

FISCAL IMPACT ANALYSIS – ADDITIONAL SCENARIO

BROWN RANCH DEVELOPMENT
STEAMBOAT SPRINGS, CO

Since 1967, RCLCO has been the “first call” for real estate developers, investors, the public sector, and non-real estate companies and organizations seeking strategic and tactical advice regarding property investment, planning, and development.

RCLCO leverages quantitative analytics and a strategic planning framework to provide end-to-end business planning and implementation solutions at an entity, portfolio, or project level. With the insights and experience gained over 50 years and thousands of projects—touching over \$5B of real estate activity each year—RCLCO brings success to all product types across the United States and around the world.

Learn more about RCLCO at www.RCLCO.com.

Report Authors

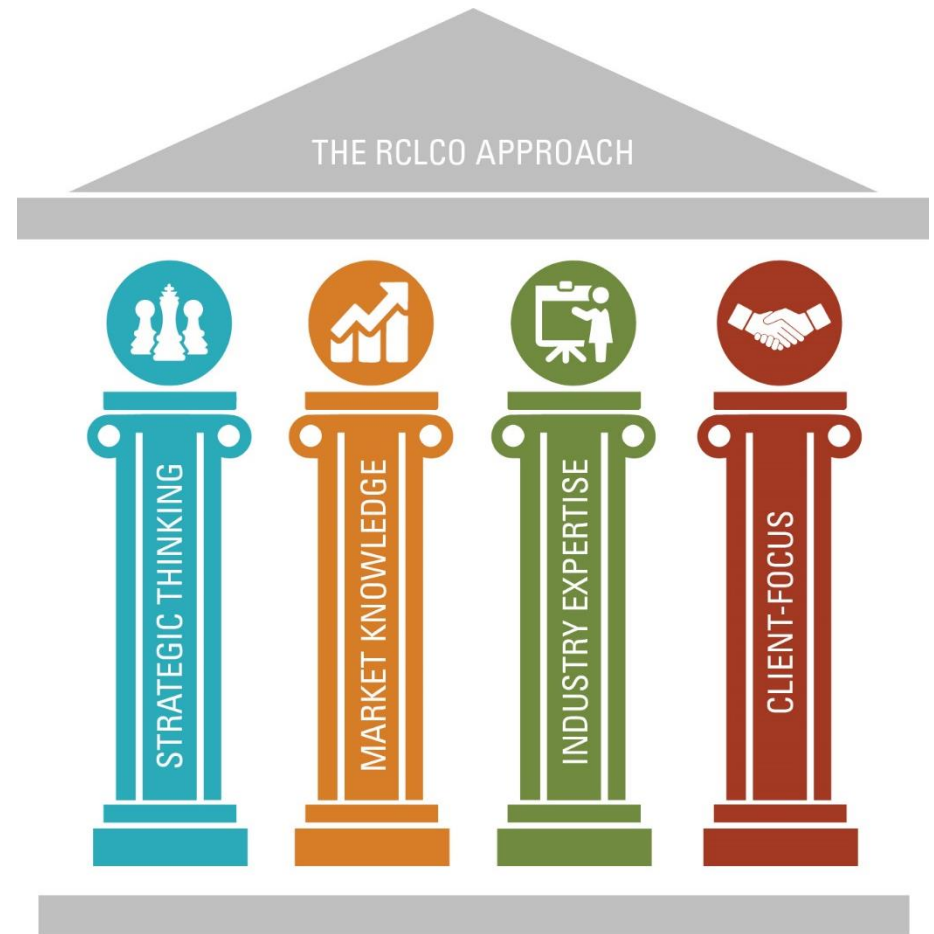
Project Director:

Dana Schoewe, Principal

► P: (310) 203-3035 | E: DSCHOEWE@RCLCO.COM

Additional Authors:

Mike Weaver, Associate



SCENARIO 4

INTRODUCTION & KEY FINDINGS

SCENARIO 4 ASSUMES LESS CITY-FUNDED SUPPORT FOR TRANSPORTATION AND PARKS – THE SCENARIO CUTS THE NET COSTS OF BROWN RANCH IN HALF

- ▶ **Introduction:** RCLCO previously presented a fiscal impact analysis to determine the impact of Brown Ranch’s development and annexation to the city of Steamboat Springs General fund. In order to sensitivity test outcomes, RCLCO outlined three possible scenarios each with different expenses, of which Scenario 1 was the most conservative and cost the city the most money.
- ▶ After further discussion, it appears there may be limited ability for the city to provide additional transportation funding and a desire for the city and Brown Ranch development to split parks costs. Against this background, RCLCO developed a “Scenario 4” outlined in part below. The expenses are identical to the conservative Scenario 1 but include no payment for transportation and 50% of the previously calculated parks cost. Revenues and expense items not shown in the table below (e.g., general government, public works, community development) are identical to previously analyzed scenarios.
- ▶ **Findings:** Significant transportation costs (\$657 per household) and parks costs (\$254 per household) are no longer present in this scenario, which has **cut the net cost of the development in half**. Under this scenario, Brown Ranch will cost the city of Steamboat a net \$1,093 per household annually. As a point of reference, existing full-time households cost the city \$541 annually.
 - » If RCLCO were to base police and fire expenses on the more optimistic Scenario 2 and Scenario 3, the annual cost per household at Brown Ranch would drop to \$895 and \$111, respectively.

Expense Comparison	Existing Dynamics		Scenario 4		
	Current Budget	Fiscal Impact per Full-Time HH	Assumption	At Full Build-Out (2040)	Avg Cost Per HH at Full Build Out
Streets Expense	\$4,165,345	\$418	Uses City Analysis Based on Lane Miles	\$577,450	\$255
Transportation Services (Transit) Expense	\$5,742,703	\$577	No Additional Funding Provided by the City	\$0	\$0
Police Services Expense	\$7,597,024	\$763	Uses City Analysis Based on 57% Increase in Population	\$1,879,050	\$830
Fire Services Expense	\$7,485,114	\$752	Uses City Analysis Based on Fire Department Expected Needs	\$1,595,885	\$705
Parks & Recreation Expense	\$10,036,786	\$1,008	Uses Scenario 1 Calculations and Assumes City Pays for Half	\$576,112	\$254
Total Revenues	\$50,273,868	\$5,403		\$3,202,423	\$1,414
Total Costs	\$53,110,169	\$5,943		\$5,676,931	\$2,507
Total Net Fiscal Impact	(\$2,836,301)	(\$541)		(\$2,474,508)	(\$1,093)

Source: Steamboat Springs; Yampa Valley Housing Authority; RCLCO

EXPENDITURES SUMMARY

SCENARIO 4 EXPENSES ARE IDENTICAL TO RCLCO'S CONSERVATIVE ESTIMATES, LESS TRANSPORTATION AND PARKS COSTS

► The below summary of expenses for Scenario 4 is nearly identical to RCLCO's previously calculated conservative analysis – Scenario 1. Scenario 4 excludes transportation costs based on city guidance for an inability to provide additional transit funding. Likewise, the scenario cuts parks expense in half under the assumption the city and Brown Ranch Development will split operating costs.

Expense Comparison	Existing Dynamics		Scenario 4		
	Current Budget	Existing Cost per HH	Assumption	At Full Build-Out (2040)	Avg Cost Per HH
General Government	\$13,352,672	\$1,341	Utilizes RCLCO Analysis	\$876,667	\$387
Public Works	\$1,303,702	\$131	Utilizes RCLCO Analysis	\$81,800	\$36
Streets	\$4,165,345	\$418	Uses City Analysis Based on Lane Miles	\$577,450	\$255
Transportation Services (Transit)	\$5,742,703	\$577	No Additional Funding Provided by the City	\$0	\$0
Police Services	\$7,597,024	\$763	Uses City Analysis	\$1,879,050	\$830
Fire Services	\$7,485,114	\$752	Uses City Analysis	\$1,595,885	\$705
Parks & Recreation	\$10,036,786	\$1,008	City will Provide 50% of Cost	\$576,112	\$254
Community Development	\$1,722,988	\$173	Utilizes RCLCO Analysis	\$135,700	\$60
Other Expenses	\$1,703,835	\$171	Utilizes RCLCO Analysis	\$59,157	\$26
Total Costs	\$53,110,169	\$5,334		\$5,676,931	\$2,507

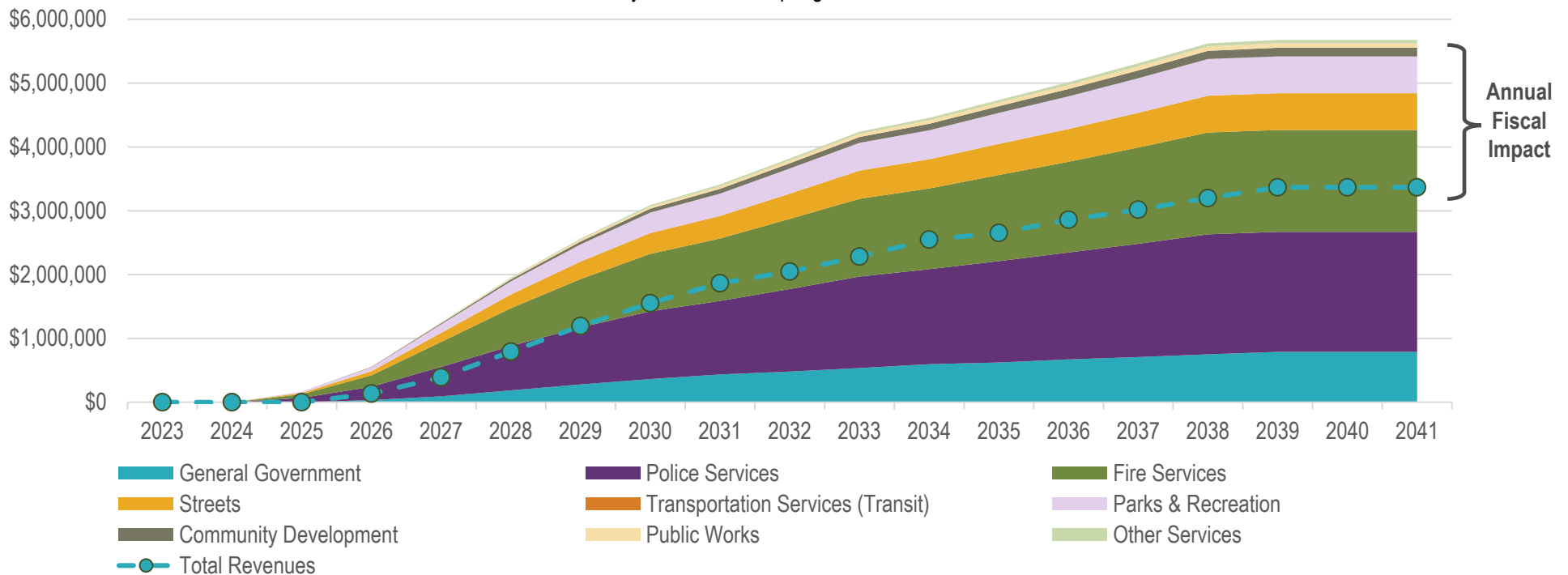
Source: RCLCO

NET FISCAL IMPACT – SCENARIO 4

COSTS WILL CONTINUE TO OUTPACE REVENUES, THOUGH THE OVERALL IMPACT IS MITIGATED BY LIMITED TRANSPORTATION AND PARKS EXPENSES

- ▶ Scenario 4 includes the most conservative police and fire cost estimates, but unlike Scenario 1 offers no transportation costs and cuts parks costs in half. With the assumed expenses, Brown Ranch will cost the city a net \$2,475,000 annually at full buildout, or \$1,093 per Brown Ranch household.
- ▶ It is important to note that Scenario 4 offers a worst-case scenario for Brown Ranch’s fire and police expenditures and should be considered a conservative estimate. Moreover, a net negative impact is a product of many factors, including a unique and atypical tax structure. Furthermore, fiscal impacts analysis are imperfect and often used to point out extraordinary outcomes and give cities general direction on costs – under typical circumstances, a net negative outcome does not imply an annexation will never be financially feasible, as there are capital expenditures/revenues, public financing, and other factors that should be taken into account.

**Estimated Annual Revenues, and Expenses Induced by Brown Ranch;
City of Steamboat Springs; Scenario 4**



Note: Dollar amounts are in 2023 dollars.

Source: RCLCO

DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will experience a period of slower growth in the next 12 to 24 months, and then return to a stable and moderate rate in 2024 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when inflection points in economic and real cycles will occur.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ Economic, employment, and household growth
- ▶ Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- ▶ The cost of development and construction
- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.





AUSTIN

501 Congress Ave, Suite 150
Austin, TX 78701

LOS ANGELES

11601 Wilshire Boulevard, Suite 1650
Los Angeles, CA 90025

ORLANDO

964 Lake Baldwin Lane, Suite 100
Orlando, FL 32814

WASHINGTON, DC

7200 Wisconsin Avenue, Suite 1110
Bethesda, MD 20814