

March 4, 2016

City of Austin  
Planning and Zoning Department  
Attn: Victoria Haase  
2006 East 4<sup>th</sup> Street  
Austin, Texas 78702  
[tori.haase@austintexas.gov](mailto:tori.haase@austintexas.gov)

**RE: Case Number: C14-85-027(RCA)**  
**Letter Opposing Termination of Restrictive Covenants**

Dear Ms. Haase:

Principal Real Estate Investors, LLC is aware that the Drenner Group, as representative of the owner (“Applicant”) of 2102 Rio Grande Street, Austin, Texas, Travis County (“Property”), has submitted an application (“Application”) to the Austin Planning and Zoning Department (“Department”) to terminate the restrictive covenant imposed on the Property ( “Restrictive Covenant”).

Principal Real Estate Investors, LLC (“Principal”), as agent for and on behalf of (1) 2101 Rio Grande Property Owner, LLC, owner of the property located 2101 Rio Grande Street; (2) Quarters West Campus Phase II, LLC, owner of the properties located 714 22<sup>nd</sup> Street, 2300 Nueces Street, and 2222 Rio Grande Street; (3) SV Hardin House, L.P., owner of the property located at 2206 Rio Grande Street; and (4) West Campus Partners, L.P., owner of the properties located at 709 W 22<sup>nd</sup> Street and 2707 Rio Grande Street (collectively, the “Principal Properties”), is writing this letter to express its opposition to the termination of the Restrictive Covenant.

The Restrictive Covenant provides, among other things, that the buildings on the Applicant’s Property “shall comply in all respects with the Austin City Code of 1891, as amended from time to time.” Chief among the Austin City Code’s (“Code”) requirements is that all properties within the University Neighborhood Overlay (“UNO”), the neighborhood in which the Property and Principal Properties are located, comply with building height restrictions via the University Neighborhood Overlay Height District, a copy of which is attached hereto as Exhibit A (“UNO Height District”). Given the close proximity of the Applicant’s Property to the Principal Properties, Principal has a strong interest in the Application and the Department’s decision.

[WWW.PRINCIPALGLOBAL.COM](http://WWW.PRINCIPALGLOBAL.COM)

Principal opposes termination of the Restrictive Covenant and thus the height restrictions imposed by the UNO Height District for several reasons. First, the height restrictions provide the benefit for individuals residing in properties surrounding the Property, including the Principal Properties, of aesthetically pleasing views of the neighborhood. Terminating the Restrictive Covenant, which would inevitably lead to the construction of taller structures in the UNO, including one on the Property, would materially alter the UNO neighborhood character and interrupt the cosmetic continuity enjoyed by UNO residents and the City of Austin and its residents at large. The main purpose of any such height restrictions imposed on a particular area by a city is the pleasing cosmetic continuity it affords that particular neighborhood's residents; thus, terminating the Restrictive Covenant would be inconsistent with the City of Austin's principal purpose in imposing the UNO Height District.

Second, to permit a termination of the Restrictive Covenant and the height restrictions imposed by the UNO Height District would deny surrounding landowners, including owners of the Principal Properties, of the benefit of their bargain in respect of the purchase, development and continued maintenance of their properties by termination of the publicly-filed and publicly-known agreement (i.e. the Restrictive Covenant) concerning the aesthetic and developmental nature of properties within the UNO. When businesses and individuals consider purchasing a particular piece of property, the decision-making process is undoubtedly affected by the nature of surrounding properties and any limitations, via restrictive covenants or otherwise, imposed on surrounding properties regarding what they can and can't do on a going forward basis. Further, a landowner relies on limitations, via restrictive covenants or otherwise, on surrounding properties when making decisions on the nature and extent of continued development and investment in a property. Thus, terminating the Restrictive Covenant undoes the expectations surrounding landowners within the UNO had when those landowners originally purchased their properties and when they made ongoing development and investment decisions. Put another way, terminating the Restrictive Covenant would be changing an important and fundamental rule after the game has started. As a result, the negative precedent set by a decision to terminate the Restrictive Covenant could discourage future development and investment in other property districts given that potential and existing property owners would have to factor in unpredictable planning and zoning modifications. This would be contrary to sound public policy.

Third, if the Restrictive Covenant and the height restrictions imposed by the UNO Height District are terminated, there may well be a significant loss in market value of properties surrounding the Property, including the Principal Properties. It is manifestly unfair to individuals and businesses that have invested significant capital in properties located within the UNO to incur financial losses because one property owner gets to void the rules and restrictions imposed by the Restrictive Covenant for its development project. If the Restrictive Covenant is

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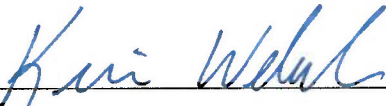
terminated, the Department would be socializing all of the financial burdens associated therewith and concentrating the financial benefit.


As a result of the foregoing, Principal respectfully requests that the Department reject the Applicant's request to terminate the Restrictive Covenant.

Sincerely,

Principal Real Estate Investor, LLC,  
as agent for and on behalf of:

2101 Rio Grande Property Owner, LLC  
Quarters West Campus Phase II, LLC  
SV Hardin House, L.P.  
West Campus Partners, L.P.

By:   
Name: \_\_\_\_\_  
Title: **Kevin Welsch**  
**Senior Asset Manager**

By:   
Name: \_\_\_\_\_  
Title: **ALAN P. KRESS, Counsel**