

Memorandum



To: File

From: Tom Boni

Re: Questions regarding different dollar values in the Fiscal and Economic Impact Reports

Date: March 9, 2011

In response to Brandi Resa's Public Comment Questions please see below. This is a response provided by Kelli Fitzpatrick, Red Development.

Here's a summary of the projected construction costs for the project (total = Phase I + Phase II). Numbers are rounded to simplify:

Total Project Costs: \$270 million

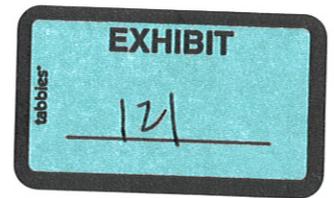
Private Costs: \$203 million (number quoted in Arne Ray's report)

Public Costs: \$67 million

Please note that construction estimates are very different from projected market values. The County assessor utilizes a number of sources when determining the value of a property, including not only construction costs, but also comparable sales in the marketplace and projected net income from the property. If you capitalized the stabilized net operating income that is projected to be generated by the apartments (assuming monthly rent psf of \$1.85 psf and applying a 7% cap rate), you come up with a stabilized value of approximately \$110 million. \$110 m divided by 495,000 square feet of residential = \$222 psf. So, the \$200 psf valuation assumed by BBC for the residential is reasonable. Comparing construction costs to property values is like comparing apples to oranges. This is the reason for the differences Ms. Resa

cites between the various reports. It's easy to misunderstand how the numbers are being quoted, but if she examines them closer, she'll see that this is correct.

Attached are more detailed responses to Ms. Resa's memo.





To: Eagle River Station 2.0 File

From: Brandi Resa, 70 Christian Court

Please submit this as part of the official record on Eagle River Station 2.0 related to financial information/investment submitted by the developer (and/or experts) along with the Town's expert.

hard costs less land
Private costs only
market value
BBC's projection - see report for their assumptions.
Town response

- A. The total construction costs do not match and are \$46 million apart in less than 2 months
 - \$211,020,157 of construction costs stated on Dec 23rd BBC report page 2
 - \$203,000,000 of construction costs stated on Jan 31st Ray Real Estate Services report page 2
 - \$171,904,908 of construction costs stated on Feb 13th BBC report page 2
 - \$257,857,362 of construction costs stated on Feb 13th BBC report page 7 (The construction value is listed as \$103,142.95 between commercial and residential. If this is 40% of the total noted above the schedule, the costs = the \$257m. (check 257x.40)).
 - \$211,000,000 of construction costs were stated per Town Planner's email dated Feb 22nd to citizen Markus Mueller.

Question:

1. What changed in the estimation of construction costs of nearly \$39 million in less than 2 months?
2. Why is there a range of \$46 million difference between the high and low?

Difference b/w constr. cost & market value
NOT THE SAME THING

- B. The residential value changed between the two reports. The latest report that values residential at such a higher value over commercial and at \$204/square foot seems unreasonable. The \$204/sq foot is the value based on 485,000 residential per the Eagle River Station marketing flyer (1,200,000 less 715,000 commercial) page 11 and the value of \$99,000,000 referenced on page 2 of the Feb 13th BBC report. Note: the full marketing info was previously submitted by citizen Julia Parker but the only relevant page is included with this submission.

this is hard construction costs - excl. land & soft costs

- \$45,135,000 of residential costs plus \$10,560,000 of structured parking on Dec 23rd BBC report page 2. This is a total of \$55,695,000. (The by year breakdown shows \$65,294,471 - what is the difference of the almost \$10 million?)
- \$99,000,000 of residential costs on Feb 13th report on page 2

↳ this is market value

includes allocation of general conditions. see table for detail

Question:

1. What changed the value of residential by over 34 million (\$99m-65m) in less 2 months?

Comparison of construction value & market value of property = apples & oranges

- C. There seems to be an incorrect mill levy used in the calculations on page 6 of the Feb 13th BBC report

- \$106,200 per year the Town of Eagle would forgo is based on an incorrect mill levy. The correct mill levy is currently 4.044 per the County Assessor's office.

3.659 was Eagle's 2010 mill levy. It was increased to 4.044 in 2011. BBC overlooked this in their update of the report.



D. Property Tax Forgo -Page 6 of the Feb 13th BBC report: paragraph 1: It states that the Town of Eagle would forgo about \$106,200 per year in property tax revenue annually at build out. This calculation assumes the Town's current mill levy of 3.659 mills. (As stated in C above, this is not accurate).

Question:

1. What is the base value of the land used for this assumption? That is, to calculate the amount the Town forgo, doesn't there have to be a base value of land assumed for the additional amount to be calculated?
2. Did the assessor's office determine that land value and if not, who did? *Assessed Value per County assessor.*

E. Assessed Value of 29,000,000 seems low when reviewing the calculations referenced in page 6 (total costs on page 2 backed into from the mill levy referenced on page 6) on the Feb 13th BBC report.

I'm unsure of her calculations here or what is being referenced.

- Please see the calculations submitted with assumptions of values. This seems more reasonable than the developer's calculation (as \$204/square foot for residential seems high and \$102/square foot for commercial seems low) and shows the Town of Eagle variance of higher than the \$106,200 referenced on page 6 of the Feb 13th BBC report.

F. Net new revenue on Page 10 of the Feb 23rd BBC report, it states that virtually all of the revenue from Eagle River Station would be net new in the Town of Eagle. However, only some but not all would net new for Eagle County. And it states very little of the economic benefit would be net new for the State of Colorado.

- It does not seem reasonable that all new revenue will be new for The Town of Eagle but not overall in the County and State.

None of the retailers planned for ERS exist in the town today, therefore all of the revenue will be net new revenue to the Town.