

CAPITAL COSTS & REVENUES PRELIMINARY ANALYSIS

BROWN RANCH DEVELOPMENT
STEAMBOAT SPRINGS, CO

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Report Authors

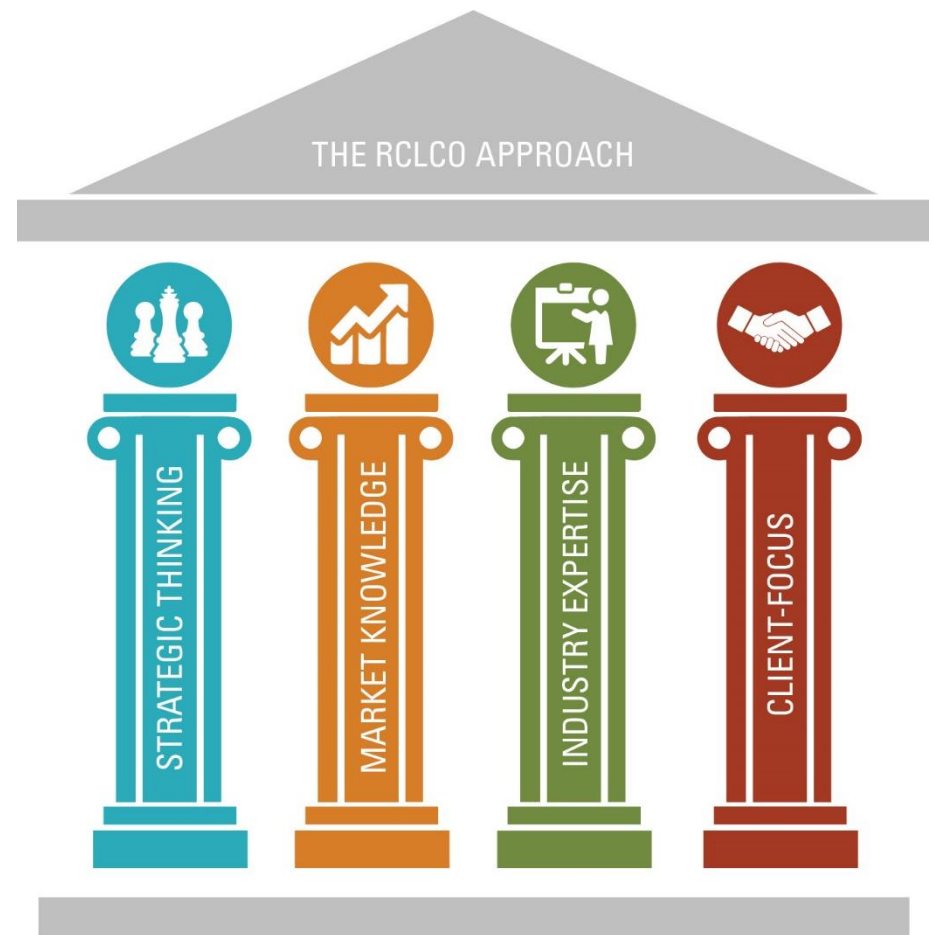
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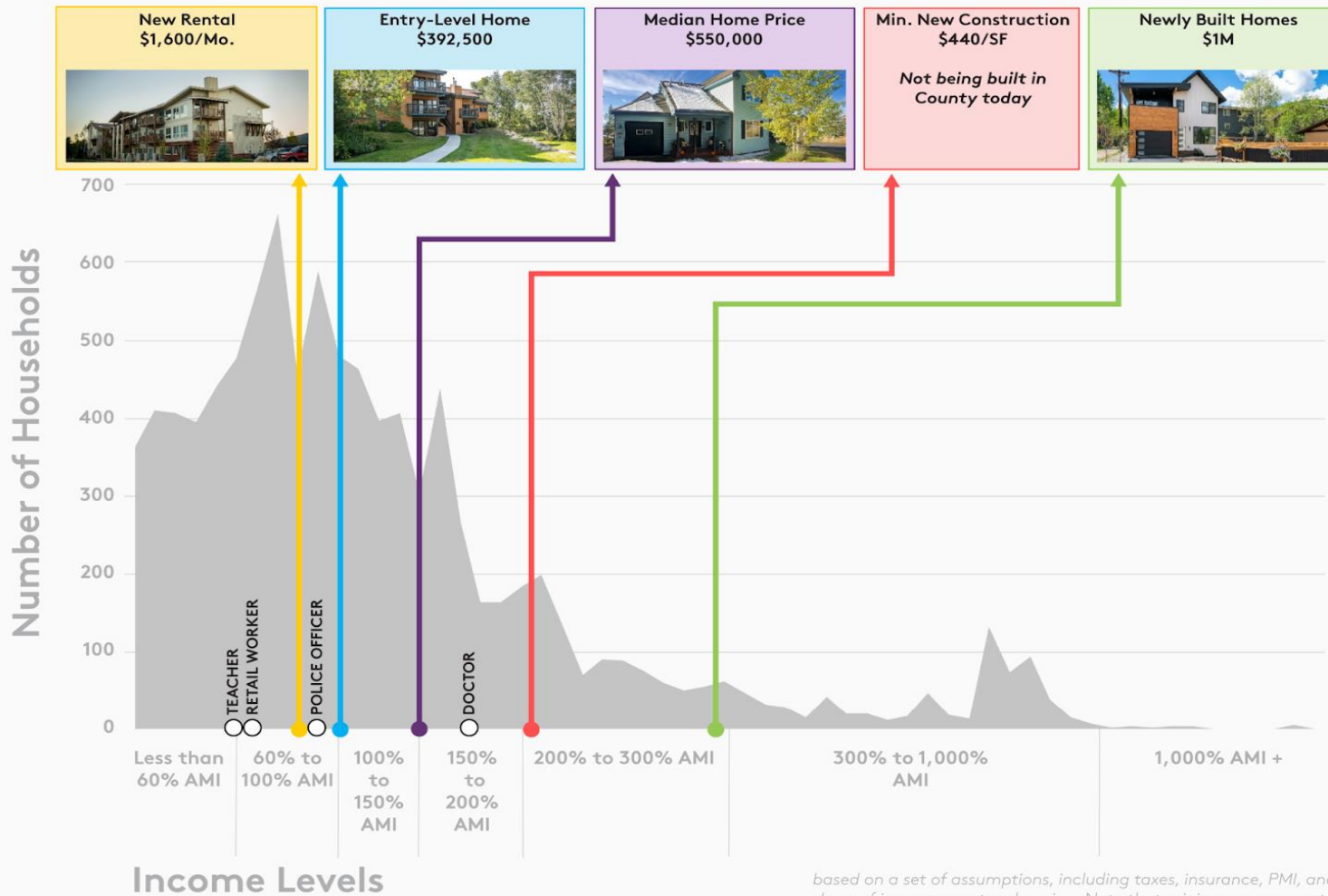
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BROWN RANCH NEED





REVISITING THE GOALS OF THE BROWN RANCH PLAN...NEED A DIVERSITY OF HOUSING THAT SERVES LOCAL WORKERS ACROSS THE INCOME SPECTRUM, WITH URGENT LOW-INCOME NEED

Household Distribution by AMI Level
Routt County, CO; 2021



*based on a set of assumptions, including taxes, insurance, PMI, and a 30% share of income spent on housing. Note that minimum new construction includes both hard and soft costs.
Source: U.S. Census; PUMS; Routt County Assessor; OES; RCLCO*

WORKFORCE AVATARS

	50% AMI Household of 3	100% AMI Household of 1	120% AMI Household of 3	160% AMI Household of 4
				
Characteristics	Grocery Store clerk, stay at home parent, one kid	Nurse	Firefighter, Preschool teacher, one kid	Engineer, Teacher, two kids
Household Income	\$48,750	\$75,900	\$117,000	\$173,000
Product Type	MF/Condo	MF/Condo	Townhome	Single-Family Home
Affordable Rent	\$1,218/month	\$1,897/month	\$2,925/month	\$4,325/month
Affordable Home Value	\$76,000	\$185,000	\$335,000	\$550,000
Self-Supportable Market Value*	(\$228,581)	(\$32,465)	(\$57,300)	(\$25,033)
Brown Ranch On & Off Site Infrastructure Costs per Unit	(\$260,456)	(\$260,456)	(\$260,456)	(\$260,456)
Net Gap per Unit for Illustration	(\$489,037)	(\$292,921)	(\$317,756)	(\$285,489)

*Based on static residual land analysis
Source: YVHA; Google Images

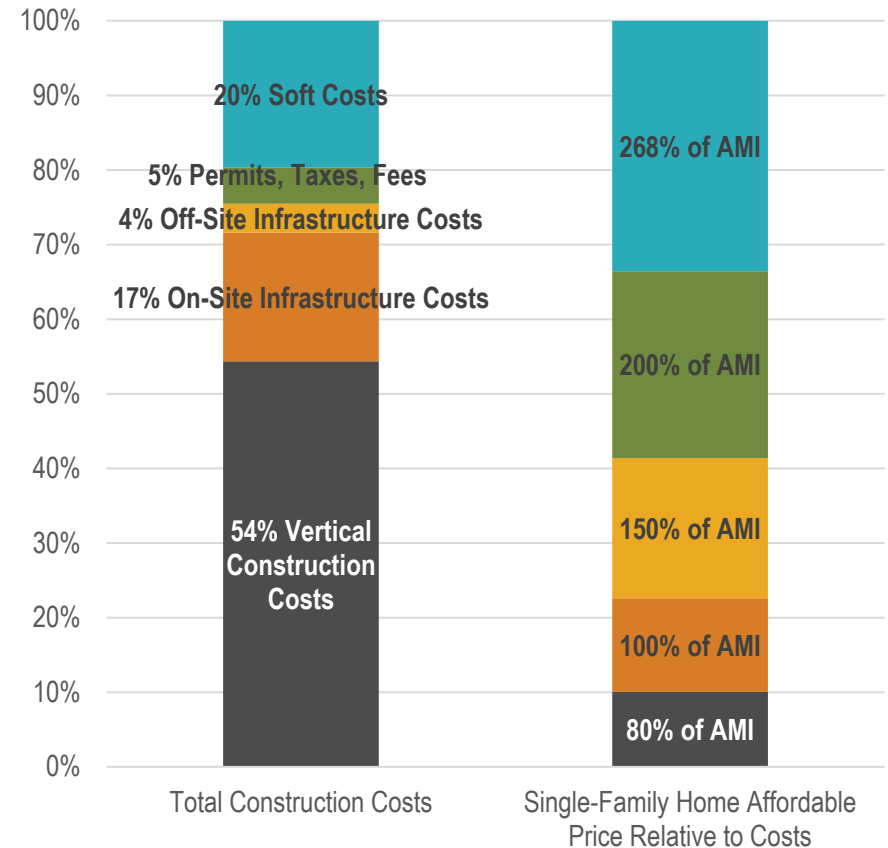
REVISITING BROWN RANCH GOALS

INCOME LEVELS BR IS TRYING TO SERVE CANNOT AFFORD HOMES BASED ON MARKET ECONOMICS – NEED TO FILL ON-SITE AND OFF-SITE FINANCING GAPS TO SUPPORT BROWN RANCH GOALS

Community Building Costs



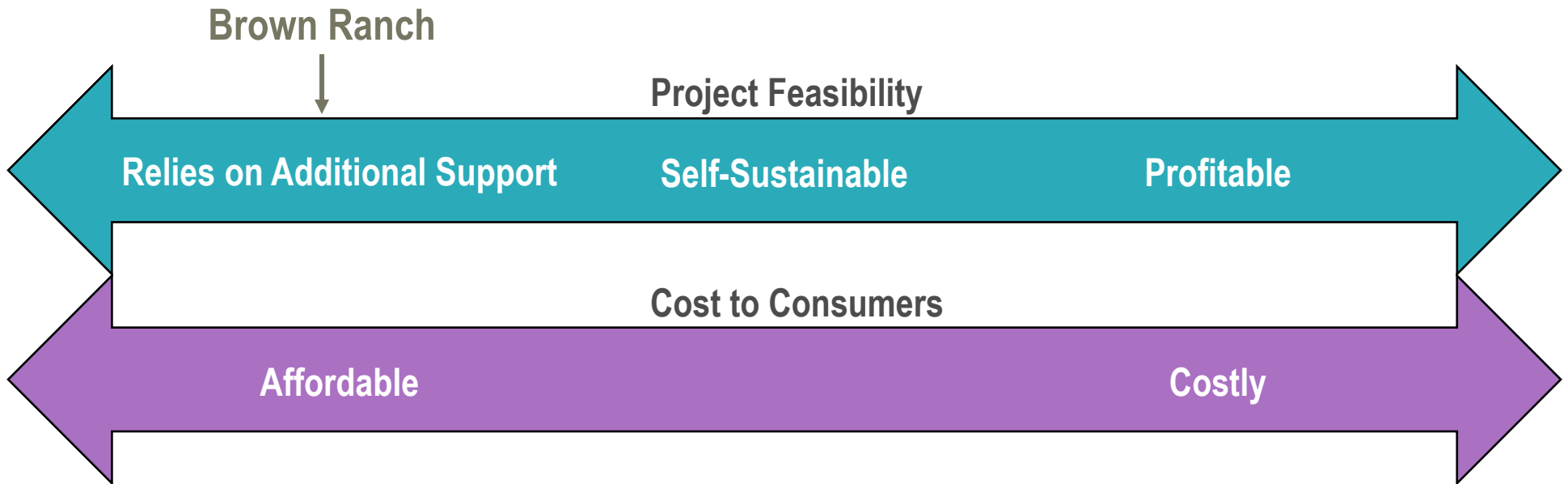
New Single-Family Home Costs vs. Affordability Example*



*Includes Typical Minimum Off-Site Costs (Not Brown Ranch Current Off-Sites Plan) and based on 2021 Routt County 2-person AMI
Source: RCLCO

AFFORDABLE HOUSING IS LIKELY NOT ACHIEVABLE WITHOUT SOME DEGREE OF PUBLIC SUPPORT

- ▶ Affordability and profitability are inversely related – affordable housing is rarely achievable without public support.
- ▶ Brown Ranch’s goal is to develop affordable housing that serves the local workforce community. As a result, it is unlikely Brown Ranch can be developed without public financing.
- ▶ The level of service offered to residents at affordable and workforce housing projects is directly proportional to the level of financing and support offered by outside sources. If the city would like to offer specific amenities to Brown Ranch (e.g., a fire station, increased police presence, transit routes, parks) Brown Ranch will require additional funding.



Source: RCLCO

BROWN RANCH SELF-SUPPORTED VALUE (SIMPLISTIC)



BROWN RANCH COULD GENERATE \$111M IN SELF-SUPPORTED VALUE – OR \$49K PER UNIT

- ▶ RCLCO utilized a land valuation model to determine the “self-supported” value of each Brown Ranch neighborhood after horizontal development has taken place, based on the Community Development Plan.
- ▶ RCLCO assumed all affordable units receiving LIHTC or other low-income Federal subsidies will have a self-supported value of \$0 (income levels below 120% AMI).
- ▶ The additional land is considered middle market “workforce” housing, and has potential to generate some profit. The below model quantifies the value of those expected cash flows at a high-level (assumes rental, no significant commercial).

	TOTAL PROJECT			
Unit Type	MF	TH	SFD	TOTAL / AVG.
Unit Count	1,525	493	246	2,264
Rent	\$3,041	\$3,802	\$5,069	\$3,427
Average Unit Size	900	1,200	1,500	1,030
Net Revenue per Door	\$34,671	\$43,339	\$57,785	\$39,067
Expense Ratio per Door	30%	30%	30%	30%
NOI	\$24,270	\$30,337	\$40,449	\$27,347
Cap Rate	4.50%	4.50%	4.50%	4.50%
Intrinsic Value per Door	\$539,326	\$674,157	\$898,876	\$607,702
Vertical Cost PSF	\$350	\$400	\$440	\$371
Soft Costs per SF	\$70	\$80	\$88	\$74
Self-Supported Project Value per Door – Assuming Market Rate	\$94,620	\$98,157	\$106,876	\$96,720
Self-Supported Project Value per Door – Considering LIHTC Units	\$39,715	\$49,079	\$106,876	\$49,041
Total Supported Value On-Site*	\$60,575,681	\$24,202,323	\$26,251,398	\$111,029,403

*Considers percentage of units which can not receive LIHTCs or Federal subsidies for low-income housing

Source: RCLCO

BROWN RANCH EXPECTS SIGNIFICANT SUPPORT FOR DEVELOPMENT THROUGH CITY TAX FUNDS AND POTENTIAL GRANTS

- ▶ The table below highlights expected revenue streams to Brown Ranch and the City as a result of the proposed development.
 - » The development could include \$140,000,000 earmarked to Brown Ranch through the STR tax fund and another \$69,000,000 in tax revenue to the city which will likely help fund off-site infrastructure costs.
 - » The table includes intrinsic self-supported value outlined on Page 5. It is important to note Brown Ranch will not sell land to subsidies development – this line item is a high-level estimate used in order to quantify the value of ongoing profitable operations.
 - » The value excludes CDOT funding, state funding for water and wastewater funding, and additional bonds, grants, and public financing options. The development will likely secure funding from some of these sources, but the exact amount is undefined. RCLCO left the revenues of these areas at \$0 in order to outline the gap in project feasibility without additional public support.

Neighborhood	Project Totals				Project Total	Per Unit
	1	2	3	4		
Dwelling Units	429	329	1,026	480	2,264	
Capital Revenues						
Water and Sewer Tap Fees	\$5,179,746	\$3,972,346	\$12,387,924	\$5,795,520	\$27,335,536	\$12,074
Building Use Tax	\$3,803,085	\$2,916,585	\$9,095,490	\$4,255,200	\$20,070,360	\$8,865
Excise Tax	\$2,281,851	\$1,749,951	\$5,457,294	\$2,553,120	\$12,042,216	\$5,319
STR TAX	\$26,528,269	\$20,344,523	\$63,445,230	\$29,681,979	\$140,000,000	\$61,837
Self-Supported Project Value (See Page 5)	\$12,177,563	\$14,673,027	\$57,329,312	\$26,849,502	\$111,029,403	\$49,041
Geothermal Funding from Government	\$5,476,193	\$4,199,691	\$13,096,908	\$6,127,208	\$28,900,000	\$12,765
CDOT Funding (Highway 40)	\$0	\$0	\$0	\$0	\$0	\$0
Water / Wastewater State Funding	\$0	\$0	\$0	\$0	\$0	\$0
Additional Bonds / Grants from City	\$0	\$0	\$0	\$0	\$0	\$0
Other Funding	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$55,446,706	\$47,856,123	\$160,812,157	\$75,262,529	\$339,377,515	\$149,902
Per Unit	\$129,246	\$145,459	\$156,737	\$156,797	\$149,902	

Source: RCLCO; EPS; City of Steamboat Springs; YVHA

COSTS - OVERVIEW

HORIZONTAL DEVELOPMENT AT BROWN RANCH WILL COST \$260,000 PER DOOR FOR THE EXPECTED LEVEL OF SERVICE AND AMENITIES

- ▶ The summary of costs below was provided by the city of Steamboat Springs and third-party civil engineers at Landmark Consultants. The expenses have been separated out to show on-site costs, off-site costs, overall costs to support the expected level of service and minimum costs needed to create a feasible development.
 - » Public works is the largest driver of costs, due to \$96,000,000 needed to develop off-site roads (Intersection at US 40) as well as \$79,000,000 needed for on-site roads, and \$100,000,000 needed for on and off-site water and waste-water.
 - » At present, parks are expected to cost \$1,350,000 per acre, or \$95,000,000 for 70 total acres of parks. These plans and figures are still being analyzed.

Neighborhood	Project Totals				Project Total	Per Unit
	1	2	3	4		
Dwelling Units	429	329	1,026	480	2,264	
Public Works	\$37,558,065	\$22,002,915	\$155,609,743	\$70,109,747	\$285,280,469	\$126,007
Fire	\$20,671,216	\$0	\$0	\$0	\$20,671,216	\$9,130
Police	\$2,149,500	\$109,500	\$109,500	\$109,500	\$2,478,000	\$1,095
Parks	\$3,627,267	\$7,476,777	\$63,634,633	\$34,621,028	\$109,359,706	\$48,304
Electrical & Other	\$46,746,605	\$8,399,382	\$26,193,816	\$12,254,417	\$93,594,220	\$41,340
Other Expenses	\$14,834,618	\$11,376,665	\$35,478,597	\$16,598,174	\$78,288,054	\$34,580
Total On-Site Costs	\$62,801,461	\$44,980,014	\$178,174,149	\$89,463,544	\$375,419,167	\$165,821
Total Off-Site Costs	\$62,785,811	\$4,385,225	\$102,852,140	\$44,229,322	\$214,252,498	\$94,634
Total Costs	\$125,587,272	\$49,365,239	\$281,026,289	\$133,692,866	\$589,671,665	\$260,456
Total Costs For Minimal Feasible Development	\$54,297,533	\$33,379,580	\$116,588,340	\$86,707,921	\$290,973,373	\$128,522
Total Costs Per Unit	\$292,744	\$150,046	\$273,905	\$278,527	\$260,456	
Total Costs per Unit for Minimal Feasible Development	\$126,568	\$101,458	\$113,634	\$180,642	\$128,522	

Source: Landmark Consulting (Civil Engineers); City of Steamboat Springs; YVHA

COSTS - DETAILED

Neighborhood	Needed for Minimal Feasibility	On-Site / Off-Site	Project Totals				Project Total
			1	2	3	4	
Dwelling Units			429	329	1,026	480	2,264
Public Works							
Off-Site Water	No	Off-Site	\$2,700,000	\$0	\$58,000,000	\$0	\$60,700,000
On-Site Water	Yes	On-Site	\$2,135,600	\$1,637,791	\$5,107,519	\$2,389,483	\$11,270,393
Off-Site Wastewater	No	Off-Site	\$0	\$0	\$12,000,000	\$0	\$12,000,000
On-Site Wastewater	Yes	On-Site	\$3,153,175	\$2,418,169	\$7,541,160	\$3,528,028	\$16,640,532
Streets	No	Off-Site	\$846,514	\$0	\$0	\$0	\$846,514
Transit	No	Off-Site	\$0	\$0	\$4,500,000	\$0	\$4,500,000
Off-Site Multimodal	No	Off-Site	\$4,790,626	\$0	\$0	\$0	\$4,790,626
Off-Site Roads	Yes	Off-Site	\$5,746,000	\$4,000,000	\$24,966,915	\$43,844,097	\$78,557,012
On-Site Roads	Yes	On-Site	\$18,186,150	\$13,946,954	\$43,494,149	\$20,348,140	\$95,975,393
Fire							
Station and Apparatus	No	Off-Site	\$20,671,216	\$0	\$0	\$0	\$20,671,216
Police							
Vehicles	No	Off-Site	\$109,500	\$109,500	\$109,500	\$109,500	\$438,000
Substation	No	Off-Site	\$2,040,000	\$0	\$0	\$0	\$2,040,000
Parks							
Capital Equipment & Streetscape Equipment	No	Off-Site	\$329,725	\$275,725	\$275,725	\$275,725	\$1,156,900
Maintenance Facility	No	Off-Site	\$0	\$0	\$3,000,000	\$0	\$3,000,000
Parks and Open Space	No	On-Site	\$2,862,000	\$5,940,000	\$52,096,500	\$34,006,500	\$94,905,000
Trails	No	On-Site	\$435,542	\$1,261,052	\$8,262,408	\$338,803	\$10,297,806
Electrical & Other							
YVEA Airport Substation	No	Off-Site	\$7,903,500	\$0	\$0	\$0	\$7,903,500
YVEA Feeders	No	Off-Site	\$17,648,730	\$0	\$0	\$0	\$17,648,730
YVEA Onsite Distribution	Yes	On-Site	\$10,241,990	\$0	\$0	\$0	\$10,241,990
Geothermal	No	On-Site	\$10,952,385	\$8,399,382	\$26,193,816	\$12,254,417	\$57,800,000
Other Expenses							
General Conditions/Mobilization/Bonding/Permits	Yes	On-Site	\$3,280,000	\$2,515,431	\$7,844,476	\$3,669,930	\$17,309,837
Total Contingencies	Yes	On-Site	\$8,026,478	\$6,155,504	\$19,196,192	\$8,980,675	\$42,358,849
Soft Costs	Yes	On-Site	\$3,528,140	\$2,705,730	\$8,437,929	\$3,947,569	\$18,619,368
Other On-site Expenses	Yes	On-Site	\$0	\$0	\$0	\$0	\$0
Other Off-site Expenses	No	Off-Site	\$0	\$0	\$0	\$0	\$0
Total On-Site Costs			\$62,801,461	\$44,980,014	\$178,174,149	\$89,463,544	\$375,419,167
Total Off-Site Costs			\$62,785,811	\$4,385,225	\$102,852,140	\$44,229,322	\$214,252,498
Total Costs			\$125,587,272	\$49,365,239	\$281,026,289	\$133,692,866	\$589,671,665
Total Costs for Minimal Feasible Development			\$54,297,533	\$33,379,580	\$116,588,340	\$86,707,921	\$290,973,373
Total Costs Per Unit			\$292,744	\$150,046	\$273,905	\$278,527	\$260,456
Total Costs Per Unit for Minimal Feasible Development			\$126,568	\$101,458	\$113,634	\$180,642	\$128,522

Source: Landmark Consulting (Civil Engineers); City of Steamboat Springs; YVHA

SIMPLIFIED COSTS & NET GAP

BROWN RANCH WILL NOT BE ABLE TO DELIVER THE PROPOSED LEVEL OF SERVICE WITHOUT AN ADDITIONAL \$250M – OR \$110,000 PER UNIT – IN FINANCING SUPPORT

- ▶ At present, Brown Ranch and the City of Steamboat Springs can only expect to generate enough revenue to fund the most basic level of services at Brown Ranch, including on-site streets, on-site utilities, soft costs and a large \$100,000,000 intersection at US 40. There is not enough funding to deliver the full level of service planned for the community, which includes transit, parks, off-site development projects, a police station, and a fire station.
- ▶ If the City and Housing Authority want these services to be available to residents at Brown Ranch and the broader Steamboat Springs Community, the City and/or Brown Ranch will need to garner additional funding. Sources like CDOT, state funding from water/wastewater, bonds, and grants can help bridge the gap.

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	1	2	3	4	
Dwelling Units	429	329	1,026	480	2,264
Expenses					
Total On-Site Costs	\$62,801,461	\$44,980,014	\$178,174,149	\$89,463,544	\$375,419,167
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Total Costs for Minimum Feasibility	\$126,568	\$101,458	\$113,634	\$180,642	\$128,522

Revenues					
Total	\$55,446,706	\$47,856,123	\$160,812,157	\$75,262,529	\$339,377,515
Per Unit	\$129,246	\$145,459	\$156,737	\$156,797	\$149,902

Net Gap in Funding					
Overall Funding	(\$70,140,566)	(\$1,509,116)	(\$120,214,132)	(\$58,430,338)	(\$250,294,150)
Minimum Feasibility Funding	\$1,149,173	\$14,476,543	\$44,223,818	(\$11,445,393)	\$48,404,142
Overall Funding Per Unit	(\$163,498)	(\$4,587)	(\$117,168)	(\$121,730)	(\$110,554)
Minimum Feasibility Funding Per Unit	\$2,679	\$44,002	\$43,103	(\$23,845)	\$21,380

Source: Landmark Consulting (Civil Engineers); City of Steamboat Springs; YVHA; RCLCO

REVENUES

- ▶ How can Brown Ranch and/or the City work together to generate additional funding?
 - » Bonding?
 - » CDOT funding?
 - » Water & wastewater funding from state?
 - » Confirmation of STR allocation?
 - » Geothermal grant?
 - » Grant from the city?

- ▶ Remembering that there are unquantifiable benefits in terms of providing much-needed workforce housing to sustain Steamboat's long-term growth

- ▶ Remembering that we have more levers than most other communities!

EXPENSES

- ▶ How can we lower expenses to help bridge the gap?
 - » Would YVHA accept a lower level of overall service? Perhaps fewer parks?
 - » Would the city accept this same level of service?
 - » Can parks be developed for cheaper? Is \$1.35 million per acre realistic?
 - » Other line items that can be reduced:
 - › Fire Station \$20,000,000 expense?
 - › YVEA \$35,000,000 in other expenses?
 - › Trails \$10,000,000 expenses?
 - › Water treatments, intersection at US 40 and on-site roads is a cumulative \$275,000,000. Is this 100% essential?

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.

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