage payment for the last nine months. It was purchased three years ago for \$40 million. It is now for sale for \$15 million.

The Valiant conference center, with 25,000 to 32,000 square feet of meeting and ballroom space, is comparable in actual room sizes to our existing facilities and

consequently would not open new markets. It would need to take business away from our properties, which have more than ample underutilized upscale conference and ballroom space available to meet the future needs of Ann Arbor. And, unlike the Valiant proposal, we absorb our own conference and ballroom development costs and operating deficits. We also face the possibility that the University of Michigan will remodel the 800-seat Pfizer dining facility into a conference center.

City or DDA arranged bonding or other assistance for either the Valiant or Acquest project will threaten the viability of our properties, which are already struggling. We hope that public money will not be provided for the benefit of private businesses that compete with other private businesses which aren't provided that benefit.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Koen", is written over a horizontal line. The signature is stylized and somewhat cursive.

Jim Koen, President
Washtenaw County Hotel and Motel Association

cc: Mary Kerr, President, Ann Arbor Convention and Visitors Bureau