Report

To: Town of Basalt, Colorado

From: Bruce Kimmel, Senior Financial Advisor

Date: November 10, 2015

Subject: **RFCDC Parcel Redevelopment Scenario Analysis**

The Town of Basalt has asked Ehlers to help it evaluate the fiscal dynamics surrounding future land use and redevelopment options that exist for the Roaring Fork CDC-owned parcel located at the corner of Two Rivers Road and Midland Avenue in downtown Basalt. This report presents our initial findings on the Town revenues and expenses attributable directly to three distinct land use scenarios for the western portion of the RFCDC parcel (i.e. west of the intersection of Two Rivers and Midland Spur):

1. Private development of a condominium-hotel property totaling 75,000 s.f., consistent with the development concept in Planning and Zoning Commission Option 3E.1, and as specifically directed by Town Resolution No. 34, Series of 2015;

2. Private development of condominiums totaling 35,000 s.f.; and

3. Town purchase of the RFCDC parcel and development of a 5,000 s.f. community facility.

All three scenarios assume the eastern portion of the RFCDC remains open space as part of the DAAC-endorsed view plane that begins downtown near the intersection of Midland Avenue and Midland Spur and widens across the eastern portions of the Lions Park / Town Hall parcel and RFCDC parcel to encompass most of the Town-owned River Front Park.

As I noted at the October 27, 2015 Town Council meeting, Ehlers' analysis yielded two universal results: First, no redevelopment scenario is likely to recoup the full $2.5 million of Town reimbursable costs invested to-date.

And second, all scenarios are likely to require some amount of additional Town investment, in one or more of the following categories:

- Public parkland acquisition;
- Public parkland / event center development
- Public parkland / event center maintenance
- Structured and/or surface parking; and
- Surrounding street, sidewalk, and stormwater improvements.

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The difference between the scenarios is in the amount of Town reimbursement, and in the amount, source(s) and duration of future Town investment – as well as in the longer-term balance of public costs and benefits.

Report Parameters

This analysis is intended to provide a high-level indication of the Town's probable costs and benefits, upfront and over time, relating to three representative examples of how the western portion of the RFCDC parcel may be used. It is not meant as a policy recommendation for or against any potential use, nor to serve as a definitive, highly specific and documented financial analysis of any such use.

Ehlers prepared this analysis independent of the RFCDC and its development partner, Lowe Enterprises, because the Town is not party to any pre-development agreement with the RFCDC and Lowe. We are prepared to help the Town examine the public costs and benefits of RFCDC parcel use scenarios in much greater detail should the Town receive an actual development proposal for the RFCDC parcel or desire additional analysis for other reasons.

Importantly, with its focus on Town revenues and expenses relating to redevelopment of the RFCDC parcel, this report is not a market study of potential uses or broader economic impact analysis. We do not attempt to quantify the indirect / spinoff / multiplier effects of RFCDC development for the Town of Basalt or the economically-complex Roaring Fork Valley.

And finally, there are aspects of redevelopment that we have consciously not attempted to quantify, including how affordable housing requirements would or would not affect the Town's financial participation and return on investment in the RFCDC parcel redevelopment, and how a potential relocation of Town Hall would influence the overall fiscal picture. We considered the massive number of variables that could be modeled for the three scenarios and included ones that we felt we could justify at this very preliminary level of investigation. If the Town opts to decide the type and size of development it is willing to entitle, and to outline the ways in which it might participate financially and/or operationally, more detailed analysis would be warranted.

Resident Input

Leading up to and following the October 27 Council meeting, I have received an extraordinary amount of input from an engaged Basalt resident, much of which has been directed to Town Councilmembers and Staff, as well. The majority of this correspondence was misinformed about the direction and scope of Ehlers' analysis to-date, and so I would like to clarify our understanding of this particular engagement.

As noted above, at the Town's direction, we conducted this analysis independent of the RFCDC, Lowe Enterprises, or any other private party. The resident uses colorful words of innuendo – including charade, under the table, steering, conflict of interest, promised, biased, and monopoly – to suggest that our analysis unfairly selected and favored the 75,000 s.f. scenario. In fact, the Town Council expressly ordered us to include a 75,000 s.f. scenario, and the two smaller scenarios were in part inspired by ideas presented by the same resident.

As the Town's municipal advisor, we have a fiduciary duty to evaluate options objectively, solely on the Town's behalf, and in the Town's own fiscal context. The resident may disagree with our professional judgement, the assumptions we use at this preliminary stage of analysis, and the connections we draw to the Town's broader finances, but we stress that our findings are not meant as a recommendation for or against any potential use. The Town has the capacity to undertake many different roles and/or investments in the RFCDC parcel, but must be willing to reconcile its desired participation to its existing fiscal plans and competing public priorities.

The resident also refers to “the developer” and “the proposal”, seemingly referring to Lowe and an unseen version of the larger condo-hotel development concept that Lowe discussed with the Town in April. In fact, there is no developer and no pending proposal. Lowe has declined to sign the pre-development agreement that the Town rejected and then approved, and has informed Town Staff that it will not spend any additional resources on this area until it receives a clear indication of what development type(s) and density the Town is willing to approve, and the price at which it might purchase the western portion of the RFCDC parcel from the RFCDC.

This last point – the RFCDC’s ownership of the parcel – is a reality that the resident and others seem to want to overlook. The Town does not control the parcel and so, unless it is prepared to negotiate purchase terms with the RFCDC, the Town cannot issue an RFP for developer proposals. Committing to purchase the parcel, presumably at a price close to the RFCDC’s $3.0 million expectation, would be a significant Town investment – as well as a departure from the Town fiscal plan underpinning the Pan & Fork Redevelopment – and should be considered through a rigorous framework of Town risk and reward, one far beyond the scope of this report.

And finally, the resident and numerous other individuals have voiced very precise ideas of the building square footages that they believe are suitable to the western portion of the RFCDC parcel, which measures approximately 1.15 acres, or 50,000 s.f. Given this very small land area and the community’s shared interest in seeing uses compatible with the open space envisioned for the eastern portion of the RFCDC parcel as well as the Town’s River Front Park, we believe that the total building and off-street parking footprint of a redevelopment option is as noteworthy as the building square footage itself.

We are not land use planners or architects but our experience with other small redevelopment sites leads us to suggest that the Town not prejudge the suitability of any conceptual building square footages without digging deeper into the overall layouts, massing, and total impervious surfaces involved with those concepts.

Background on Town Participation

The recent debate over development vs. open space on the RFCDC parcel reflects a marked change in the riverfront restoration and redevelopment planning conversation that has been ongoing since 2010, when the Town and RFCDC announced their intent to partner in acquiring and converting the Pan & Fork Mobile Home Park to a mix of public and private uses.

What is noteworthy to us as the Town’s independent public finance advisors is that, while the current discussion has introduced compelling new perspectives on how a more open RFCDC parcel might relate to the River Front Park and surrounding areas, this new land use paradigm (including the now generally accepted idea that any development will be confined to the western portion of the RFCDC parcel) has not been reconciled to the fiscal framework that has underpinned the Town’s engagement in the Pan & Fork redevelopment effort. This report aims to inform the Town’s reconciliation of planning and finance as they relate to the RFCDC parcel, as well as the City’s overall fiscal outlook.

As we stated at the Town’s April 2015 forum on the initial Lowe development concept for the RFCDC parcel, the Town has the financial and statutory capacity to undertake a wide range of investment and involvement in redeveloping this area – if Basalt and its citizen taxpayers are willing to adjust tax and fee revenue and/or expenses in other areas of the Town budget in order to fund this participation.

To better understand the Town tax and expenditure decisions that lesser intensities of private development on the RFCDC parcel (including all three of the scenarios examined here) may require, we believe it is useful to review how the Town's existing Pan & Fork fiscal framework came about, and the steps Basalt has taken to implement this financial plan to-date. An unscientific timeline of key Pan & Fork-related Town discussions and actions is as follows:

- December 2010: The Town and RFCDC unveil their proposal to acquire the Pan & Fork Mobile Home Park, relocate the residents, and redevelop the area with permanent open space next to the river and a combination of affordable housing, nonprofit / educational, and retail / restaurant uses on the portion of the site extending along Two Rivers Road.

- August 2011: The Town and RFCDC close the Pan & Fork purchase, with Basalt investing $1.2 million of POST Fund reserves for its portion of the site, slated for river restoration and park uses.

- July 2012: The Town Council discusses park options for its portion of the Pan & Fork, noting that separate discussions would pertain to development and housing uses on the RFCDC parcel.

- May 2013: The Town Council approves Resolution No. 27, Series of 2013, approving a pre-development agreement with the RFCDC and specifying each party's role in planning and implementing resident relocations, river restoration, and site improvements for redevelopment.

- May 2013: The Town receives a Conditional Letter of Map Revision (CLOMR) indicating the RFCDC parcel will become developable if river and site improvements are made.

- July 2013: The Town Council, Town Staff, Ehlers, and RFCDC representatives discuss Town and RFCDC investments to-date, and options for funding the "critical path" components of the Pan & Fork redevelopment plan with Town cash and debt. There is significant discussion of how the Town might mitigate its risk in making this investment, including by making debt callable so that it could be prepaid upon Town reimbursement from future private development.

- August 2013: The Town Council considers and approves a project funding plan consisting of $2.0 million of POST cash, $650,000 of General Fund cash, and $4.85 million of funding from two General Obligation bond issues, one tax-exempt for public uses and one taxable for private uses. The plan also details debt repayment sources, including the expectation that the Town would pay the taxable debt in the near-term from Town taxes and then "use future special assessments and development charges / agreements to reimburse Town and redeem bonds early".

- August 2013: The Town Council approves Resolution No. 40, Series of 2013, calling for a November 2013 election to authorize up to $5 million of G.O. Bonds and the levy of property taxes to pay such bonds.

- Fall 2013: The Town establishes fixthefork.org, a website to disseminate information on the river restoration and redevelopment project, financing plan (including a line-item list of estimated costs attributable to the public and private purposes separately and in common), and the ballot question.

- November 2013: Following voter approval of the ballot question, the Town implements the first phase of G.O. Bond funding, a competitive tax-exempt offering to fund $3.0 million of river restoration costs, as well as to refund existing Town debt for future interest cost savings. The Council also confirms its intent to issue taxable bonds in 2014 to fund improvements needed to remove the RFCDC parcel from the FEMA flood plan and prepare it for redevelopment.

- December 2013: The Town Council adopts several resolutions and ordinances awarding the Town's tax-exempt G.O. Bonds, Series 2013, to the best of 10 competitive bids received (Stifel Nicolaus) and authorize Phase II work of the river restoration project.

- 2014: Our Town Planning process continue and results in Town Council establishment of the Downtown Area Advisory Committee (DAAC)

- September 2014: The Town distributes a request for placement proposals to banks, to fund up to $1.85 million of improvements to the RFCDC and RMI sites and adjacent streets, with taxable G.O. Bonds. Town Staff and Ehlers suggest the bank placement approach primarily to achieve greater call feature flexibility, to allow for early redemption upon RFCDC parcel development.

- October 2014: The Town Council awards the Town's taxable G.O. Bonds, Series 2014, to the best of 7 bank bids received (UMB Bank), thereby completing the $5 million total G.O. Bond issuance authorized in the November 2013 ballot question.

- January 2015: The Town Council adopts Resolution No. 3, Series of 2015, accepting the DAAC report envisioning mix of public and private uses on the RFCDC parcel, including a view plan extending from downtown to the River Front Park.

- April 2015: Ehlers presents to the Town Council a financial context for the RFCDC Parcel reuse alternatives, including the $7.5 million overall "Fix the Fork" funding plan, the $2.5 million cost subset that is eligible for reimbursement per Town-RFCDC agreements, and the $1.2 million cost subset that represents direct improvements to the RFCDC parcel. The presentation also outlines how the Town might repay its debt service given different intensities of RFCDC development.

- April 2015: The Town Council adopts Resolution No. 19, Series of 2015, identifying potential building and park areas for the RFCDC parcel, and indicating next steps for Planning & Zoning Commission review and public meetings, with the intent to inform the Town's redevelopment conversations with the RFCDC and its development partner, Lowe Enterprises.

- July 2015: The Town Council receives the P&Z Commission's report on the Our Town Subarea Plan, which was based on a more in-depth analysis and elaboration of the DAAC recommendations into several building massing alternatives for the RFCDC parcel. The Council then adopts unanimously Resolution No. 34, Series of 2015 supporting the direction of the P&Z. Other resolution sections include direction for

Ehlers to "conduct financial analysis on the development and park area that could be allowed under [P&Z Report] Option 3E.1", with 75,000 s.f. of gross building area, as well as different development intensities to be determined.

- August 2015: The Town Council first rejects, then reconsiders and approves entering into a pre-development agreement with the RFCDC and Lowe Enterprises. This agreement has not been signed to-date.

- September 2015: The Council adopts Resolution No. 49, Series of 2015, clarifying its approach to deciding on development intensity, reiterating that the Town will seek public input before determining the appropriate zoning and level of development

A Fiscal Context for RFCDC Development Options

In this fiscal analysis, Ehlers seeks to provide a high-level indication of the Town of Basalt's future costs and benefits relating to three representative examples of how the RFCDC parcel might be redeveloped:

1. Private development of a condominium-hotel property totaling 75,000 s.f., consistent with the development concept in Planning and Zoning Commission Option 3E.1, <u>and as specifically directed by Town Resolution No. 34, Series of 2015</u>;

2. Private development of condominiums totaling 35,000 s.f.; and

3. Town purchase of the RFCDC parcel and development of a 5,000 s.f. community facility.

To reflect how the land use planning conversation and fiscal framework have evolved since 2010, first envisioning redevelopment on the full RFCDC parcel and then changing more recently via the DAAC and P&Z recommendations for massing solely on the western portion of the parcel, as well as multiple citizen calls for almost all open space, we have placed the three alternatives in order of higher density and higher direct return on investment for the Town, to lower density and lower direct return on investment.

It is important to note that all three examples reflect less development than was contemplated through the discussion of the Town's project financing plan and bond ballot question in 2013, and likely will require varying degrees of reconciliation with the existing fiscal framework. For example, the Town has incurred $2.5 million of costs eligible for reimbursement from RFCDC parcel development, including $1.2 million of direct site improvements. We predict that a future developer would argue that a proposal confined to 50% of the RFCDC parcel should assume responsibility for only 50% of the Town's $2.5 million cost.

The Town could, for its part, seek to negotiate a higher repayment amount and/or use development fees collected from the project to offset the difference, but it becomes increasingly unrealistic to expect a $2.5 million reimbursement as one moves from the 75,000 s.f. private development scenario to the Town open space / community center scenario. As a result, with lower levels of density, the Town will have to revisit how it will fund its existing Series 2013 and 2014 debt service as well as future investment in developing and maintaining open space and possibly a community facility on the RFCDC parcel.

The need for this type of fiscal framework review and reconciliation is recognized also in the Town's new 2016-2020 financial forecast, which assumes a $2.5 million reimbursement of Pan & Fork costs in 2017 and 2018 as part of its baseline projection but then also illustrates how the General Fund balance will decline to a $500,000 deficit absent the reimbursement – that is, without the Town making any compensating changes to Town taxes and fees and/or other expenses in the General Fund budget.

Further, the 2016-2020 financial forecast points to two other looming challenges. First, the Town has identified a growing need for public infrastructure improvements that are not yet specified or accounted for in the Town's financial plans. If significant investments in streets, utility, affordable housing, and other capital are approved, these priorities will require their own increases in Town revenues and/or reductions in existing expenses.

In addition, the Town has moved out of compliance with its policy to maintain a General Fund (GF) balance equal to 33% of GF revenues in a given year, and it expects to end 2016 with a GF balance of $1.2 million – which would be $1.1 million below its reserve target of $2.3 million. Restoring the GF balance to the 33% target will require tax and spending decisions that will interact directly with the fiscal consequences of the Town's future decisions on capital investment and RFCDC parcel development.

Fiscal Evaluation of FCDC Development Options

All three scenarios include the Town's existing commitments to the RFCDC parcel, including a 28% pro-rata share of the Series 2013 Bond debt service and a 93% pro-rata share of the Series 2014 Bond debt service, as well as cash investments in Pan & Fork resident relocation and RFCDC parcel improvements. To maintain an apples-to-apples comparison between the three scenarios, we have not assumed early debt payoffs. This has the effect of understating the fiscal benefit of the scenarios in which the Town could use developer reimbursements to prepay Series 2014 Bond principal – and avoid future interest expense – at any future date.

Key Assumptions of Scenario 1 – 75,000 s.f. Condo-Hotel Project:

- $1.5 million Town reimbursement (out of $2.5 million in eligible costs)
- $1.0 million in Town development fees
- Average taxable value of $700 / s.f.
- 55 Condo-Hotel unit keys
- Nightly rates and occupancies as shown in scenario exhibit
- $2.0 million Town investment in parkland acquisition and development, plus $25,000 per year in direct annual maintenance
- New property, sales and lodging taxes as shown in scenario exhibit
- Dedication of 50% of new taxes toward cost of structured parking – first 15 years

Scenario 1 Results:

- Annual Town "deficit" on RFCDC parcel investment averages $114,000 – first 15 years
- Cumulative Town "deficit" on total investment of $2.16 million through 2032.

Key Assumptions of Scenario 2 – 35,000 s.f. Condominium Project:

- $1.0 million Town reimbursement (out of $2.5 million in eligible costs)
- $600,000 in Town development fees
- Average taxable value of $600 / s.f.
- $2.5 million Town investment in parkland acquisition and development, plus $35,000 per year in direct annual maintenance
- New property taxes as shown in scenario exhibit

Scenario 2 Results:

- Annual Town “deficit” on RFCDC parcel investment averaging $260,000 – first 15 years
- Cumulative Town “deficit” on total investment of $4.94 million through 2032.

Key Assumptions of Scenario 3 –5,000 s.f. Community Facility

- $0 million Town reimbursement (out of $2.5 million in eligible costs)
- $0 in Town development fees
- Average taxable value of $0 / s.f.
- $7.5 million Town investment in parkland / event center acquisition and development, plus $225,000 per year in direct annual maintenance / operating costs.
- New sales taxes as shown in scenario exhibit
- Operating revenues as shown in scenario exhibit

Scenario 3 Results:

- Annual Town “deficit” on RFCDC parcel investment averaging $526,000 – first 15 years
- Cumulative Town “deficit” on total investment of $10 million through 2032.

As desired, we can unpack the assumptions used in the three scenarios in greater detail, and/or run alternative scenarios to demonstrate different sets of parameters.

What is most striking to us in this cashflow analysis is the extent of the Town’s pre-existing commitment to and investment in the RFCDC parcel, and how none of the three scenarios is likely to either reimburse the Town in full or be accomplished without future Town investment. This, in turn, raises again the Town’s larger fiscal context and requires the Town to consider how its existing and future resources and its competing options for public investment influence how it decides to participate further in the redevelopment of the RFCDC parcel.

As we discussed on October 27, the Town has many options for how to proceed, if at all, in facilitating redevelopment of the RFCDC parcel. We suggest it consider what it wishes to see developed, and which sector (i.e. the Town, a private / nonprofit entity, or a partnership) has the present / future capability and appetite to develop and sustain the type of development that the Town is willing to entitle. And finally, the Town should conduct additional analysis to ensure that the costs and benefits of its desired approach match its broader fiscal capacity and objectives.

Please contact me at (651) 697-8572 or bkimmel@ehlers-inc.com with any questions about this memo, and thank you for the opportunity to be of assistance to the Town of Basalt.

Town of Basalt, Colorado
Pan & Fork Redevelopment Analysis
Scenario 1 - 75,000 Square Foot Private Redevelopment - Does not include Polygon

Town Expenses

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Pan & Fork Relocation - Town Funds	532,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,714
Redev Site Improvements - Town Funds	117,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,286
RFCDC 28% Share of 2013 Debt Service	100,492	100,408	98,756	98,504	96,824	96,544	96,236	95,466	96,502	95,172	-	-	-	-	-	-	-	-	-	974,904
RFCDC 93% Share of 2014 Debt Service	-	270,155	275,917	277,029	282,591	283,176	284,490	285,578	-	-	-	-	-	-	-	-	-	-	-	1,958,936
Est. 2017 Park Bond Debt Service	-	-	-	-	194,974	194,974	194,974	194,974	194,974	194,974	194,974	194,974	194,974	194,974	194,974	194,974				2,339,691
Future Park Maintenance					25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	34,606	35,644	36,713	37,815	464,973
Annual Total Expenses	**750,492**	**370,563**	**374,673**	**375,533**	**599,389**	**600,444**	**602,223**	**603,336**	**319,614**	**319,128**	**224,826**	**225,721**	**226,644**	**227,594**	**228,572**	**229,580**	**35,644**	**36,713**	**37,815**	**6,388,504**

Note: Town Investments do not include Town's $1.2 million acqusition of River Front Park parcel in 2011, or $2 million POST contribution toward River Restoration costs in 2014.
Est. 2017 Park Bond Debt Service assumes $2M par amount amortized at 2.5% over 12 years.

Town Revenues

Square Feet	75,000
times: Average Taxable Value per SF	$ 700
Estimated Actual Value	$ 52,500,000
times: Residential Assessment Rate	7.96%
Estimated Assessed Value	4,179,000
times: 2015 Town Mill Rate / 1000	9.8814
Estimated Annual Property Taxes	41,294

Condo Keys:	55	
	Rate	Occupancy
2018	170	55%
2019	180	60%
2020	190	65%
2021	200	68%

Sales / Lodging Tax Rates	
General ST	2.00%
POST ST	1.00%
General LT	1.00%
Chamber LT	1.00%
Incentive LT	2.00%

Completed:	2017
Partial Property Taxes:	2018
Full Property Taxes:	2019
Full Sales / Lodging Taxes:	2018

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals	
Property Tax Inflation:							4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		
Sales / Lodging Tax Inflation:							n/a	n/a	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		
Town Reimbursements (of $2.5M eligible)	-	-	-	1,500,000	-															1,500,000	
Town Development Fees and Permits	-	-	-	1,000,000																1,000,000	
Town Property Taxes	-	-	-	-	41,294	82,589	85,892	89,328	92,901	96,617	100,482	104,501	108,681	113,028	117,550	122,252	127,142	132,227	137,516	1,282,257	
Town Sales Taxes - 2%	-	-	-	-	37,540	43,362	49,585	54,604	56,788	59,060	61,422	63,879	66,434	69,091	71,855	74,729	77,719	80,827	84,060	786,069	
POST Sales Taxes - 1%	-	-	-	-	18,770	21,681	24,793	27,302	28,394	29,530	30,711	31,939	33,217	34,546	35,928	37,365	38,859	40,414	42,030	393,034	
Town Lodging Taxes - 1% Net	-	-	-	-	18,770	21,681	24,793	27,302	28,394	29,530	30,711	31,939	33,217	34,546	35,928	37,365	38,859	40,414	42,030	393,034	
Annual Total Revenues	**-**	**-**	**-**	**2,500,000**	**116,375**	**169,313**	**185,063**	**198,536**	**206,477**	**214,737**	**223,326**	**232,259**	**241,549**	**251,211**	**261,260**	**271,710**	**282,579**	**293,882**	**305,637**	**5,354,395**	
less:																					
50% Tax Reimb to Developer - Parking	-	-	-	-	(58,187)	(84,656)	(92,531)	(99,268)	(103,239)	(107,368)	(111,663)	(116,130)	(120,775)	(125,606)	(130,630)	(135,855)	(141,289)	(146,941)	(152,819)	(1,427,197)	50.00%
less:																					
Annual Total Expenses - See Above	(750,492)	(370,563)	(374,673)	(375,533)	(599,389)	(600,444)	(602,223)	(603,336)	(319,614)	(319,128)	(224,826)	(225,721)	(226,644)	(227,594)	(228,572)	(229,580)	(35,644)	(36,713)	(37,815)		
equals:																					
Annual Surplus / (Deficit)	**(750,492)**	**(370,563)**	**(374,673)**	**2,124,467**	**(541,202)**	**(515,788)**	**(509,691)**	**(504,068)**	**(216,375)**	**(211,760)**	**(113,163)**	**(109,592)**	**(105,869)**	**(101,988)**	**(97,942)**	**(93,725)**	**105,645**	**110,228**	**115,004**	(113,766)	
Cumulative Surplus / (Deficit)	(750,492)	(1,121,056)	(1,495,729)	628,738	87,536	(428,251)	(937,942)	(1,442,011)	(1,658,386)	(1,870,146)	(1,983,308)	(2,092,900)	(2,198,769)	(2,300,757)	(2,398,699)	(2,492,424)	(2,386,779)	(2,276,551)	(2,161,547)		

Town of Basalt, Colorado
Pan & Fork Redevelopment Analysis
Scenario 2 - 35,000 Square Foot Private Redevelopment - Does not include Polygon

Town Expenses

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Pan & Fork Relocation - Town Funds	532,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,714
Redev Site Improvements - Town Funds	117,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,286
RFCDC 28% Share of 2013 Debt Service	100,492	100,408	98,756	98,504	96,824	96,544	96,236	95,466	96,502	95,172	-	-	-	-	-	-	-	-	-	974,904
RFCDC 93% Share of 2014 Debt Service	-	270,155	275,917	277,029	282,591	283,176	284,490	285,578	-	-	-	-	-	-	-	-	-	-	-	1,958,936
Est. 2017 Park Bond Debt Service	-	-	-	-	243,718	243,718	243,718	243,718	243,718	243,718	243,718	243,718	243,718	243,718	243,718	243,718	-	-	-	2,924,614
Future Park Maintenance					35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902	51,399	52,941	650,962
Annual Total Expenses	**750,492**	**370,563**	**374,673**	**375,533**	**658,133**	**659,488**	**661,575**	**663,007**	**379,613**	**379,464**	**285,510**	**286,763**	**288,055**	**289,385**	**290,755**	**292,166**	**49,902**	**51,399**	**52,941**	**7,159,416**

Note: Town Investments do not include Town's $1.2 million acqusition of River Front Park parcel in 2011, or $2 million POST contribution toward River Restoration costs in 2014.
Est. 2017 Park Bond Debt Service assumes $2.5M par amount amortized at 2.5% over 12 years.

Town Revenues

Square Feet	35,000
times: Average Taxable Value per SF	$ 600
Estimated Actual Value	$ 21,000,000
times: Residential Assessment Rate	7.96%
Estimated Assessed Value	1,671,600
times: 2015 Town Mill Rate / 1000	9.8814
Estimated Annual Property Taxes	16,518

Completed:	2017
Partial Property Taxes:	2018
Full Property Taxes:	2019
Full Sales / Lodging Taxes:	2018

Condo Keys:	-	
	Rate	Occupancy
2018	-	0%
2019	-	0%
2020	-	0%
2021	-	0%

Sales / Lodging Tax Rates	
General ST	0.00%
POST ST	0.00%
General LT	0.00%
Chamber LT	0.00%
Incentive LT	0.00%

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax Inflation:	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Sales / Lodging Tax Inflation:	n/a	n/a	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Town Reimbursements (of $2.5M eligible)	-	-	-	1,000,000																1,000,000
Town Development Fees and Permits	-	-	-	600,000																600,000
Town Property Taxes	-	-	-	-	16,518	33,035	34,357	35,731	37,160	38,647	40,193	41,800	43,472	45,211	47,020	48,901	50,857	52,891	55,007	512,903
Town Sales Taxes - 2%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POST Sales Taxes - 1%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town Lodging Taxes - 1% Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual Total Revenues	**-**	**-**	**-**	**1,600,000**	**16,518**	**33,035**	**34,357**	**35,731**	**37,160**	**38,647**	**40,193**	**41,800**	**43,472**	**45,211**	**47,020**	**48,901**	**50,857**	**52,891**	**55,007**	**2,112,903**
less:																				
Annual Total Expenses - See Above	(750,492)	(370,563)	(374,673)	(375,533)	(658,133)	(659,488)	(661,575)	(663,007)	(379,613)	(379,464)	(285,510)	(286,763)	(288,055)	(289,385)	(290,755)	(292,166)	(49,902)	(51,399)	(52,941)	
equals:																				
Annual Surplus / (Deficit)	**(750,492)**	**(370,563)**	**(374,673)**	**1,224,467**	**(641,615)**	**(626,452)**	**(627,218)**	**(627,276)**	**(342,452)**	**(340,818)**	**(245,317)**	**(244,963)**	**(244,582)**	**(244,174)**	**(243,735)**	**(243,265)**	**955**	**1,492**	**2,066**	(259,927)
Cumulative Surplus / (Deficit)	(750,492)	(1,121,056)	(1,495,729)	(271,262)	(912,877)	(1,539,329)	(2,166,547)	(2,793,823)	(3,136,275)	(3,477,093)	(3,722,410)	(3,967,373)	(4,211,955)	(4,456,129)	(4,699,864)	(4,943,129)	(4,942,174)	(4,940,682)	(4,938,616)	

Town of Basalt, Colorado
Pan & Fork Redevelopment Analysis
Scenario 3 - 5,000 Square Foot Public Redevelopment - Does not include Polygon

Town Expenses

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Pan & Fork Relocation - Town Funds	532,714	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	532,714
Redev Site Improvements - Town Funds	117,286	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	117,286
RFCDC 28% Share of 2013 Debt Service	100,492	100,408	98,756	98,504	96,824	96,544	96,236	95,466	96,502	95,172	-	-	-	-	-	-	-	-	-	974,904
RFCDC 93% Share of 2014 Debt Service	-	270,155	275,917	277,029	282,591	283,176	284,490	285,578	-	-	-	-	-	-	-	-	-	-	-	1,958,936
Est. 2017 Park Bond Debt Service	-	-	-	-	856,941	856,941	856,941	856,941	856,941	856,941	856,941	856,941	856,941	856,941	856,941	856,941	-	-	-	10,283,289
Future Park Maintenance					225,000	231,750	238,703	245,864	253,239	260,837	268,662	276,722	285,023	293,574	302,381	311,453	320,796	330,420	340,333	4,184,756
Annual Total Expenses	**750,492**	**370,563**	**374,673**	**375,533**	**1,461,355**	**1,468,410**	**1,476,369**	**1,483,848**	**1,206,682**	**1,212,949**	**1,125,602**	**1,133,662**	**1,141,964**	**1,150,515**	**1,159,322**	**1,168,393**	**320,796**	**330,420**	**340,333**	**18,051,885**

Note: Town Investments do not include Town's $1.2 million acqusition of River Front Park parcel in 2011, or $2 million POST contribution toward River Restoration costs in 2014.
Est. 2017 Park Bond Debt Service assumes $7.5M par amount amortized at 2.5% over 12 years.

Town Revenues

Square Feet		5,000
times: Average Taxable Value per SF	$	-
Estimated Actual Value	$	-
times: Residential Assessment Rate		7.96%
Estimated Assessed Value		-
times: 2015 Town Mill Rate / 1000		9.8814
Estimated Annual Property Taxes		-

Completed:	2017
Partial Property Taxes:	2018
Full Property Taxes:	2019
Full Sales / Lodging Taxes:	2018

Condo Keys:	-	
	Rate	Occupancy
2018	-	0%
2019	-	0%
2020	-	0%
2021	-	0%

Sales / Lodging Tax Rates		
General ST	0.00%	
POST ST	0.00%	
General LT	0.00%	
Chamber LT	0.00%	1,250,000
Incentive LT	0.00%	

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Property Tax Inflation:		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Sales Tax Inflation:	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Totals
Town Reimbursements (of $2.5M eligible)	-	-	-	-																-
Town Development Fees and Permits	-	-	-	-																-
Town Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Town Sales Taxes - 2%	-	-	-	-	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	34,606	35,644	36,713	37,815	390,445
POST Sales Taxes - 1%	-	-	-	-	12,500	12,875	13,261	13,659	14,069	14,491	14,926	15,373	15,835	16,310	16,799	17,303	17,822	18,357	18,907	195,222
Town Lodging Taxes - 1% Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual Total Revenues	**-**	**-**	**-**	**-**	**37,500**	**38,625**	**39,784**	**40,977**	**42,207**	**43,473**	**44,777**	**46,120**	**47,504**	**48,929**	**50,397**	**51,909**	**53,466**	**55,070**	**56,722**	**585,667**
plus:																				
Operating Revenues					426,000	434,520	443,210	452,075	461,116	470,338	479,745	489,340	499,127	509,109	519,292	529,677	540,271	551,076	562,098	
less:																				
Annual Total Expenses - See Above	(750,492)	(370,563)	(374,673)	(375,533)	(1,461,355)	(1,468,410)	(1,476,369)	(1,483,848)	(1,206,682)	(1,212,949)	(1,125,602)	(1,133,662)	(1,141,964)	(1,150,515)	(1,159,322)	(1,168,393)	(320,796)	(330,420)	(340,333)	
equals:																				
Annual Surplus / (Deficit)	**(750,492)**	**(370,563)**	**(374,673)**	**(375,533)**	**(997,855)**	**(995,265)**	**(993,375)**	**(990,796)**	**(703,360)**	**(699,138)**	**(601,080)**	**(598,202)**	**(595,333)**	**(592,476)**	**(589,633)**	**(586,807)**	**272,941**	**275,726**	**278,487**	(525,654)
Cumulative Surplus / (Deficit)	(750,492)	(1,121,056)	(1,495,729)	(1,871,262)	(2,869,118)	(3,864,383)	(4,857,758)	(5,848,554)	(6,551,914)	(7,251,052)	(7,852,132)	(8,450,334)	(9,045,667)	(9,638,144)	(10,227,777)	(10,814,584)	(10,541,643)	(10,265,917)	(9,987,430)	

Redevelopment Analysis and Fiscal Context

Basalt River Parcel

October 27, 2015

Bruce Kimmel, Senior Municipal Advisor

EHLERS
LEADERS IN PUBLIC FINANCE

Outline

- Recent Evolution of CDC Parcel Land Use Concepts vs. Constant Town Fiscal Plan
- Summary of Redevelopment Scenarios
- Placing Town’s Costs and Benefits with CDC Redevelopment into Broader Fiscal Context
- Other Considerations with Privately-Driven and Publicly-Driven Redevelopment
- Options for Next Steps

Land Use and Fiscal Plans

- Late 2010 – Late 2014: Land use concept = redevelopment along full length of CDC parcel
  - 2010: Town and CDC announce partnership and plan
  - 2011: Town and CDC purchase Pan & Fork Mobile Home Park
  - 2013: Town and CDC sign pre-development agreement
  - 2013: Town approves bond financing plan, submits ballot question
  - 2013: Voters approve plan, Town issues tax-exempt bonds - $3.0M
  - 2014: Our Town Planning and ETC Survey
  - ***2014: Town issues taxable bonds - $1.85M***

- Late 2014 – Present: Land use concept = redevelopment along western part of CDC parcel
  - Late 2014: DAAC endorsement of “Big V” view plane
  - Spring 2015: Council unanimously approves Res. 19 showing development on western “half” and Park on eastern “half” of CDC parcel
  - Summer 2015: P&Z endorses Modified DAAC map to reflect Res. No. 19

Land Use and Fiscal Plans

- 2015 land use planning has reduced potential redevelopment footprint by minimum of 40-50% but 2013 fiscal plan remains in place:

- Parks, Open Space & Trails Cash: $2.0 Million
  - River restoration and Park improvements
  - Relocation necessary for River/Park projects

- General Fund Cash: $650,000
  - Relocation and CDC parcel work needed for redevelopment

- General Obligation Bond Funds: $4.85 Million
  - Tax-Exempt Portion: River/Park projects and adjacent streets
  - ***Taxable Portion: CDC and RMI parcel work needed for redevelopment and adjacent streets***

Land Use and Fiscal Plans

- Repayment of 2013 Tax-Exempt Bonds
  - 90%: POST 1% sales tax revenues
  - 10%: General property / sales tax revenues

- Repayment of 2014 Taxable Bonds
  - Near-Term: General property / sales tax revenues
  - ***Long-Term: Use payments negotiated with CDC parcel redevelopment to reimburse Town and pay bonds off early***

- Town Investment in CDC Parcel
  - Total reimbursable costs: $2.5M – 33% of $7.5M
  - Direct parcel improvements: $1.25M – 50% of $2.5M
    - Agreed-upon Town-CDC proration of river restoration, Pan & Fork resident relocation costs = other 50%

Redevelopment Scenarios

- High-level forecast of Town costs and benefits, upfront and over time, with three scenarios
  - Not based on any specific proposal; independent of CDC and its development partner, Lowe Enterprises
  - Not a definitive, “market-ready” analysis nor a recommendation
  - Focus on Town finances, not broader market / economic impacts

1. 75,000 s.f. condo-hotel, modeled on P&Z land use Option 3E.1 (per Res. 34, Series of 2015)
2. 35,000 s.f. condominium development
3. Town development of 5,000 s.f. event center

Redevelopment Scenarios

- Reconciliation Truth #1: No scenario is likely to recoup full $2.5M of Town reimbursable costs
- Reconciliation Truth #2: All scenarios are likely to require additional Town investment
  - Public parkland acquisition
  - Public parkland / event center development
  - Public parkland / event center maintenance
  - Investments in structured / surface parking, streets, sidewalks
- Difference is in amount, source(s), and duration of Town investment, plus overall cost / benefit

Redevelopment Scenarios

- <u>Scenario 1:</u> 75,000 s.f. condo-hotel, modeled on P&Z land use Option 3E.1 (per Res. 34, Series of 2015)
  - $2M investment in parkland acquisition and development, plus maintenance
  - New property, sales and lodging taxes
  - Dedication of 50% of new taxes toward cost of structured parking – first 15 years
  - Annual CDC parcel “deficit” (expenses > revenues) averages $114,000 – first 15 years
  - Cumulative deficit = $2.16M

Redevelopment Scenarios

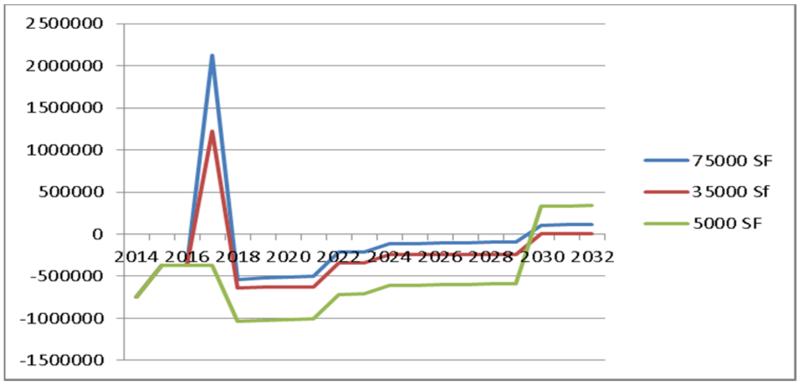
- Scenario 2: 35,000 s.f. condominium development, based on Evans Road project (with riverfront premium in taxable value)
  - $2.5M investment in parkland acquisition and development, plus maintenance
  - New property taxes
  - No structured parking investment
  - Annual CDC parcel "deficit" (expenses > revenues) averages $260,000 – first 15 years
  - Cumulative deficit = $4.94M

Redevelopment Scenarios

- Scenario 3: 5,000 s.f. event center – most variables in development and operating costs, market demand, pricing, future competition
  - $7.5M investment in parkland / event center acquisition and development, plus operations and maintenance
  - No property taxes but new sales taxes
  - Investment in surface parking
  - Annual "deficit" (expenses > revenues) averages $526,000 over first 15 years
  - Cumulative deficit = $10M

Redevelopment Scenarios

- Comparison of annual net deficits / surpluses



Broader Fiscal Context

- With lower density, Town must revisit its 2013 fiscal plan and figure out how to fund public space acquisition, development, maintenance
  - Less for Scenario 1, more for Scenario 3

- Town must also reconcile new CDC Parcel fiscal plan to broader Town financial context
  - 2016 – 2020 Financial Forecast as baseline
  - Does not include investment in streets, underpass, affordable housing, day care, other General Fund-backed capital priorities
  - Town is below its General Fund balance target now and will drop further with CDC Parcel reimbursement less than $2.5M
  - Two Options: Increases in Town taxes / fees, and/or reductions in other portions of General Fund budget

Private vs. Public

- Focus on private vs. public use is misleading
  - Private sector can deliver public goods, and public sector can deliver private goods
- Focus should be on which land use is desired and feasible to develop and sustain here.
  - And with clear understanding of benefits and trade-offs
- Next consideration is which sector has capacity to develop and operate the desired use
  - Analysis of Town risk and reward, upfront and over time
  - Town priorities and risk mitigation can be secured with Town planning approvals and incentive agreements
- Basalt needs private investment, elsewhere throughout Town, if not on CDC parcel itself.

Options for Next Steps

- Not Mutually Exclusive:
  - Deliberate on CDC parcel land use options – with adjacent areas?
  - Analyze fiscal factors: CDC parcel-specific and broader context
  - Decide on a land use scenario "type" and dig into details of how best to get it done, balancing Town risk and reward
  - Seek to re-engage CDC and Lowe in discussions
  - Or, if prepared to lead the way, engage other potential partners
  - Decide to do nothing and let CDC figure it out.
- Our one recommendation: get fiscal plan in sync with land use plan, and other Town dynamics