

# ERS presents financials

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Three years after the national economy took a nose dive and two years after Eagle voters rejected the company's first proposal, representatives from Trinity RED Development remain adamant that the numbers are sound for their proposed Eagle River Station project.

"You look at the fundamentals of this project, and they really don't get much better," said Dan Lowe, one of the principals of Kansas City, Mo. based RED Development.

"There are very few ground-up projects that could get built in today's environment. Eagle River Station is one of them," Lowe said.

The ERS financials were the discussion topic during a Feb. 1 Eagle Town Board session. The discussion included a presentation from both Trinity RED and Arnold Ray of Ray Real Estate Services, an independent consultant who has been hired by Eagle to research the ERS deal and determine if it makes financial sense.

Eagle River Station is a commercial/residential project proposed by Trinity RED Development on the eastern end of town, south of Interstate 70 and north of U.S. Highway 6. The 88-acre property would include 582,000 square feet of commercial space and 250 rental units in the first phase. The second phase calls for up to 150,000 square feet of commercial space and another 300 rental units.

Back in 2009, the town board approved a plan for the development but in a municipal election in January 2010, voters rejected the proposal. RED Development has since retooled the proposal and resubmitted it to the town last May. This fall, members of the Eagle Planning and Zoning Commission unanimously recommended approval of the revised ERS plan.

According to RED, the ERS development budget is \$270.8 million. That figure includes a number of public improvements that would be required, including a new Interstate 70 interchange, U.S. Highway 6 improvements, extension and improvement of Chambers Avenue and water and sewer system improvements. Additionally, it includes the construction costs associated with building the retail space, residential units, internal ERS roadways, sidewalks, landscaping and more.

Of the \$270.8 million number, \$203.8 million will come from private funds that RED must obtain. The remaining \$67 million will come from public funds — bonds issued by an Eagle River Station Metropolitan District.

Town officials were adamant that any debt associated with ERS would not be a town of Eagle responsibility.

"Yes, there are going to be public bonds issued for this project, but they will be issued by the ERS Metro District, not by the town," said Eagle Town Manager Willy Powell. "The town and its citizenry would have no legal, ethical or moral obligation to repay any bonds."

Powell said the town's actions regarding ERS would have the effect of setting the table, but it would be up to RED to find private investors, bring in tenants and make the development happen.

As for the public financing side of ERS, there are two key financial elements to the deal — tax increment financing and revenue sharing.

## TAX INCREMENT FINANCING

The tax increment financing is tied to property taxes at the site. Tax increment financing gives the ERS developers a break on the amount of property taxes they will pay for the next 20 years.

Under the details of the proposed deal, several taxing entities, such as Eagle County and the town of Eagle along with various special districts, will continue to receive only the property tax increment that they currently see from the ERS land under its agriculture designation. If the land is developed as a commercial/residential center, the property value will increase significantly.

The argument for tax increment financing is that the commercial revenues derived from sales tax will compensate any property tax losses the town or the county would experience.

Additionally, several special districts have been excluded from the tax increment deal including, Western Eagle County Metropolitan Recreation District, Western Eagle County Ambulance District and the Greater Eagle Fire Protection District. These governments will be allowed to collect the property taxes generated by the commercial land designation for ERS rather than the agricultural designation.

## REVENUE SHARING

The town of Eagle and RED Development are hammering out a deal to rebate some of the sales taxes that would be collected from stores at the new commercial center, along with the addition of a Public Improvements Fee (PIF) assessed on ERS sales.

Under the terms of the new agreement, Eagle would receive 1.45 percent of the 4 percent municipal sales tax generated at ERS businesses. Additionally, the town would also receive .15 percent of the 1 percent county sales tax collected on

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ERS transactions for a total of 1.6 percent. The remaining 2.55 percent of the 4 percent town sales tax would go to the developer along with a 4 percent PIF.

"Many people think their town will not receive sales tax money from ERS. That is not true. Substantial revenues will be coming to the town," said Powell.

## RED REVEALS

As they presented their financial information, RED said their retail feasibility study was originally completed in 2006 and updated last summer.

"The feasibility of this market is where the project starts," said ERS planner Tom Braun.

The ERS model includes a trade area that reaches from west of Glenwood Springs to the top of Vail Pass and north to Steamboat Springs. RED's model shows that an estimated \$784 million in retail sales are 'leaking' from the area to Denver or Grand Junction or Internet sales because of unmet demand.

"There are competing sites out there that we would love to beat to the finish line in Gypsum and Avon," said Lowe.

Lowe said that in today's financial climate, very few retailers will attach their names to a project like ERS until it is formally approved. However, he said the overall mix at the shopping center would feature value retailers, not just low-price retailers.

"This project is dependent upon

successful leasing," said Powell.

"There isn't going to be any speculative building out there," said Eagle Mayor Ed Woodland.

## RESIDENTS REACT

Of the 12 people who offered public comment about the ERS plan last week, the overwhelming sentiment was to turn down the plan.

"I hope we have the stamina to vote 'No' until Eagle River Station gives up," said resident John Hannon.

Resident Brandi Resa presented an 80-page document to the board that included articles about failed shopping center deals, lawsuits resulting from RED projects as well as other projects from the area and issues surrounding tax increment financing and revenue sharing deals nationwide. She presented a list of 20 specific written questions for town staff and RED representatives.

Jen Wright, one of the developers of Eagle Ranch, urged the board to proceed cautiously with the ERS proposal.

"If possible, be a contrarian. You have to make sure the project works. You had better make sure you are comfortable with what the numbers are," said Wright.

The town board will resume its ERS public hearing on Tuesday, Feb. 14, at 6 p.m.

*Expanded public comment can be viewed at the Eagle Valley Enterprise website*

*at [www.eaglevalleyenterprise.com](http://www.eaglevalleyenterprise.com)*