Brown Ranch Annexation Committee (BRAC)
Wednesday, July 26, 2023
Meeting Summary

Attendance: Robin Crossan, Joella West, Gary Suiter, Leah Wood, Kathi Meyer, Jason Peasley (BRAC); Jason Lacy (Third Party Facilitator); Kim Weber, Chuck Cerasoli, Mark Beckett, Jon Snyder, Angela Cosby, Matt Barnard, Rebecca Bessey, Dan Foote, Tom Leeson, Brad Calvert (City staff); Robin Schepper (BRAC Communications); Emily Katzman (YVHA staff)

A. PRIOR MEETING RECAP

1. Approval of Minutes

Minutes (the official video recording) from the July, 12 2023 meeting were approved unanimously. First by Kathi Meyer; Second by Joella West.

2. Communications and Public Outreach Update

Robin Schepper, BRAC Communications, provided the following update:
The communications team continues to hold direct outreach meetings with community groups.

- Met with Heart of Steamboat (Methodist Church)
- Meeting with Main Street Steamboat next week.
- Meeting with teachers and school staff at schools in August.

Communications team is finding people primarily about the "end product," rather than the annexation process. Common questions: when will I be able to live there? Will my taxes increase to pay for Brown Ranch?

Next Town Hall will be held in August, after school is back in session. Details TBD.

B. CURRENT DISCUSSION

3. Draft Fiscal Impact Analysis

Jason Peasley, YVHA Executive Director, summarized the work to date on the Brown Ranch Fiscal Impact Analysis, then reviewed various options YVHA has considered to close the City's General Fund operating gap to serve Brown Ranch. [Note, this meeting summary is not intended to capture all details of the presentation and subsequent conversation. Please review the packet material and meeting recording at 11:40 for additional detail].

YVHA worked closely with RCLCO, EPS, and City staff to understand and analyze various expense scenarios related to serving Brown Ranch. There are four different expense scenarios that represent a range of possibilities. It is unclear to YVHA whether BRAC has agreed on a particular expense scenario, and therefore, the size of the operating gap. Brown Ranch will generate net negative fiscal impact to City's budget: of -\$1,556,661 to -\$4,534,677 annually, at full build-out, depending on scenario.

The Fiscal Impact Analysis compares Brown Ranch expense scenarios to the existing fiscal conditions of the City. Existing households in Steamboat Springs also generate net negative fiscal impact to the City's budget of -$541/household or -$2,836,301 total annually.

Closing the gap: YVHA's position is that the Brown Ranch net operating gap is the difference between the net fiscal impact of an existing Steamboat Springs household and a Brown Ranch household. If were to go beyond that, Brown Ranch would be subsidizing existing Steamboat Springs residents for the services they receive.

- Kim Weber, City of Steamboat Springs Finance Director, clarified that there is still a gap that needs to be filled because "if not but for" Brown Ranch the City has a balanced budget.
- Jason Peasley: The way in which the gap has been filled up to now is tourist spending and a commuting workforce that spends money here. That is how the City makes up for net negative fiscal impact of existing full and part-time households.

"Gap closing" options offered by City of Steamboat Springs:

Title 32 Metro District

- Financing mechanism to reduce cost to borrow for major upfront expenses. To YVHA, this is a viable but not preferred option to close capital gap.
- YVHA does not recommend this for City General Fund gap.

HOA

- YVHA intends to set up a Brown Ranch HOA. However, it will fund maintenance of common spaces NOT dedicated to City.
- YVHA does not recommend this for City General Fund gap.

Regional Tax Sharing

- YVHA "does not want to touch" this option.
- Would take significant buy-in from Routt County and SSSD.

Reevaluate City Taxing Structure

- Process would require careful evaluation and significant, broad community engagement.
- YVHA does not currently recommend, though recognizes this may be on the horizon for the City.

Reduced Service Levels

- YVHA does not recommend nor support reducing City service levels to Brown Ranch.
- YVHA does not recommend lowering service levels across City.

Real Estate Transfer Assessment (RETA)

- YVHA sees this as a viable option.

- YHVA intends to be exclusive transactional broker at Brown Ranch and has ability to reduce transactional costs, so there is room to add a small RETA, without having major impact on affordability.
- Would only apply to for-sale product at Brown Ranch.
- One-time expense at closing, including first sale.
- A 1% RETA provides a robust revenue stream for the first 10 years (estimate $6,219,351). The revenue stream then trails off based on regular turnover of units (estimate $289K/annually).
- YVHA thinks this is a good option because it front-loads revenue to the City and provides the City time to evaluate and understand what it actually costs the City to serve Brown Ranch and whether policy changes need to be made.

Questions and Discussion

- Kim Weber clarified that the City also suggested amending the development plan to include higher AMI.
  Jason Peasley response: changing the AMI mix doesn't make a difference to the general fund. However, it would make a difference on the capital revenue side. YVHA wants to deliver housing needed by the community and does not want to change the AMI mix as a mechanism to close the gap.
- Dan Foote, City Attorney, clarified the RETA must be imposed by the developer, not the City, per TABOR.
- Q: Robin Crossan: Can you tell us how many ownership units are anticipated in Phase 1?
  A: Leah Wood: YVHA ran this analysis by year. Anticipating 377 ownership units between 2027 – 2029.
- Kim Weber: We need to identify what the gap is. The gap is what a BR resident will cost the City of Steamboat Springs. Minimizing it to the difference between an existing household and a Brown Ranch household is not appropriate.
- Leah Wood: It is important to recognize that there is a positive economic impact to the entire community when there is stable housing for the workforce. That is not accounted for in the Fiscal Impact Analysis.
- Kim Weber: I don't know if $1.67M over three years is actually a front-load of revenue. Maybe the RETA covers the operating gap in first five years, but what happens after that? $280K/year will not cover the operating gap.
- Jason Peasley: YVHA doesn't have the ability to boost the City's revenue independently. This will take the City doing something as well. YVHA is not capable of changing the way the City is funded. Your funding model prefers tourists and people living outside the City and commuting in to work. This is the environment we've inherited and it's not conducive for what we're trying to produce. We're clearly demonstrating there is a problem in the way the City is funded. We're trying to do our part, but we cannot solve the entire problem, because of the other goals we're trying to achieve: providing the affordable housing that our community needs.
- Kim Weber: I thought we had consensus on Scenario 4 (-$1,110/household net operating impact). I believed Scenario 4 was already a compromise and that's where my comfort level is.

- Robin Crossan: Where is the reality check on transit? The money from RETA does not come close to covering what you're interested in for transit at Brown Ranch.
- Robin Crossan: People in the community want to know what is happening today and tomorrow with their taxes and if they will have to help build Brown Ranch.
    - Jason Peasley: to be clear, there is no proposal where we ask you to increase taxes.
    - Robin Crossan: if we do not increase taxes, then we have to cut services.
- City is not comfortable with 1% RETA proposed by YVHA as the final answer for solving the operating side of the equation.
- Acknowledgement that City and YVHA want the same thing: workforce housing (the goal of the project).
- Robin Crossan: Would you consider scaling this all back and focusing on a smaller phase, then going back to the community and saying: "this is what we need in the next 20 years." Then we can prove to the community that we can spend the money wisely, demonstrate that the project is wonderful, then ask the community to move forward on the next phases. Is there a way to scale it back and make it easier to sell to the community? I feel we are at an impasse.

Next steps:

- Run more detailed analysis of City's phased operating costs and RETA revenue as it is phased in.
- Create FIA "Scenario 5" – hybrid of Scenario 4 with police expenses decreased and transit expenses increased (micro transit concept?).
- Come back to the table with revised proposals to fill the gap.

Capital Revenue and Expense Analysis

Jason Peasley reviewed YVHA's updated Revenue and Expense Analysis. Please see the packet material and meeting recording at 1:18:00 for details.

Expenses: total = $582,000,000

- YVHA = $423,000,000
- City = $159,000,000 (consists primarily of City share of US40 improvements, City share of new water treatment plant, and City share of parks).
- Note: these expenses do not include the vertical components of the development.

Revenues:

- Built into the capital revenue analysis is a line item called "self-supported project value." This is what the development can pass along to the end user (rent or for-sale price, proceeds from LIHTC credit, etc.) without jeopardizing affordability. This value is based on the AMI targets projected for Brown Ranch. It was discussed earlier in the meeting that YVHA could adjust the AMI targets at Brown Ranch to close some of the capital gap. This is true, however, a method of last resort so people who need housing are not left behind.

- YVHA's grants and philanthropic strategies are critical to the success of Brown Ranch. YVHA also tried to make realistic guesses related to grant revenue to City.
- City: will receive ~$59,000,000 in water and sewer tap fees, building use and excise taxes from Brown Ranch over the course of the project. All these fee assumptions are based on current City rates.
- Other assumptions: City would bond for water treatment plant (typical way it would finance that type of project).
- YVHA assumed City may utilize some portion of STR revenue to pay for eligible expenses. For example, construction of parks at Brown Ranch.
- YVHA believes 75% of STR funds dedicated to YVHA for Brown Ranch is what is needed to make the project successful. The project does not work without significant community investment.

"The Gap"

- Based on these assumptions, the City is revenue positive through phases 1 and 2. For Phase 3, there is still a gap, because of significant expenses associated with US40 expansion.
- YVHA is revenue positive in Phases 1 and 3. There is still a significant gap for YVHA in Phase 2 due to construction of the new water treatment plant.

Questions and Discussion

- Jason Peasley: we have what no other community has: we have land and financial resources (STR tax) to deliver the housing we need.
- Gary Suiter: Steamboat Springs has a decades-long history of success in securing grants. However, these grant assumptions may be a leap of faith and not conservative enough.
- Brian Duffany, EPS (City economics consultant), provided the following observations:
    - Unit and AMI mix: It would be helpful for YVHA to provide current working assumptions on unit and AMI mix to help all parties understand where there may or may not be more room to adjust things and get more revenue out of the project. We understand this will change in the future with market conditions. We know this is hard, and there is a tradeoff when getting to deeper affordability for lower AMI levels.
    - Jason Peasley: we can provide those assumptions. As we work more closely with our Community Development Partner, our assumptions and AMI mix will be truthed out.
    - STR tax level of investment: when you look at Phase 1, the City is the first and major investor in this project. This does not come without risk (loss of STR tax if project doesn't materialize). The extent that we can reduce risk, the better.
        - Kathi Meyer and Jason Peasley clarified that YVHA fully understands the risks of real estate development, which is why YVHA engages in public-private partnerships. YVHA is currently negotiating an agreement with a large,

reputable affordable housing developer, who will be taking on most of the project risk (market absorption, cost overruns, etc.).

  - Brian Duffany: Has YVHA provided estimates of metro district financing capacity and what the mill levy would be?
    Jason Peasley: No, not yet. YVHA would much rather use the funds that the community voted for to support affordable housing before we agree to a metro district. Metro district reduces ongoing affordability because residents pay for it on the back end. YVHA is reserving a metro district and/or mill levy extension as a tool to close gap in future phases.
- Jason Peasley: The difference between using 50% of the STR tax revenue (City's position) and 75% of STR tax revenue (YVHA's position) is enormous. It's a $70 million difference over the course of the project. We wanted to illuminate to you guys how important the STR tax is to the success of the project. It's important to both pay for the infrastructure that's needed out there, while delivering affordability. This is the tool we have, it's a big, one, and we should be utilizing it for this project.
- Dana Schoewe, RCLCO (YVHA's economics & real estate consultant): One key trade off that I want to reiterate is the "program tradeoff." If you deliver more owner units up front or a higher share of units at higher AMI level, there would be higher self-supported project value generated that could help close the gap. A key priority identified in the master planning work for Brown Ranch is addressing the urgent need for most vulnerable households first. This is a continued consideration and trade-off. The risk is if you do try to target and serve a higher range of higher income household, there is more lease-up and risk when you aren't serving the exact income needs that are there, as identified by the demand study.

Multi-year fiscal obligation

- YVHA is seeking a multi-year fiscal obligation of STR tax or STR tax bonding question. Security is key. The revenue source must be locked in as we move forward with development.
- Robin Crossan: the interest on bonding STR tax is astounding.
  Robin Crossan: Please explain how a multi-year fiscal obligation works, especially if STR tax revenues are not realized as projected. We do not have a crystal ball to guarantee that we can give you $10M/year. How do we make that work?
  - Jason Peasley: would the City consider obligating 75% of STR receipts to YVHA for Brown Ranch? That way, we share in the risk of good years and bad years.
  - Dan Foote: City has discussed the concept of revenue bond, which is repaid only if there is sufficient revenues from the sources specified. The real question is what are the terms? The promises made in the Annexation Agreement need to be tied to YVHA's receipt of the funds. The Annexation Agreement needs to be negotiated before we can do multi-year fiscal question. If the Annexation Agreement includes a promise to pay $10M/year to YVHA over some period of time, the Annexation Agreement itself goes before the voters.
- Q: Kim Weber: From a cash flow basis, does $10M/year get you where you need to be?
  A: Jason Peasley: Yes. If the project requires more cash up front, we can figure out how to bridge the gap if need be: bridge loan, utilizing proceeds from construction loans, etc.

- Kim Weber: The City needs to track success that we are accomplishing what voters authorized in ballot language to ensure it is utilized for eligible purpose and outcomes.

Next Steps:

- City and YVHA grant teams to coordinate and further refine grant assumptions.
- YVHA to provide additional information on unit and AMI mix.
- City to analyze and consider STR tax revenue contribution to YVHA for Brown Ranch.
- YVHA to provide estimates of metro district capacity.

PUBLIC COMMENT

Public Comment was held at 11:30 am. One community member provided comment:

Bob Schneider: I'm on the development team of YVHA. I think there is an unrecognized guarantor when it comes to the risk factor and time-valued money that was brought up. The partner that we have picked is willing to spend millions of dollars the minute this annexation is approved to set us up so we can move dirt next year. Why would they do that? They are in it for the long haul, and they are big enough to make that guarantee.

- Robin Crossan asked clarifying questions based on the public comment: If there are overruns on Phase 1 and the developer takes that risk, do losses from Phase 1 get added to Phase 2 development costs? If so, that could make it unaffordable for the population you are trying to build for.
    - Jason Peasley response: the way they would recover cost overruns would be primarily over time. Especially with rental projects, developers receive distributions (from rents) that pay for debt service. It stretches their return portfolio. That's the risk they are taking on. One of the reasons we put that risk on the developer is because it provides the appropriate motivation for them. They are keeping a keen eye on costs. We will have to make decisions throughout the project if we do experience cost overruns.
    - Kathi Meyer clarified YVHA has an owners' representative who will be responsible for monitoring the financial mileposts, construction, etc. so there are no surprises. They will also be responsible for quality control, so when there are cost overruns, quality doesn't suffer.
    - Robin Crossan: When is all this information going to be public, so the community feels more comfortable and understands YVHA's backing?
      Jason Peasley: we have already announced these partnerships with the public but will do more.
- Jason Peasley: YVHA is requesting meeting or two that includes all the decision makers. If we were to have a meeting with the full City Council and YVHA's negotiating team to work through the remaining big issues, I think we could get to a place of agreement so we could have a first reading of an ordinance on August 22nd. September 5th is last opportunity to refer something to ballot.
    - Joella West expressed concern about "going backwards" in a bigger meeting.

- Gary Suiter: can we all agree that we must have an annexation agreement buttoned up before we go to ballot?
  Leah Wood and Kathi Meyer: yes!

[this conversation was deferred until the end of the meeting].

4. Draft Annexation Agreement

Dan Foote, City Attorney, and Jason Peasley reviewed his summary of the remaining key discussion points in the DRAFT Annexation Agreement. Please find the summary here.

YVHA and City staff met earlier in the week and made significant progress on the following:
- Fire Station – outstanding issues on phasing and parking have been resolved.
- Affordability requirements – Dan Foote has been reviewing exhibits. He has a few clarifying comments to YVHA. However, these questions can be resolved through drafting and do not require further negotiation by BRAC.
- Post-annexation land use – any outstanding issues have been resolved.

Parks, Open Space, and Trails

Jason Peasley shared a presentation by YVHA as follow-up to the July 12, 2023 BRAC conversation.

- Concept Plan – This is YVHA's current parks, open space, and trails proposal and is currently attached to DRAFT Annexation Agreement. The plan is focused on providing Brown Ranch residents proximity and access to parks.
  - Combined parks and open space acreage is 47% of land subject to annexation.
  - YVHA increased parks and open space acreage from the original plan by 29 acres.
- Summary of outstanding issues both parties may agree on (from YVHA perspective):
  - Multimodal Trail - All parties agree that multimodal trail will be outside of existing RCRC easement (which expires 2 years after annexation).
  - Neighborhood park maintenance – YVHA willing to maintain neighborhood parks. YVHA will agree to maintain 25.03 acres of neighborhood parks and greenways at Brown Ranch.
- Special Use Facility
  - YVHA has requested to work directly with Steamboat Sports Barn because the organization has committed to building, operating, and maintaining the facility at no cost to taxpayers.
  - YVHA lease with Sports Barn: will include stipulations related to access and affordability.
  - YVHA wants to be sure Special Use Facility still "counts" as a park, since it will be open to the community.
  - YVHA has increased acreage to 8.5 so the site is inclusive of 2 sports fields.
  - Sports Barn in talks with Boys and Girls Club to co-locate spaces on a single campus.

    - City Response, provided by Joella West and Angela Cosby: City is willing to agree to YVHA's proposal: YVHA would continue to own the property and lease it to a third-party for operations. The City will not accept the facility as dedicated parkland. The City will not require YVHA to "make up" that acreage elsewhere in the parks plan. The City has concern about parking at this facility.
- Pocket Parks
  - Angela Cosby and Matt Barnard: how pocket parks are developed within greenways is very important because counting greenways as a pocket park is a concession on the City's part. It will take a lot of thought to make those spaces as user-friendly as possible. Needs to be active space.
  - Jason Peasley: yes, greenways will have amenity-rich pocket parks within the greenways. At this level of planning, we are focused on creating the space for this type of programming to exist.
- Regional Park
  - The City requires 46 acres of regional parkland. This is a non-negotiable item for City Council.
  - YVHA response: there is opportunity for compromise of areas outside Urban Growth Boundary (UGB). We want to have that conversation with the entire decision-making body.
  - City negotiators are willing to take back to City Council the proposal for 75% of STR revenues for regional park within UGB. Access and timing are important to City (City asking for utilities and access delivered by end of Phase 1). Rather than tying to neighborhood or phase, can tie to number of units? City also asking for site grading and utilities delivered to site.

- Next steps:
  - YVHA to work with Dan Foote and Angela Cosby on language to describe the intent of pocket parks: highly programmed and amenity-rich.
  - YVHA to discuss City's regional park proposal with Board of Directors on Thursday and report back to BRAC and City staff.

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5. Outstanding Topics & Issues

Water Rights Fee in Lieu

Jon Snyder, City of Steamboat Springs Public Works Director, shared the following information the City's Water Rights Dedication Policy "fee in lieu."

- The City engaged a water rights attorney to determine the fee.
- This is a complex analysis because there is not an established market in the Yampa River Basin.

- The purpose of the fee in lieu is to ensure new development bears the appropriate expense. New annexation bears appropriate investment in developing new water supply.
- Range: $3,000,000 - $40,000,000
- Water rights attorney recommendation: $10,500,000.
  - First 800 EQR representative share of value of current water system.
  - Units beyond 800 EQR = share of supply and storage rights City has secured at Steamboat Lake.
- City is still awaiting cost sharing breakdown on construction of new water treatment plant.
- Q: Jason Peasley: what would you do with $10.5M?
  A: Jon Snyder: The City would use it to fund anything within the water enterprise fund: reduction of fees, water treatment plant construction, etc.
- There was no resolution to this conversation. Needs to be revisited and discussed when water treatment plant cost sharing breakdown is provided.

Vesting Term

- City Council has discussed, understands YVHA position.
- City will discuss with YVHA at a future meeting.

C. NEXT MEETING

Future Meeting

- August 1, 2023 – City Council Special Meeting
  - YVHA to present with development partner and owner's representative.
  - Counters from YVHA Board based on 7/27 YVHA Board meeting.
- Final BRAC meeting scheduled for: Wednesday 8/8 – 9 am.
- August 22, 2023 – City Council meeting – goal: first reading of multi-year fiscal obligation ordinance?
- September 5, 2023 – City Council meeting – goal: resolution approving annexation agreement & second reading of fiscal obligation ordinance?

Meeting summary prepared by Emily Katzman, YVHA Development Project Manager
July 26, 2023