

Why 30,000 square feet of Residential Entitlements On the CDC is all that would be required to pay all obligations. 11/24/2015

The affordability of the River Park has been pegged directly to projected finished property values of the residential units that are proposed for the park. A significant majority of Basalt residents desire having the largest River Park as possible. I contend that the Ehlers report uses values that are 50% or more below what the market value would be if the residential were designed and developed properly and made available to an open market of developers who competed for the rights to develop the parcel. This is a catastrophic error in the context of serving the public's best interest as will be demonstrated on page 2 of this analysis. **This valuation error has lead council to be influenced to envision and master plan for more development than is appropriate.** Below are the closest relevant property comps that should be used to interpolate the probable values for the luxury flats that could be built on the property with parking fully contained under the units:

River Walk. This would be the closest comp however Riverwalk is inferior because between the condos and the river is a parking lot. The last residential unit in this 13 year old, river complex closed 1/6/2014 (almost 2 full years ago) for the amount of \$1,750,000. It is a one level apartment. It closed 82 days after being listed indicating very strong demand for downtown luxury. This is the closest comparable property to what could be constructed on the Pan and Fork. The Pan & Fork, in addition to not having a parking lot between the units and the river would be superior because the units will be south facing meaning all day sun with much more expansive views than the River Walk complex. The unit has 2,794 square feet which is equivalent to \$626/SF. To arrive at a probable value for the Pan and Fork units, using this as a reference point, two premiums should be added to this sale as follows:

25% premium for brand new (+\$156/SF = \$782)

20% premium for a vastly improve market of a conservative 10% per year = (+156/SF = \$938/SF)

This suggests that the condos on the Pan and Fork as described above would be worth a minimum of \$938/SF if finished today.

Roaring Fork Club Cabins: These are located 2 miles from Basalt and are a golf course club development with a restaurant and clubhouse facility. These are relevant because the same buyer would be attracted to the best they could find in Basalt. Most cabins can only be accessed by golf cart. The cabins were built in 1999 so are 15 years old. The last two sales were in 10/7/2012 and 8/27/2013. Both cabins are 2,447 SF on one level. One sold for \$2,965,000 which is \$1,211/SF and the other sold for \$3,350,000 which is \$1,369/SF.

Wilds Townhomes: Located with commanding views of Basalt, these are inferior to the proposed river subjects. Two units of 3,028 square feet each in a duplex configuration are new and nearing completion Two units are currently under contract with list prices of \$1,800,000 or \$595/SF. They have the less valuable and inferior three level floor plan. Both units under contract scheduled closing in December 2015. Other inferior aspects of these include:

- 1) Being very close to the firing range.
- 2) High voltage power lines with metal towers run very close and are visible from many of the units.
- 3) Units are about a mile by road and not within walking distance.

The Ehlers Report uses \$600 per square foot as the projected values for the proposed product on the Finest River Property that Basalt has had for multi-unit development. I contend that the open market would place the value would range for residential on the most prime spot that Basalt will ever have which is this site between \$900 and \$1,200 per square foot.

The effects on decision making by council is astronomical leading them to pursue a heavy development as the fiscally responsible thing to do when, and the giving away of public assets it is not warranted. If we use 30,000 square feet of development as an example we can easily see how this error would greatly influence the amount of development that council thinks is appropriate. The cost of the units remains a constant so that every increase in value is 100% pure developer profit. The chart below shows how

30,000 Square Feet Of Residential

Cost of Design & Construction Per SF	Sale Price Per SF	Developer Profit Per SF	Total Gross Profit	Land Cost	Net Developer Profit For this 30,000 SF	Net Less 5.5% Mking
\$400	\$600	\$200	\$6,000,000	\$5,500,000	\$500,000	-160,000
\$400	\$800	\$400	\$12,000,000	\$5,500,000	\$6,500,000	+5,180,000
\$400	\$900	\$500	\$20,000,000	\$5,500,000	\$14,500,000	+13,015,000
\$400	\$1,200	\$800	\$32,000,000	\$5,500,000	\$26,500,000	+24,520,000

Building Employee housing is largely a breakeven proposition according to current market forces. So from the above it is clear that at the even below the lower range of projected valuations, of \$800/SF there would be plenty of money for a reasonable developer to be satisfied. A check on this follows:

Total investment required is the sum of:

$$\begin{aligned}
 &30,000 \text{ SF design build cost} \times \$400 = \$12,000,000 \\
 &\quad + \text{Land Cost of } \$5,500,000 \\
 &\text{Total Invested} = \$17,500,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Net return on assess based upon sale price of: } & \$800/\text{SF} = \$5,180,000/\$17,500,000 = 29.6\% \\
 & \$900/\text{SF} = \$13,015,000/\$17,500,000 = 74.3\% \\
 & \$1,200/\text{SF} = \$24,520,000/\$17,500,000 = 140\%
 \end{aligned}$$

Conclusion Finding:

This proves that all development could be confined to less than 25% of the CDC parcel, which is a area Adjacent to the RMI building that consumes an area of 25,000 square feet provided that the development has three stories and a maximum height of 36 feet. This would serve the public by leaving the remainder of the park open space.

If the town were to grant 30,000 SF of residential development as described above, it clearly would provide enough anticipated developer profit to allow council to require the developer, that in addition to designating the remainder of the CDC parcel as eternal open space to serve the public at no cost to the town, that council require the developer to also fund and build a 6,000 SF event center, and gift it to the town, as part of the conditions for granting the entitlements. Said community center would be the only building placed on the remainder of the open space.