

Susan Philp

From: mark kwiecienski <mkwiecienski@comcast.net>
Sent: Monday, December 14, 2015 7:13 PM
To: Mike Scanlon; Susan Philp; James Lindt
Cc: jacquewhitsitt@comcast.net; garytennenbaum@yahoo.com
Subject: FW: minimum highend residential development needed to retrun profit

Mike and all – I have previously asked that the final email exchange regarding values be posted to the ourtown site rather than the 3 hour earlier incomplete version not containing critical information that absolutely refutes the low valuations that you decided to use and shows that Basalt absolutely could afford an almost entirely open park. That email follows below. Please repost “email exchange regarding financial analysis”. All of those comments in red type do not show in the earlier email and are of crucial importance. Thank you. Mark Kwiecienski

From: mark kwiecienski [mailto:mkwiecienski@comcast.net]
Sent: Tuesday, November 10, 2015 4:41 PM
To: 'Mike Scanlon'
Cc: 'jacquewhitsitt@comcast.net'; 'Bernie Grauer'; 'Rob Leavitt'; 'garytennenbaum@yahoo.com'; 'Herschel Ross'; 'Rick Stevens'; 'Mark Kittle'; 'Judi Tippetts'; 'bkimmel@ehlers-inc.com'; 'Scott Condon'; 'Susan Philp'
Subject: RE: minimum highend residential development needed to retrun profit

Mike, Thank you. Yes it does come down to values. I respond to your responses as follows in red type.

Mark,

First I apologize for the length of this email, but I want to make sure I'm thorough in my answers and communicate the basis of assumptions that have been used.

You typed,

"Council should know this is an option. If they knew about this simple solution it would be the top choice for many. You and Bruce said "There is no option with 75,000 sf or less that will not require the town to put in significant monies" Watch the grass roots tape. That is what you both said."

We did say that. And the reason we said that is as follows,

The price at which we show the units for the 35,000 sq ft Condo site and the price at which you believe they can be sold for are two different/distinct markets and prices. Your view is that there is a higher retail real estate market that these can be sold into. We don't see that. We used the current condominium sales from a Michael Lipkin's project called Park Modern(Willits area) to establish a base value. We adjusted those values up about 35% and used a \$600 sq ft finished price. If I remember correctly you were showing somewhere around \$800 a sq ft finish price. So on a unit that's 1,500 sq ft the price that Bruce extrapolated was \$900,000 and yours would be \$1,200,000. I could be off on this a bit, but I think that's the principle difference. With that difference in sq footage you get a unit difference of \$300,000 and if multiplied out over 20 units that would be about \$6,000,000. We chose to be conservative and to base our estimates on current market conditions. Hence, if you add \$6,000,000 to the condo project based on your assumptions (\$800 sq ft) the financial analysis would look different. You might be right, the units might sell for more. If so, that would increase the amount of money available to pay the town back. But if they sell for less where would that put us? Would a developer spec build condos on a price that can't be verified? Probably not.

Spec, as the name implies making some value judgements. Since there are no exact comps in Basalt, interpolation is necessary and one must realize that the customers for the top properties have historically and will pay for things that you or other council members would not. Our market is not like anywhere else. It is a luxury second or third home buyer that will likely buy

the proposed condos. To them a brand new \$100,000 range rover with all upgrades is worth every penny because that is what they want. To you a Subaru or Toyota product is the best value. You do not have the experience in this area so it is understandable your perspective.

This location on the former Pan and Fork is the best in all of Basalt. River, downtown walking distance, on a spectacular park. Based upon conservative existing market conditions. Values arrived at by interpolating the three top luxury projects in Basalt. Willits is not even in the same universe to use as a comp.

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 for the amount of \$1,750,000. Top Floor one level. It closed 82 days after being listed indicating very strong demand for downtown luxury. This is the only project that fits that description. The unit was 2,794 square feet and sold for \$1,750,000 which is \$716/SF. The market has strengthened considerably since then. If we give a conservative 25% premium for new (\$179/SF), this would suggest a value of \$895/Square foot for proposed values for Pan and Fork Site. If we add in 20 % appreciation since that sale, it would suggest that the condos proposed would be worth \$1,074/ if finished today.

Roaring Fork Cabins: These are located 2 miles from Basalt and are a gold course club development with a restaurant and clubhouse facility. Most of the units are accessible by golf cart only. Many of these owners are expected to be buyers of the proposed product as the desire to be in Basalt since they purchased has increased and the charm of driving golf carts to your house has diminished. 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. I have rented my modest ½ duplex, 2100 SF with three bedrooms on the river in Basalt to several members at different times in the past. They told me that they preferred my older place on the river in town than at the Roaring Fork Club because they could walk around. You were not here when these were built but at the time, no one could have envisioned that these would sell for about 2xs the SF price that the finest homes of the time were going for in the Basalt area. They meet a need in the market, and were the perfect second home size, not to big, and not to small, just like the Pan and Fork condos would today.

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 are under contract with list priced at \$594/SF or \$1,800,000. Three levels. Both units under contract scheduled closing in December 2015. Inferior aspects of these include: 1) being next to the firing range. 2) under the power lines. 3) not within walking distance. 4) three levels. The Wilds always sold for significantly below Riverwalk condos on a SF basis of about 30 – 40%. If we give the proposed condos a conservative 35% value (\$208/SF), that would support the proposed condos to be \$802/SF.

Another statement I continue to hear is “Prime River Frontage.” Which I believe you use in establishing a higher asking price for these potential “River” condos.

When I think of condos on river frontage I picture Gold River Units that are about 50 ft off the River. **Distance from the river is not everything as long as you can see it and hear it without other negatives.** Many in the community say these hide the river. But those who purchase them probably do so because of proximity to the river. That proximity I’m sure drives a portion of the value. The Scenario 2 contemplated condo units would be about (if we went to the very edge of the RFCDC parcel) 150-175 ft away from the river. That’s 3x the distance of the Gold River Units. That’s the same distance that you have from the Library’s north windows to the side channel of the Roaring Fork River. Would you call the Library site “Prime River Frontage?” Probably not. I then think the approach used by Bruce in determining a condo value is most appropriate. I don’t see a “Prime River Frontage” differential that could be contemplated or included much higher than 35% or so. **The Pan in Fork is the finest River frontage with all the right factors of location, south facing, pristine, unadulterated, south facing with water sparkling all day from the proposed units.**

The Gold Rivers Condos are in a different class altogether. In no way can they be considered in the top luxury tier. 1) They are 17 years old. 2) They average about 900 SF. 3) Orientation of Gold Rivers condos looks into the roof tops of the trailer park on the other side of the river. 4) the floor plans on 70% of the units have common walkways that run by both bedrooms which is a very undesirable feature. 5) The ceilings

are 8 feet high. Today's buyers like 10 foot ceilings for luxury. 6) Finishes are not current and value oriented. Many units have plastic hollow core doors. These cannot be considered a comp.

We said what we said. We believe our condo assumptions are grounded in actual transactions that we can document and modified to account for the value of the site.

If you can document a series of Town of Basalt River Frontage Residential transactions that could lead us to a higher number we would consider it. Simply looking at current sales and asking prices that price difference doesn't seem to be there. **There has not been any new luxury River Front built since Riverwalk which suggest that the proposed condos should be worth as mentioned above \$895 - \$1,074/SF.**

For example the below link is for a home (currently for sale) overlooking the Frying Pan with a current asking price of \$2,750,000 (4,316 sq ft home). When calculating sq footage prices that translates into \$637 sq ft. and includes 4/10ths of an acre of land....Bruce's estimate stands up well to what's occurring with river frontage residential property in our community. **This is in a different product class altogether. Size. Location, quality are all part of that. Again, with all due respect, if a buyer wants a Range Rover in Black, they are not going to settle for a Toyota just because you think it is the same.**

http://www.zillow.com/homes/for_sale/Meredith-CO-81621/13522604_zpid/93820_rid/39.36812,-107.033542,39.366843,-107.036165_rect/18_zm/?3col=true

Bruce's job is not to sugarcoat but to give us a "very real" and "conservative" basis on which to make financial decisions going forward. I think that's what the community demands and more importantly that's what the community deserves. **I disagree as inaccurate estimates will hurt the public. The term conservative is not a term that should be used here. Accurate is what we are after to get the best deal possible for the public. Low valuations on your part will take away from the community and give unnecessarily assets to one monopoly controlled developer group. A \$300/SF low value estimate on your part for 30,000 SF equals \$9,000,000 in direct profits to a developer. To the public that equates to an easily attainable River Park (3/4 of the CDC parcel open), as well as getting to keep in the town's possession both the recycle center and Lions Park parcels. That is no chump change. You should really be zoning and then putting out to public bid, but in lieu of that, \$900 SF - \$1,074 are realistic numbers to use for the valuations of finished residential product.**

Thanks,
MScanlon

From: Mark Kwiecienski <mkwiecienski@comcast.net>

Date: Monday, November 9, 2015 at 9:43 PM

To: Mike Scanlon <mike.scanlon@basalt.net>

Cc: "jacquewhitsitt@comcast.net" <jacquewhitsitt@comcast.net>, Bernie Grauer <bernie.grauer@basalt.net>, Rob Leavitt <rob.leavitt@basalt.net>, "garytennenbaum@yahoo.com" <garytennenbaum@yahoo.com>, Herschel Ross <hr81623@sopris.net>, Rick Stevens <9lax@comcast.net>, Mark Kittle <mkittle@tosv.com>, Judi Tippetts <judi.tippetts@basalt.net>, "bkimmel@ehlers-inc.com" <bkimmel@ehlers-inc.com>, Scott Condon <scondon@aspentimes.com>, Susan Philp <susan.philp@basalt.net>

Subject: RE: FW: minimum highend residential development needed to retrain profit

Mike - Ok I had the wrong month. Council should know this is an option. If they knew about this simple solution it would be the top choice for many. You and Bruce said "There is no option with 75,000 sf or less that will not require the town to put in significant monies" Watch the grass roots tape. That is what you both said. Thank you.

Mark Kwiecienski
970-618-1145

----- Original message -----

From: Mike Scanlon <mike.scanlon@basalt.net>

Date: 11/09/2015 1:51 PM (GMT-07:00)

To: Mark Kwiecienski <mkwiecienski@comcast.net>

Cc: jacquewhitsitt@comcast.net, Bernie Grauer <bernie.grauer@basalt.net>, Rob Leavitt <rob.leavitt@basalt.net>, garytannenbaum@yahoo.com, Herschel Ross <hr81623@sopris.net>, Rick Stevens <9lax@comcast.net>, Mark Kittle <mkittle@tosv.com>, Judi Tippetts <judi.tippetts@basalt.net>, bkimmel@ehlers-inc.com, Scott Condon <scondon@aspentimes.com>, Susan Philp <susan.philp@basalt.net>

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Mark,

I have to disagree with your time-frame on your change of heart related to high-end residential. This is what you sent me at the end of July.

Your supposition below, "If you were King" and your covenants attached w/ drawings all seem reasonable to me when considering this type of development pattern and its ability to pay back the Town. I agree that if something like this was considered and ultimately approved the Town would be paid back.

Again, as I stated earlier this type of development doesn't seem to be supported — thus we're left with the same set of questions that I posed earlier.

1. What will the property be entitled for?
2. What is the asking price for the land?
3. How much is the Town willing to support in terms of \$'s for the answer to question 1?

MScanlon

From: Mark Kwiecienski <mkwiecienski@comcast.net>

Date: Thursday, July 30, 2015 at 3:25 PM

To: Mike Scanlon <mike.scanlon@basalt.net>

Subject: minimum highend residential development needed to retrun profit

Mike – I am forwarding the zero option. If I was king, I would open bids on this option, conditional upon council approval.

Mark Kwiecienski