

# Snowbridge Square Redevelopment Feasibility Study

August 25, 2008



Prepared by:





# Table of Contents

- Table of Contents .....ii
- 1.0 Introduction.....1
- 2.0 Background.....2
  - 2.1 Land Use Approvals .....2
- 3.0 Land Use Analysis .....3
  - 3.1 Permitted Uses.....3
  - 3.2 Development Standards.....4
  - 3.3 Development Incentives .....4
- 4.0 Snowbridge Building Prototype .....5
  - 4.1 Existing Building Configuration .....7
  - 4.2 Recommended Building Configuration.....7
  - 4.3 Summit County Development Code Anomalies .....9
- 5.0 Financial Analysis.....11
  - 5.1 Inventory of Existing Built Space.....11
  - 5.2 Recent Condominium Lodge Unit Sales at Copper Mountain.....11
  - 5.3 Financial Analysis for Redevelopment Option #1 .....17
  - 5.4 Financial Analysis for Redevelopment Option #2 .....22
  - 5.5 Financial Analysis for Redevelopment Option #3 .....26
  - 5.6 Financial Conclusions & Recommendations .....30
- 6.0 Conclusions and Recommendations .....31
- Appendix A .....33

Cover photo by Paul Mulae



## 1.0 Introduction

The Snowbridge Square Homeowners Association commissioned this study to determine the economic feasibility of redeveloping the Snowbridge Square Condominiums. The Snowbridge Square building is beginning to exhibit the wear tear of over 30 years of short-term rentals and the extremes of the climate at 9,000 feet above sea level. The mechanical equipment and the roof are in need of major repair or replacement along with other sizeable maintenance projects that are resulting in ever increasing assessments to cover these expenses. In addition, the building predates energy efficient design standards which results in significant heat loss and corresponding large heating bills. This is supported by discussions with the Board President and a couple of other property owners that stated the majority of the \$800 per month association fees go toward heating the building.

The Snowbridge Square homeowners believe there may be an opportunity to reconstruct the existing units and add a number of new units (to be determined) that would be sold to fund the reconstruction. Ideally, the funds generated by the sale of the new units would be sufficient to pay for architectural and engineering services, building construction, sales and marketing costs of the new units with no increase in fees or mortgage payments of the existing owners. This study will test the feasibility of this thesis.

This study examines the existing conditions at Snowbridge Square; the available opportunities to increase the size of the building; the potential constraints to increasing the size of the building; and, the economic implications of redeveloping Snowbridge Square. This report also examines three scenarios posed by the Homeowners:

1. How many units will have to be added to the existing building to offset/recover architectural and engineering costs, reconstruction costs, sales and marketing costs of the new units and other fees and expenditures in order to replace the existing 18 market units, 8 employee units and existing retail space without any additional costs to the homeowners than exist today?
2. How many market units must be added to Snowbridge Square without rebuilding the commercial space, adding four employee housing units and require no additional costs to the existing homeowners?
3. Knowing structured parking is extremely expensive; assume that Snowbridge Square will be rebuilt without the commercial



component, with eight additional employee housing units and with the maximum number of additional market housing units that the site can physically accommodate with a single level of underground parking.

With the results of this analysis and other information contained in this report the Snowbridge Square Homeowners should be able to make an informed decision on whether to proceed with a redevelopment project, delay the project until more favorable economic conditions prevail or to stop the project for the time being.

## **2.0 Background**

Snowbridge Square was constructed in 1973 and is one of the oldest buildings that make up the village core of Copper Mountain Resort. The Snowbridge Square Condominiums consist of eighteen (18) 1,100 to 1,500 square foot “market” residential units, eight (8) “employee” residential units and approximately 22,000 square feet of commercial space.

The Snowbridge Square property is unique within the Copper Mountain village, in that the Snowbridge Square site has land available in addition to the existing building. When Copper Mountain began terminating the land leases in the mid 1980s most properties in the village only received the “postage stamp” of land that the building sits on. The Snowbridge Square property is approximately 1.7 acres. This provides opportunities to expand the building beyond its current footprint that other buildings in the village do not enjoy.

All three development options examined here will require an amendment to the Copper Mountain PUD to permit the expansion of Snowbridge Square beyond the existing 18 market units and 8 employee housing units.

### **2.1 Land Use Approvals**

All scenarios examined in this report will require a series of land use approvals from Summit County Government. The Snowbridge Square building is a part of a much larger planned development known as the Copper Mountain Planned Unit Development (PUD). The PUD specifies the number of units that can be placed on development site, setbacks from property lines, building heights, open space requirements and other development standards.



Before Snowbridge Square can reconstruct the building the Homeowners Association, or your representative, must request an amendment to the PUD to add the desired market units, employee units, addition or deletion of commercial space, required parking and other modifications to the site. This process requires, at a minimum, meetings with the Planning Department staff, a hearing or hearings before the Ten Mile Planning Commission and a hearing or hearings before the Summit County Board of Commissioners.

Once the amendment to the PUD is approved the next step is to obtain Site Plan approval. This is a detailed review of the proposed building. The site plan review will examine exterior building materials such as wooden siding, stucco, windows, roofing and the proposed colors of those materials. The site plan will also review the number and location of parking spaces. Finally, the site plan will examine the proposed landscape to ensure the numbers of plant materials comply with the standards contained in the PUD and that the species of plants selected will thrive at 9,000 feet. This step only requires a hearing before the Planning Commission. Once the site plan is approved the construction drawings can be submitted to the Building Department for review and building permits can be issued.

### **3.0 Land Use Analysis**

#### **3.1 Permitted Uses**

Snowbridge Square is located within Parcel K of the Village Center Neighborhood at Copper Mountain. Parcel K permits the following uses:

- Multi-family dwelling units
- Hotel/lodge units
- Employee Housing
- Commercial
- Resort Support Facilities
- Community Facilities
- Recreational Facilities

The Copper Mountain Planned Unit Development (PUD) currently permits a maximum of 74 multi-family units and 27,232 square feet of commercial space. This is equivalent to the existing units that have been built in Snowbridge Square, West Lake and Bridge End condominiums.



### 3.2 Development Standards

The following development standards affect the height, setback from property lines, site coverage and other criteria that control the size of the building that could be placed on the Snowbridge Square property.

|                  |  |
|------------------|--|
| Building Height: | 75 feet  |
| Setbacks:        | Private Property line – No setback<br>Wetland Boundary along Ten Mile Creek – 25 feet<br>Copper Road right-of-way – 25 feet  |
| Parking:         | Multi-family – 1 space per unit<br>Hotel/Lodge – 1 space per unit<br>Lock-off unit – 0.33 space per unit<br>Employee Housing – 1 space per unit on-site <u>plus</u><br>0.5 space per unit off-site (Alpine Lot)<br>Commercial space – no requirement – allocated in<br>day skier parking |
| Snow Storage:    | An area equal to 25% of the paved area of a<br>surface parking lot and drive   |

### 3.3 Development Incentives

**Redevelopment of Existing Properties:** The PUD provides a density bonus as an effort to encourage older properties at Copper Mountain to bring their exterior facades and roof forms into conformance with the current design standards of the PUD. This density bonus provides the homeowners an economic incentive to offset the cost of redevelopment.

The Snowbridge Square property is permitted a twenty percent (20%) density bonus. With 18 existing market units the bonus translates to an additional 3.6 units ( $18 \times 0.20 = 3.6$ ).

**Transfer of Development Rights:** Summit County Government recently adopted a Transfer of Development Rights (TDR) program that permits the transfer of density into specified receiving site around the county. Copper Mountain is one of the specified receiving sites.



Summit County does not permit increases in density or upzonings without a reciprocal public benefit. The county has determined that extinguishing potential residential development in the backcountry is a significant public benefit. Owners of mining claims that could be developed with a single family home have the option of selling the development rights associated with that property to a developer or some other party that requires additional density to construct a new project. The County also maintains a density bank that contains a “pool” of development right purchased from property owners that sold their mining claims to the County instead of a developer. The County has set a market price of \$43,700 per unit for transferable development rights. The County plans to revisit the dollars charged per development unit in the spring of 2008 and will probably increase the price.

For the purposes of this analysis it is assumed that Snowbridge will exercise its right to the redevelopment bonus of 3.6 units and any additional units required for rezoning will be purchased from Summit County Government. Additional employee housing units will be added as a public benefit to offset the addition of the new units.

#### **4.0 Snowbridge Building Prototype**

This section of the report discusses the physical characteristics of a building or buildings that could be placed on the Snowbridge Square property, thus a prototype. It is not meant to discuss architectural details or features that the new building would exhibit. Those aspects of the building are better discussed after a determination of feasibility has been reached.

The portion of the Village at Copper Mountain that includes Snowbridge Square has a maximum permissible height of 75 feet, or roughly six and one-half stories with a pitched roof. The irregular shape of the property and oddly configured utility and pedestrian easements add other constraints that affect the size of the building that can be placed on the property. Despite the constraints the Snowbridge property could accommodate a new building footprint 140 feet deep by 280 feet wide or approximately 39,200 square feet. With six floors over a parking level the Snowbridge site could easily accommodate a building with a mass of 235,200 square feet (39,200 x 6 floors).

Another controlling element that limits the number of units that can be placed on the property is parking. As noted above in the Development Standards section the Copper Mountain PUD requires only one parking space per multi-family unit.



The employee units require only slightly more parking with one parking space required on-site and an additional one-half space per unit that could be located off-site in a place like the Alpine day skier parking lot.

A few assumptions were made to determine how the parking would be configured on the Snowbridge property and derive the maximum number of parking spaces in a structure under the building while keeping construction costs as low as possible. Cost estimates obtained from contractors varied between \$28,000 and \$35,000 per parking space for structured parking. The first assumption was to keep the footprint of the parking level to a minimum necessary to provide the desired number of parking spaces on a single level. A second assumption was that only market units would have interior parking spaces. Employee unit parking would be provided in a surface (outdoor) parking lot<sup>1</sup>. The third assumption was that the parking level would only be buried a half story. Because of the proximity of Ten Mile Creek there is high groundwater in the area and burying the parking structure a full level (approximately 10 feet) would add significant costs to the construction of the parking structure and building foundation. The final assumption was that all units in the building would be provided one and one half (1.5) parking spaces. A parking ratio of 1.5 spaces per unit would allow smaller units to have one parking space per unit and larger units to have two parking spaces per unit.

The units proposed for Snowbridge will be offered at a sales price that will be considered “premium” or “exclusive.” As previously noted, the Copper Mountain PUD only requires one parking space per unit. The additional one half space per unit is an amenity that other properties at Copper Mountain do not offer and could therefore command a higher sales price. A decision was also made that employee units should also have 1.5 parking spaces on site. If a couple or two roommates live in an employee unit it is not practical to park one car on the property and another car in the Alpine parking lot. Therefore, for practicality and quality of living the employee units should also have 1.5 parking spaces. The sacrifice that the employee units would have to make is that in exchange for on site parking spaces they would park in a surface parking lot and not in the structure.

---

<sup>1</sup> For purposes of this exercise and to keep the calculations simple it was assumed that all market units get indoor parking and all employee units get outdoor parking. The outdoor parking lot, at 30 spaces, tends to skew the number of employee units higher than would normally be considered. Market units could have surface parking; however the loss of the indoor parking amenity would negatively affect the value of these units.





The assumptions above were used to determine a parking program that maximized the number of parking spaces on the site. The most efficient design (see Figure 1 Parking Study) yields 135 parking spaces – 111 structured spaces and 24 surface or outdoor parking spaces.

#### **4.1 Existing Building Configuration**

The existing building consists of a single loaded bank of market units facing the ski slopes and a wing perpendicular to Copper Road and I-70 that contains ground floor office space and the employee units on upper floors. In addition, there is an interior commercial mall space on the ground floor includes 22,035 square feet of retail space (see the condo map in Appendix A).

All existing market unit owners have, to some degree, views of the ski slopes (units on upper floors have better views than units on lower floors). The employee housing units are located in a wing that is perpendicular to Copper Road and I-70.

The existing building configuration and orientation maximizes the number of units with commanding views. If the new building were to be designed as a double-loaded configuration (utilizing a central corridor with units on either side of the corridor – like a hotel) half of the units would have ski views and half the units would have views of I-70. This would significantly diminish the value of one half of the units in the building.

The majority of the commercial space is on the ground floor facing Ten Mile Creek and the ski slopes. There is also a level of office space under the employee units in the wing that faces Copper Road.

#### **4.2 Recommended Building Configuration**

As previously discussed, Summit County requires some kind of public benefit to reciprocate for the impacts associated with a request to increase density. The provision of employee housing units is considered high on the list of public benefits the County considers when examining rezoning applications.



REMOVE THIS PAGE AND  
INSERT FIGURE I – PARKING STUDY HERE



The Snowbridge Square building currently contains 8 employee housing units. Only West Lake Lodge (9 units) and Village Square (29 units) provide more employee housing units at Copper Mountain.

The employee housing units essentially have to be sold for the cost of construction or a minimal profit compared to market units. Minimizing the number of employee housing units and maximizing the number of market units will yield the greatest profits that can be used to offset the costs of reconstruction. For the purposes of this analysis, it is assumed that additional employee units will be provided to Summit County Government as a public benefit. It is further assumed that two floors of residential units will be added to the Snowbridge Square building to reach the maximum height of 75 feet. The back wing of the Snowbridge Square building contains four (4) employee units per floor. Adding two additional floors will net eight (8) new employee units (4 units/floor x 2 floors = 8 units). Table A reflects the recommended unit configuration for Snowbridge Square:

**Table A** Snowbridge Square Unit Configuration

| Units        | Market    | Employee  | Total     |
|--------------|-----------|-----------|-----------|
| Existing     | 18        | 8         | 26        |
| New          | 56        | 8         | 64        |
| <b>Total</b> | <b>74</b> | <b>16</b> | <b>90</b> |

Based on parking limitations, building height and mass limitations up to 56 market units and 8 employee units may be added to the existing units at Snowbridge Square to achieve the maximum density the site can accommodate. These numbers will be utilized in the financial analysis contained in Chapter 5.

### 4.3 Summit County Development Code Anomalies

The Summit Land Use and Development Code has a few quirks that affect the reconstruction of Snowbridge Square. The first is a 1,400 square foot limit on multi-family unit floor area. In most communities a condominium unit is a condominium unit no matter the size. Summit County government uses this modified floor area ratio to control the mass of large buildings. The existing market units in Snowbridge are 1,110 square feet and 1,514 square feet (with minor deviations). A problem created by the 1,400 square foot limitation is that new 1,500 square foot units could not be built without purchasing additional



density. (The existing 1,514 square foot units at Snowbridge can be replaced without penalty because they were constructed prior to Summit County adopting the 1,400 square foot limitation).

Another solution to the 1,400 square foot unit limitation is to average the floor area of units within the building. The Snowbridge Square building contains 1 ten 1,100 square foot units and eight 1,500 square foot units. The average of ten 1,100 square foot units and eight 1,500 square foot units is 1,278 square feet ( $10 \times 1,100 + 8 \times 1,500 = 12,508$  divided by 18 equals 1,278). For the ease of the math 1,278 is rounded to 1,300. Essentially a 1,100 square foot unit is 80% of a 1,400 square foot unit ( $1,100/1,400 = 0.78$ ). A 1,500 square foot unit is 1.1 of a 1,400 square foot unit ( $1,500/1,400 = 1.07$ ). The fractions of a unit may not seem like much when reviewed here; however, the fractions of a unit add up to a significant number of dollars when purchasing density at \$43,700 per residential unit.

The second anomaly is the conversion of commercial space into residential units. Copper Mountain is a "Planned Unit Development" (PUD). Under the County's regulations a PUD is a customized zoning that is tailored to the unique characteristics of a community. The Keystone Resort PUD has provisions that permit the conversion of 1,000 square feet of retail space into one multi-family unit. In other words, 1,000 square feet of commercial space can be converted into one 1,400 square foot condominium unit. The Copper Mountain PUD does not contain a similar provision. At Copper Mountain retail is retail and will always be retail until an amendment can be made to the PUD. The Copper Mountain PUD permits the development of more retail space than the resort will ever support. This has resulted in the imbalance between the number of residential units required to support and maintain viable commercial operations in the Copper Village. Snowbridge Square has 22,000 square feet of retail that possibly could be converted to residential units. The retail space has the potential of being converted to 23.75 residential units. This has the potential of significantly reducing the number of new density units that must be purchased. This also reduces the dollars required to buy out the owners of the retail space in Snowbridge Square. The financial implications of rebuilding or buying out the commercial owners will be discussed later.

Suffice to say at this point that there may be legal grounds for Copper Mountain, Inc. to request equitable treatment with Keystone Resort; however, that legal argument is beyond the financial means of the Snowbridge Square Homeowners Association. That argument is best left to Copper Mountain, Inc.



## 5.0 Financial Analysis

The following section contains a financial analysis for several alternative redevelopment options for the Snowbridge Square property at Copper Mountain. This analysis is organized around the following five components:

1. an inventory of the existing built space;
2. a review of recent condominium lodge unit sales at Copper Mountain;
3. a financial analysis for redevelopment Option #1;
4. a financial analysis for redevelopment Option #2;
5. a financial analysis for redevelopment Option #3.

These five components of the financial analysis are discussed below.

### 5.1 Inventory of Existing Built Space

As discussed, the existing owners wish to redevelop the existing building at no cost to themselves. With this objective in mind, Table 1 (located on the following page) provides a list of all existing commercial and residential units at Snowbridge Square.

According to Summit County records and as illustrated by the condominium map located in Appendix A, there are 12 commercial units with a combined floor area of 22,035 square feet, 8 employee housing units with a combined floor area of 5,187 square feet and 18 market housing units with a combined floor area of 23,167 square feet. The accuracy of these numbers is based on the current available data available for Snowbridge Square.

### 5.2 Recent Condominium Lodge Unit Sales at Copper Mountain

Current listings and recent sales of newer condominium lodge units at Copper Mountain will provide a good benchmark to determine a realistic selling price for new condominium lodge units at Snowbridge Square. With this in mind, Tables 2 and 3 at the end of this subsection provide a limited survey of recent listings and sales activity at Copper Mountain.

Table 2 provides a summary of all current condominium lodge listings and pending sales in five of the newest buildings at Copper Mountain: namely, Mill

# Snowbridge Square Feasibility Study

March 3, 2008

Club, Copper One, Tucker Mountain, Taylor Crossing and Passage Point. A total of 13 active listings and 9 pending sales have been identified.

**TABLE 1**

October 24, 2007

**INVENTORY OF EXISTING SNOWBRIDGE UNITS(1)**

| <b><u>Land Use</u></b>     | <b><u>Unit #</u></b> | <b><u>Unit Size</u></b><br>(Sq Ft) |
|----------------------------|----------------------|------------------------------------|
| Commercial                 | B101                 | 1,049                              |
| Commercial                 | B102                 | 1,038                              |
| Commercial                 | B103                 | 1,292                              |
| Commercial                 | B104                 | 1,291                              |
| Commercial                 | C101                 | 4,567                              |
| Commercial                 | C102                 | 1,261                              |
| Commercial                 | C103                 | 1,638                              |
| Commercial                 | C107                 | 1,786                              |
| Commercial                 | D101                 | 988                                |
| Commercial                 | D102                 | 992                                |
| Commercial                 | D103                 | 3,771                              |
| Commercial                 | D106                 | 2,362                              |
| Commercial Total           |                      | 22,035                             |
| Employee Residential       | E109                 | 665                                |
| Employee Residential       | E110                 | 633                                |
| Employee Residential       | E111                 | 633                                |
| Employee Residential       | E112                 | 665                                |
| Employee Residential       | F209                 | 665                                |
| Employee Residential       | F210                 | 633                                |
| Employee Residential       | F211                 | 633                                |
| Employee Residential       | F212                 | 660                                |
| Employee Residential Total |                      | 5,187                              |
| Market Residential         | E101                 | 1,110                              |
| Market Residential         | E102                 | 1,090                              |
| Market Residential         | E103                 | 1,110                              |
| Market Residential         | E104                 | 1,110                              |
| Market Residential         | E105                 | 1,110                              |
| Market Residential         | E106                 | 1,085                              |
| Market Residential         | E107                 | 1,110                              |
| Market Residential         | E108                 | 1,110                              |
| Market Residential         | F201                 | 1,514                              |
| Market Residential         | F202                 | 1,514                              |
| Market Residential         | F203                 | 1,514                              |
| Market Residential         | F204                 | 1,110                              |
| Market Residential         | F205                 | 1,110                              |
| Market Residential         | F206                 | 1,514                              |
| Market Residential         | F207                 | 1,514                              |
| Market Residential         | F208                 | 1,514                              |
| Market Residential         | G304                 | 1,514                              |
| Market Residential         | G305                 | 1,514                              |
| Market Residential Total   |                      | 23,167                             |

1) Development Consulting Group based on information obtained from the Summit County web site ([www.co.summit.co.us](http://www.co.summit.co.us)).



Active listings range in size from a 566 square foot unit at Taylor Crossing to a 1,781 square foot unit at Passage Point. The price per square foot for active listings ranges from a low of \$549 per square foot for a unit in Tucker Mountain to a high of \$686 per square foot for a unit in Passage Point. For all 13 active listings, the average asking price is \$616 per square foot.

For all 9 pending sales, the average selling price is \$579 per square foot. This figure represents a 6% discount to the average asking price as determined above.

Figure , the chart that follows Table 2 shows the relationship between unit size and price per square foot for all 22 active listings and pending sales. In most markets, these two variables are inversely correlated: in other words, the price per square foot goes down as the unit size goes up. At Copper Mountain, on the other hand, price per square foot seems to remain more or less unchanged irrespective of unit size. This being the case, it would make sense from a financial standpoint to build larger units rather than smaller ones.

Table 3 provides a summary of all condominium lodge unit sales in 2007 (year to date) in three of the newest buildings at Copper Mountain: namely, Passage Point, Taylor Crossing and Mill Club. A total of 21 sales have been identified, the vast majority in Passage Point.

At Passage Point, selling prices range between \$429-\$622 per square foot. The average for all 15 sales to date in 2007 is only \$518 per square foot. This figure is virtually identical to the average selling price for units in Taylor Crossing and Mill Club.

For comparison purposes, there are four units currently listed for sale in the soon to be completed Blue Sky project in Breckenridge. Floor plans range in size from 1,137 square feet for a two bed/2 bath unit with one underground parking stall to 2,347 square feet for a four bed/3 bath unit with two underground parking stalls. The average asking price for these four units is \$924 per square foot.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 2

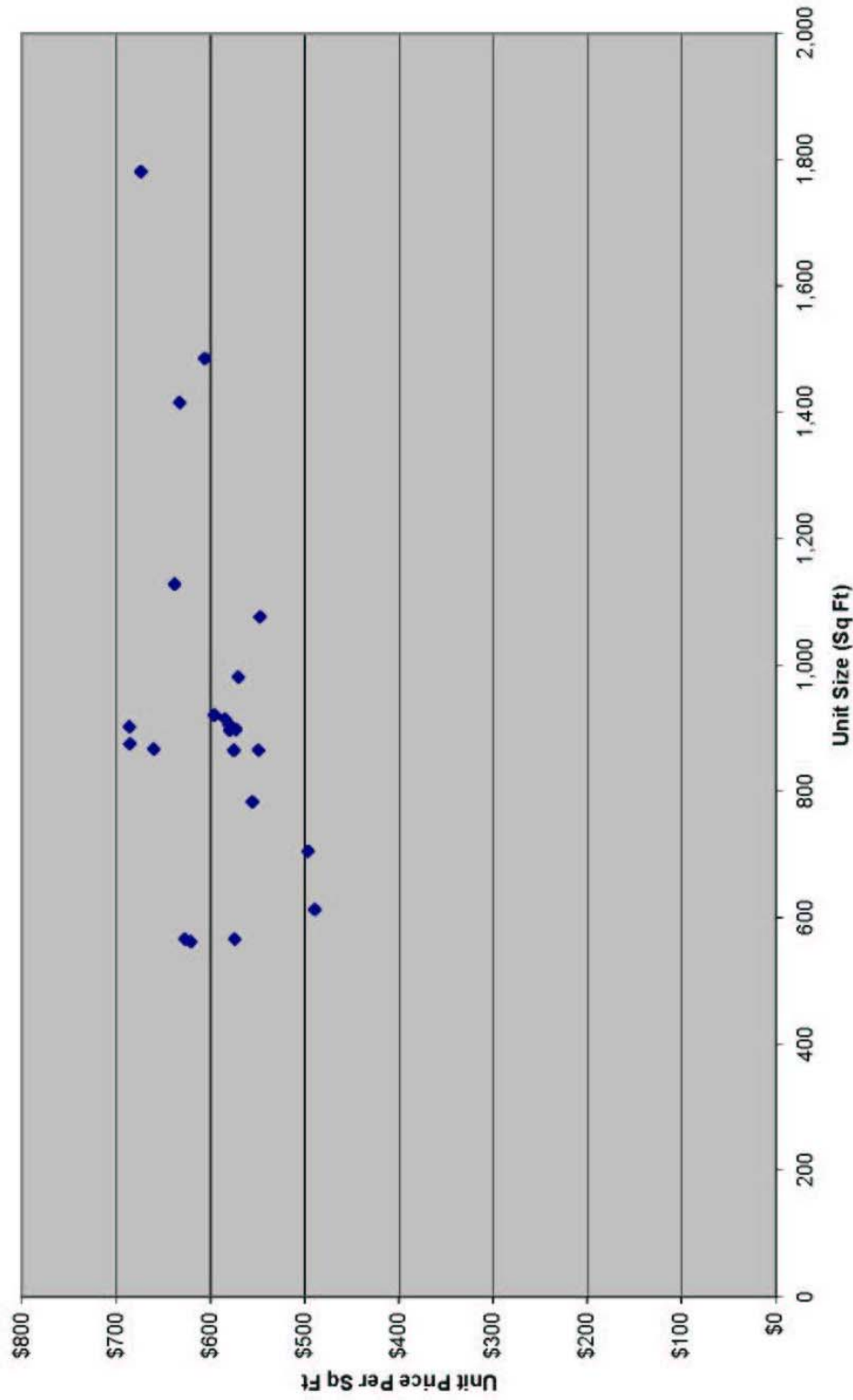
## CURRENT CONDO LODGE LISTINGS AT COPPER(1)

| <u>Building &amp; Unit #</u> | <u>Price</u> | <u>Size</u> | <u>Price Per Sq Ft</u> | <u>Marketing Status</u> |
|------------------------------|--------------|-------------|------------------------|-------------------------|
| Mill Club #211               | \$719,900    | 1,128       | \$638                  | Active Listing          |
| Mill Club #210               | \$895,000    | 1,415       | \$633                  | Active Listing          |
| Copper One #422              | \$599,900    | 875         | \$686                  | Active Listing          |
| Tucker Mountain #403         | \$475,000    | 865         | \$549                  | Active Listing          |
| Tucker Mountain #523         | \$535,000    | 915         | \$585                  | Active Listing          |
| Tucker Mountain #325         | \$559,900    | 981         | \$571                  | Active Listing          |
| Taylor Crossing #303         | \$354,900    | 566         | \$627                  | Active Listing          |
| Taylor Crossing #109         | \$497,500    | 865         | \$575                  | Active Listing          |
| Passage Point #210           | \$434,900    | 783         | \$555                  | Active Listing          |
| Passage Point #416           | \$514,500    | 898         | \$573                  | Active Listing          |
| Passage Point #419           | \$519,900    | 897         | \$580                  | Active Listing          |
| Passage Point #119           | \$619,000    | 902         | \$686                  | Active Listing          |
| Passage Point #514           | \$1,200,000  | 1,781       | \$674                  | Active Listing          |
| Copper One #303              | \$549,000    | 921         | \$596                  | Pending Sale            |
| Copper One #515              | \$349,000    | 562         | \$621                  | Pending Sale            |
| Taylor Crossing #308         | \$299,900    | 613         | \$489                  | Pending Sale            |
| Taylor Crossing #407         | \$325,000    | 566         | \$574                  | Pending Sale            |
| Tucker Mountain #216         | \$350,000    | 705         | \$496                  | Pending Sale            |
| Tucker Mountain #414         | \$589,000    | 1,076       | \$547                  | Pending Sale            |
| Passage Point #403           | \$525,000    | 905         | \$580                  | Pending Sale            |
| Passage Point #304           | \$572,500    | 867         | \$660                  | Pending Sale            |
| Passage Point #505           | \$899,900    | 1,485       | \$606                  | Pending Sale            |
| Average - Active Listings    |              | 990         | \$616                  |                         |
| Average - Pending Sales      |              | 856         | \$579                  |                         |

1) Development Consulting Group based on information provided by Playground.



Figure 2: Copper Condo Lodge Price/Size Correlation



# Snowbridge Square Feasibility Study

March 3, 2008

**TABLE 3**

**2007 CONDO LODGE SALES AT COPPER(1)**

| <u>Building &amp; Unit #</u> | <u>Price</u> | <u>Size</u> | <u>Price Per Sq Ft</u> |
|------------------------------|--------------|-------------|------------------------|
| Passage Point #119           | \$485,000    | 902         | \$538                  |
| Passage Point #207           | \$285,000    | 552         | \$516                  |
| Passage Point #217           | \$325,000    | 641         | \$507                  |
| Passage Point #219           | \$380,000    | 885         | \$429                  |
| Passage Point #222           | \$293,700    | 590         | \$498                  |
| Passage Point #226           | \$272,300    | 592         | \$460                  |
| Passage Point #302           | \$408,300    | 896         | \$456                  |
| Passage Point #304           | \$540,000    | 868         | \$622                  |
| Passage Point #411           | \$440,000    | 791         | \$556                  |
| Passage Point #413           | \$503,000    | 896         | \$561                  |
| Passage Point #512           | \$456,500    | 893         | \$511                  |
| Passage Point #526           | \$269,900    | 599         | \$451                  |
| Passage Point #603           | \$450,000    | 806         | \$558                  |
| Passage Point #611           | \$379,900    | 785         | \$484                  |
| Passage Point #616           | \$484,000    | 901         | \$537                  |
| Passage Point #620           | \$569,000    | 1,022       | \$557                  |
| Taylor Crossing #305         | \$425,000    | 1,014       | \$419                  |
| Taylor Crossing #306         | \$398,000    | 865         | \$460                  |
| Taylor Crossing #308         | \$288,654    | 613         | \$471                  |
| Taylor Crossing #407         | \$308,000    | 566         | \$544                  |
| Mill Club #409               | \$862,500    | 1,400       | \$616                  |
| Average - Passage Point      |              | 789         | \$518                  |
| Average - All Buildings      |              | 813         | \$517                  |

1) Development Consulting Group based on information obtained from the Summit County web site.



### 5.3 Financial Analysis for Redevelopment Option #1

Tables 4A, 4B and 4C that follow this subsection provide a preliminary financial analysis for redevelopment Option #1. Under Redevelopment Option #1, Snowbridge Square will be rebuilt “as is” at no cost to the existing home owners and four additional employee housing units will be provided. This is the first scenario the Snowbridge Square owners wished to examine.

With this objective in mind, Table 4A determines the cost to replace the existing building. Table 4B determines the cost to provide four additional employee housing units. Table 4C determines the number of additional market housing units required to generate the level of profit required to pay for replacing the existing building and adding four more employee housing units.

Based on a brief discussion with a general contractor in Dillon, building hard costs are estimated as follows:

- \$10 per square foot of gross building area to demolish the existing structure;
- \$220 per square foot for commercial space;
- \$220 per square foot for employee housing;
- \$250 per square foot for market housing;
- \$3,000 per surface parking stall;
- \$30,000 per underground parking stall.

Based on these figures, the total hard cost to replace the existing building is estimated at \$14,988,000. Adding 25% for soft costs (architectural and engineering fees, project management fees, legal fees, construction financing etc.) and 10% for contingencies increases the total building cost to \$20,234,000 as shown on the bottom line of Table 4A.

Based on an average unit size of 650 square feet and the unit costs cited above, the total cost to build four additional employee housing units is estimated at \$913,000 as shown in Table 4B. In arriving at this figure, it is important to note that no allowance has been made for either sewer/water hook up fees or land costs.

For the purposes of this analysis, it has been assumed that these four new employee housing units will be sold for \$320 per square foot or \$208,000 per unit. To put this latter figure into perspective, it is our understanding that a 633



square foot employee housing unit at Snowbridge Square was sold earlier this year for \$160,000 (\$252 per square foot).

Based on selling price of \$320 per square foot, gross sale proceeds for the new employee housing units will amount to \$832,000. Assuming no marketing costs or carrying costs, net sale proceeds will also amount to \$832,000. As a result, the developer loss for the new employee housing will amount to \$81,000 or \$20,000 per unit as shown on the bottom line of Table 4B.

Table 4C shows the total cost to build additional market housing units and the profits generated from this component of the project. Project costs are based on the following assumptions:

- an additional 149 market housing units (the number required to generate the “breakeven” profit as determined below;
- an average unit size of 1,300 square feet;
- a parking ratio of 1.5 underground stalls per unit;
- building hard costs of \$250 per square foot plus \$30,000 per underground parking stall;
- sewer/water hook up fees of \$13,000 per unit;
- a land cost of \$50,000 per unit with an allowance for four “free” units based on a redevelopment bonus equal to 20% of the existing market housing units.

Including soft costs and a 10% contingency allowance, the total project cost is estimated at \$94,226,000.

On the revenue side of the equation, the principal assumption is an average selling price of \$630 per square foot. Subtracting marketing expenses (estimated at 6% of gross sale proceeds) and a small allowance to carry unsold units after the building completion date, net sale proceeds are estimated at \$114,560,000.

By definition, the developer profit equals net sale proceeds less the total project cost. Based on this simple formula, developer profit amounts to \$20,234,000. This developer profit is just enough to cover the cost of the “replacement” building and the cost of four additional employee housing units with \$19,000 to spare as shown on the bottom line of Table 4C.

Unfortunately, the Snowbridge Square site is not big enough to accommodate a project of this size. For this reason, Development Option #1 does not merit further consideration.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 4A

October 29, 2007

## PRELIMINARY PRO FORMA FOR REPLACEMENT BUILDING: DEVELOPMENT OPTION #1(1)

| <u>Building Component</u>      | <u>Projected Cost Factor</u>     | <u>Cost</u>   |
|--------------------------------|----------------------------------|---------------|
| Site Services                  | already in place                 | \$ -          |
| Demolish Existing Building     | 50,500 sq ft net + 15% @ \$10    | \$ 581,000    |
| Replace Existing Employees     | 5,200 sq ft net + 15% @ \$220    | \$ 1,316,000  |
| Replace Existing Market        | 23,200 sq ft net + 15% @ \$250   | \$ 6,670,000  |
| Replace Existing Commercial    | 22,100 sq ft net + 15% @ \$220   | \$ 5,591,000  |
| Commercial Surface Parking     | 22 stalls @ \$3,000              | \$ 66,000     |
| Employee Surface Parking       | 8 units @ 1.0 stalls @ \$3,000   | \$ 24,000     |
| Market Underground Parking     | 18 units @ 1.0 stalls @ \$30,000 | \$ 540,000    |
| Landscaping                    | allowance (20,000 sq ft @ \$10)  | \$ 200,000    |
| Total Hard Costs               |                                  | \$ 14,988,000 |
| Sewer & Water Hookups          | already in place                 | \$ -          |
| Soft Costs                     | 25% of total hard costs          | \$ 3,747,000  |
| Contingency Allowance          | 10% of total hard costs          | \$ 1,499,000  |
| Total Building Cost            |                                  | \$ 20,234,000 |
| Total Building Cost Per Sq Ft  | based on 50,500 sq ft net        | \$401         |
| Land Cost                      |                                  | \$ -          |
| Commercial Lease Buy Outs      | not required                     | \$ -          |
| Commercial Space Buy Out       | not required                     | \$ -          |
| Total Project Cost             |                                  | \$ 20,234,000 |
| Less Market Owner Contribution | 23,200 sq ft net @ \$0           | \$ -          |
| Adjusted Project Cost          |                                  | \$ 20,234,000 |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 4B

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW EMPLOYEE HOUSING: DEVELOPMENT OPTION #1(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>      | <u>Cost</u> |
|------------------------------|-----------------------------------|-------------|
| Site Services                | already in place                  | \$ -        |
| Demolish Existing Building   | included in replacement building  | \$ -        |
| New Employee Housing         | 4 units @ 650 sq ft + 15% @ \$220 | \$ 658,000  |
| Employee Surface Parking     | 4 units @ 1.5 stalls @ \$3,000    | \$ 18,000   |
| Landscaping                  | included in replacement building  | \$ -        |
| Total Hard Costs             |                                   | \$ 676,000  |
| Sewer & Water Hookup Fees    | assume no charge                  | \$ -        |
| Soft Costs                   | 25% of total hard costs           | \$ 169,000  |
| Contingency Allowance        | 10% of total hard costs           | \$ 68,000   |
| Total Building Cost          |                                   | \$ 913,000  |
| Land Cost                    | assume no cost                    | \$ -        |
| Total Project Cost           |                                   | \$ 913,000  |
| Total Project Cost Per Sq Ft | based on 2,600 sq ft net          | \$351       |
| Gross Sale Proceeds          | 2,600 sq ft net @ \$320           | \$ 832,000  |
| Less Marketing Costs         | assume no cost                    | \$ -        |
| Less Project Carrying Costs  | assume 100% sold at completion    | \$ -        |
| Net Sale Proceeds            |                                   | \$ 832,000  |
| Developer Loss               |                                   | -\$ 81,000  |
| Developer Loss Per Unit      | based on 4 units                  | -\$ 20,000  |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 4C

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW MARKET HOUSING: DEVELOPMENT OPTION #1(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>         | <u>Cost</u>    |
|------------------------------|--------------------------------------|----------------|
| Site Services                | already in place                     | \$ -           |
| Demolish Existing Building   | included in replacement building     | \$ -           |
| New Condo Lodge Building     | 149 units @ 1,300 sq ft + 15% @ \$25 | \$ 55,689,000  |
| Resident Underground Parking | 149 units @ 1.5 stalls @ \$30,000    | \$ 6,705,000   |
| Shared Amenities             | allowance for games room & hot tub   | \$ 300,000     |
| Landscaping                  | allowance @ \$2,000 per unit         | \$ 298,000     |
| Total Hard Costs             |                                      | \$ 62,992,000  |
| Sewer & Water Hookup Fees    | allowance @ \$13,000 per unit        | \$ 1,937,000   |
| Soft Costs                   | 25% of total hard costs              | \$ 15,748,000  |
| Contingency Allowance        | 10% of total hard costs              | \$ 6,299,000   |
| Total Building Cost          |                                      | \$ 86,976,000  |
| Land Cost(2)                 | allowance @ \$50,000 per unit        | \$ 7,250,000   |
| Total Project Cost           |                                      | \$ 94,226,000  |
| Total Project Cost Per Sq Ft | based on 193,700 sq ft net           | \$486          |
| Gross Sale Proceeds          | 193,700 sq ft net @ \$630            | \$ 122,031,000 |
| Less Marketing Costs         | 6% of gross sale proceeds            | \$ 7,322,000   |
| Less Project Carrying Costs  | allowance @ \$1,000 per unit         | \$ 149,000     |
| Net Sale Proceeds            |                                      | \$ 114,560,000 |
| Developer Profit             |                                      | \$ 20,334,000  |
| Developer Profit Margin      |                                      | 21.6%          |
| Developer Profit Per Unit    | based on 149 units                   | \$ 136,000     |
| Replacement Building Cost    | as per Table 4A                      | \$ 20,234,000  |
| Employee Housing Subsidy     | as per Table 4B                      | \$ 81,000      |
| Breakeven Profit Required    |                                      | \$ 20,315,000  |
| Less Developer Profit        |                                      | \$ 20,334,000  |
| Residual Developer Profit    |                                      | \$ 19,000      |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

2) Land cost calculation assumes 4 free units for redevelopment bonus (20% of existing market units).



#### 5.4 Financial Analysis for Redevelopment Option #2

Tables 5A, 5B and 5C that follow this subsection provide a preliminary financial analysis for Redevelopment Option #2. Under Redevelopment Option #2, Snowbridge Square will be rebuilt without the commercial component at no cost to the existing home owners and four additional employee housing units will be provided. This is the second scenario the Snowbridge Square owners wished to examine.

Eliminating the commercial component of the project reduces both its scale and its cost. With regards to the latter, it has been assumed that it will cost \$300,000 to buy out some of the existing commercial leases.

It has also been assumed that it will cost \$2,652,000 to compensate the commercial property owners for their “lost space”. This figure is based on the amount of commercial floor space in the project (approximately 22,100 square feet as per Table 1), an estimated average net rental rate (\$12 per square foot), an assumed vacancy rate (10%) and an assumed cap rate (9%). The Client should carefully review all of the assumptions in this formula which results in a valuation of \$120 per square foot.

As a basis for comparison, a 3,575 square foot commercial space is currently for lease/sale on the ground floor of the Lakeshore condominiums at Keystone. The asking rental rate for this space is \$12 per square foot net. The asking price is \$699,000 which equates to a valuation of \$195 per square foot and implies a cap rate of just over 6%.

As the bottom line of Table 5A shows, the total project cost for Development Option #2 is estimated at \$15,549,000. By compensating the commercial owners based on the formula cited above rather than rebuilding this component of Snowbridge Square, the total project cost has been reduced by over \$4 million.

Partly as a result of this cost savings, the amount of additional market housing required to generate the “breakeven” profit drops from 149 units in Development Option #1 to 98 units in Development Option #2 (refer to Table 5C). Note that this reduction in the number of additional market housing units required to break even is also due in part to a slight increase in the selling price from \$630 per square foot in development option #1 to \$650 per square foot in Development Option #2. This slight increase is attributable to the elimination of the commercial component of the project and the marketing conflicts inherent with a mixed use project.



# Snowbridge Square Feasibility Study

March 3, 2008

Unfortunately, the Snowbridge Square site is not big enough to accommodate this scaled down version of the project. For this reason, Development Option #2 also does not merit further consideration.

TABLE 5A

October 29, 2007

## PRELIMINARY PRO FORMA FOR REPLACEMENT BUILDING: DEVELOPMENT OPTION #2(1)

| <u>Building Component</u>      | <u>Projected Cost Factor</u>           | <u>Cost</u>   |
|--------------------------------|--|---------------|
| Site Services                  | already in place                       | \$ -          |
| Demolish Existing Building     | 50,500 sq ft net + 15% @ \$10          | \$ 581,000    |
| Replace Existing Employees     | 5,200 sq ft net + 15% @ \$220          | \$ 1,316,000  |
| Replace Existing Market        | 23,200 sq ft net + 15% @ \$250         | \$ 6,670,000  |
| Replace Existing Commercial    | cash in lieu to existing owners        | \$ -          |
| Commercial Surface Parking     | none provided                          | \$ -          |
| Employee Surface Parking       | 8 units @ 1.0 stalls @ \$3,000         | \$ 24,000     |
| Market Underground Parking     | 18 units @ 1.0 stalls @ \$30,000       | \$ 540,000    |
| Landscaping                    | allowance (20,000 sq ft @ \$10)        | \$ 200,000    |
| Total Hard Costs               |  | \$ 9,331,000  |
| Sewer & Water Hookups          | already in place                       | \$ -          |
| Soft Costs                     | 25% of total hard costs                | \$ 2,333,000  |
| Contingency Allowance          | 10% of total hard costs                | \$ 933,000    |
| Total Building Cost            |  | \$ 12,597,000 |
| Total Building Cost Per Sq Ft  | based on 28,400 sq ft net              | \$444         |
| Land Cost                      |  | \$ -          |
| Commercial Lease Buy Outs      | allowance                              | \$ 300,000    |
| Commercial Space Buy Out       | 22,100 sq ft @ \$12 net - 10% vac @ 9' | \$ 2,652,000  |
| Total Project Cost             |  | \$ 15,549,000 |
| Less Market Owner Contribution | 23,200 sq ft net @ \$0                 | \$ -          |
| Adjusted Project Cost          |  | \$ 15,549,000 |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 5B

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW EMPLOYEE HOUSING: DEVELOPMENT OPTION #2(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>      | <u>Cost</u> |
|------------------------------|-----------------------------------|-------------|
| Site Services                | already in place                  | \$ -        |
| Demolish Existing Building   | included in replacement building  | \$ -        |
| New Employee Housing         | 4 units @ 650 sq ft + 15% @ \$220 | \$ 658,000  |
| Employee Surface Parking     | 4 units @ 1.5 stalls @ \$3,000    | \$ 18,000   |
| Landscaping                  | included in replacement building  | \$ -        |
| Total Hard Costs             |                                   | \$ 676,000  |
| Sewer & Water Hookup Fees    | assume no charge                  | \$ -        |
| Soft Costs                   | 25% of total hard costs           | \$ 169,000  |
| Contingency Allowance        | 10% of total hard costs           | \$ 68,000   |
| Total Building Cost          |                                   | \$ 913,000  |
| Land Cost                    | assume no cost                    | \$ -        |
| Total Project Cost           |                                   | \$ 913,000  |
| Total Project Cost Per Sq Ft | based on 2,600 sq ft net          | \$351       |
| Gross Sale Proceeds          | 2,600 sq ft net @ \$320           | \$ 832,000  |
| Less Marketing Costs         | assume no cost                    | \$ -        |
| Less Project Carrying Costs  | assume 100% sold at completion    | \$ -        |
| Net Sale Proceeds            |                                   | \$ 832,000  |
| Developer Loss               |                                   | -\$ 81,000  |
| Developer Loss Per Unit      | based on 4 units                  | -\$ 20,000  |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 5C

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW MARKET HOUSING: DEVELOPMENT OPTION #2(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>         | <u>Cost</u>   |
|------------------------------|--------------------------------------|---------------|
| Site Services                | already in place                     | \$ -          |
| Demolish Existing Building   | included in replacement building     | \$ -          |
| New Condo Lodge Building     | 98 units @ 1,300 sq ft + 15% @ \$250 | \$ 36,628,000 |
| Resident Underground Parking | 98 units @ 1.5 stalls @ \$30,000     | \$ 4,410,000  |
| Shared Amenities             | allowance for games room & hot tub   | \$ 300,000    |
| Landscaping                  | allowance @ \$2,000 per unit         | \$ 196,000    |
| Total Hard Costs             |                                      | \$ 41,534,000 |
| Sewer & Water Hookup Fees    | assuming 4 free units                | \$ 1,222,000  |
| Soft Costs                   | 25% of total hard costs              | \$ 10,384,000 |
| Contingency Allowance        | 10% of total hard costs              | \$ 4,153,000  |
| Total Building Cost          |                                      | \$ 57,293,000 |
| Land Cost(2)                 | assuming 4 free units                | \$ 4,700,000  |
| Total Project Cost           |                                      | \$ 61,993,000 |
| Total Project Cost Per Sq Ft | based on 127,400 sq ft net           | \$487         |
| Gross Sale Proceeds          | 127,400 sq ft net @ \$650            | \$ 82,810,000 |
| Less Marketing Costs         | 6% of gross sale proceeds            | \$ 4,969,000  |
| Less Project Carrying Costs  | allowance @ \$1,000 per unit         | \$ 98,000     |
| Net Sale Proceeds            |                                      | \$ 77,743,000 |
| Developer Profit             |                                      | \$ 15,750,000 |
| Developer Profit Margin      |                                      | 25.4%         |
| Developer Profit Per Unit    | based on 98 units                    | \$ 161,000    |
| Replacement Building Cost    | as per Table 5A                      | \$ 15,549,000 |
| Employee Housing Subsidy     | as per Table 5B                      | \$ 81,000     |
| Breakeven Profit Required    |                                      | \$ 15,630,000 |
| Less Developer Profit        |                                      | \$ 15,750,000 |
| Residual Developer Profit    |                                      | \$ 120,000    |

- 1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.
- 2) Land cost calculation assumes no free units for commercial conversion or for new employee housing and 4 free units for redevelopment bonus (20% of existing



## 5.5 Financial Analysis for Redevelopment Option #3

Tables 6A, 6B and 6C that follow this subsection provide a preliminary financial analysis for Redevelopment Option #3. Under Redevelopment Option #3, Snowbridge Square will be rebuilt without the commercial component, with eight additional employee housing units and with the maximum number of additional market housing units that the site can physically accommodate with a single level of underground parking. As discussed, this maximum is currently estimated at 56 units assuming an average parking ratio of 1.5 stalls for each new market housing unit. This is the third scenario the Snowbridge Square owners wished to examine.

Table 6A shows that the cost of replacing the existing building minus its commercial component is estimated at \$15,549,000 (i.e. the same as for Development Option #2). Table 6B shows that the net cost (total project cost less net sale proceeds) to provide an additional eight employee housing units will amount to \$161,000. This figure is twice the corresponding amount for development option #2 albeit the same on a per unit basis.

With only 56 additional market housing units being built, the total cost for this component of the project is estimated at \$33,600,000 as shown on the upper portion of Table 6C. Given the smaller and therefore more exclusive nature of the project, it may be possible to achieve an average selling price of \$670 per square foot (i.e. \$20 per square foot higher than for Development Option #2).

Based on this slightly higher number, the developer profit from this component of the project will amount to \$12,193,000. Unfortunately, this amount is \$3,517,000 less than the combined cost of replacing the residential component of the existing building and adding eight more employee housing units. In other words, Development Option #3 is feasible from a physical standpoint but does not pencil out in financial terms.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 6A

October 29, 2007

## PRELIMINARY PRO FORMA FOR REPLACEMENT BUILDING: DEVELOPMENT OPTION #3(1)

| <u>Building Component</u>     | <u>Projected Cost Factor</u>           | <u>Cost</u>   |
|-------------------------------|--|---------------|
| Site Services                 | already in place                       | \$ -          |
| Demolish Existing Building    | 50,000 sq ft net + 15% @ \$10          | \$ 581,000    |
| Replace Existing Employees    | 5,200 sq ft net + 15% @ \$220          | \$ 1,316,000  |
| Replace Existing Market       | 23,200 sq ft net + 15% @ \$250         | \$ 6,670,000  |
| Replace Existing Commercial   | cash in lieu to existing owners        | \$ -          |
| Commercial Surface Parking    | none provided                          | \$ -          |
| Employee Surface Parking      | 8 units @ 1.0 stalls @ \$3,000         | \$ 24,000     |
| Market Underground Parking    | 18 units @ 1.0 stalls @ \$30,000       | \$ 540,000    |
| Landscaping                   | allowance (20,000 sq ft @ \$10)        | \$ 200,000    |
| Total Hard Costs              |  | \$ 9,331,000  |
| Sewer & Water Hookups         | already in place                       | \$ -          |
| Soft Costs                    | 25% of total hard costs                | \$ 2,333,000  |
| Contingency Allowance         | 10% of total hard costs                | \$ 933,000    |
| Total Building Cost           |  | \$ 12,597,000 |
| Total Building Cost Per Sq Ft | based on 28,400 sq ft net              | \$444         |
| Land Cost                     |  | \$ -          |
| Commercial Lease Buy Outs     | allowance                              | \$ 300,000    |
| Commercial Space Buy Out      | 22,100 sq ft @ \$12 net - 10% vac @ 9% | \$ 2,652,000  |
| Total Project Cost            |  | \$ 15,549,000 |
| Less Market Owner Contributor | 23,200 sq ft net @ \$0                 | \$ -          |
| Adjusted Project Cost         |  | \$ 15,549,000 |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 6B

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW EMPLOYEE HOUSING: DEVELOPMENT OPTION #3(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>      | <u>Cost</u>  |
|------------------------------|-----------------------------------|--------------|
| Site Services                | already in place                  | \$ -         |
| Demolish Existing Building   | included in replacement building  | \$ -         |
| New Employee Housing         | 8 units @ 650 sq ft + 15% @ \$220 | \$ 1,316,000 |
| Employee Surface Parking     | 8 units @ 1.5 stalls @ \$3,000    | \$ 36,000    |
| Landscaping                  | included in replacement building  | \$ -         |
| Total Hard Costs             |                                   | \$ 1,352,000 |
| Sewer & Water Hookup Fees    | assume no charge                  | \$ -         |
| Soft Costs                   | 25% of total hard costs           | \$ 338,000   |
| Contingency Allowance        | 10% of total hard costs           | \$ 135,000   |
| Total Building Cost          |                                   | \$ 1,825,000 |
| Land Cost                    | assume no cost                    | \$ -         |
| Total Project Cost           |                                   | \$ 1,825,000 |
| Total Project Cost Per Sq Ft | based on 5,200 sq ft net          | \$351        |
| Gross Sale Proceeds          | 5,200 sq ft net @ \$320           | \$ 1,664,000 |
| Less Marketing Costs         | assume no cost                    | \$ -         |
| Less Project Carrying Costs  | assume 100% sold at completion    | \$ -         |
| Net Sale Proceeds            |                                   | \$ 1,664,000 |
| Developer Loss               |                                   | -\$ 161,000  |
| Developer Loss Per Unit      | based on 8 units                  | -\$ 20,000   |

1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.

# Snowbridge Square Feasibility Study

March 3, 2008

TABLE 6C

October 29, 2007

## PRELIMINARY PRO FORMA FOR NEW MARKET HOUSING: DEVELOPMENT OPTION #3(1)

| <u>Building Component</u>    | <u>Projected Cost Factor</u>         | <u>Cost</u>   |
|------------------------------|--------------------------------------|---------------|
| Site Services                | already in place                     | \$ -          |
| Demolish Existing Building   | included in replacement building     | \$ -          |
| New Condo Lodge Building     | 56 units @ 1,300 sq ft + 15% @ \$250 | \$ 20,930,000 |
| Resident Underground Parking | 56 units @ 1.5 stalls @ \$30,000     | \$ 2,520,000  |
| Shared Amenities             | allowance for games room & hot tub   | \$ 300,000    |
| Landscaping                  | allowance @ \$2,000 per unit         | \$ 112,000    |
| Total Hard Costs             |                                      | \$ 23,862,000 |
| Sewer & Water Hookup Fees    | assuming 34 free units               | \$ 286,000    |
| Soft Costs                   | 25% of total hard costs              | \$ 5,966,000  |
| Contingency Allowance        | 10% of total hard costs              | \$ 2,386,000  |
| Total Building Cost          |                                      | \$ 32,500,000 |
| Land Cost(2)                 | assuming 34 free units               | \$ 1,100,000  |
| Total Project Cost           |                                      | \$ 33,600,000 |
| Total Project Cost Per Sq Ft | based on 72,800 sq ft net            | \$462         |
| Gross Sale Proceeds          | 72,800 sq ft net @ \$670             | \$ 48,776,000 |
| Less Marketing Costs         | 6% of gross sale proceeds            | \$ 2,927,000  |
| Less Project Carrying Costs  | allowance @ \$1,000 per unit         | \$ 56,000     |
| Net Sale Proceeds            |                                      | \$ 45,793,000 |
| Developer Profit             |                                      | \$ 12,193,000 |
| Developer Profit Margin      |                                      | 36.3%         |
| Developer Profit Per Unit    | based on 56 units                    | \$ 218,000    |
| Replacement Building Cost    | as per Table 6A                      | \$ 15,549,000 |
| Employee Housing Subsidy     | as per Table 6B                      | \$ 161,000    |
| Breakeven Profit Required    |                                      | \$ 15,710,000 |
| Less Developer Profit        |                                      | \$ 12,193,000 |
| Residual Developer Profit    |                                      | -\$ 3,517,000 |

- 1) Development Consulting Group estimates assuming a construction start in 2008 and building completion in 2009.
- 2) Land cost calculation assumes 22 free units for commercial conversion plus 8 free units for new employee housing plus 4 free units for redevelopment bonus (20% of existing market units).



## 5.6 Financial Conclusions & Recommendations

Of the three alternative redevelopment plans considered above, Option #3 is the only one that seems to be feasible from a physical standpoint. Unfortunately, based on current market conditions at Copper Mountain (i.e. an estimated selling price of \$670 per square foot), there is a shortfall of approximately \$3.5 million between total development costs and the development profits generated by the additional market housing units.

Assuming no changes on the cost side of the ledger, the only solution to this problem is to increase the average selling price of the additional market housing units, to impose a “levy” on the existing market housing owners or to consider some combination of the two. For example, a levy would not be necessary if the average selling price could be increased to approximately \$720 per square foot. At the opposite end of the spectrum, the project would generate enough profits at an average selling price of \$670 per square foot if existing owners were charged a levy of approximately \$150 per square foot.

For the existing homeowners, the best option is probably to wait for a year or two until such time as a selling price of at least \$720 per square foot can be achieved for the additional market housing units. In the mean time, there is a lot of background work to do in terms of confirming construction costs and selling prices, determining a fair market buy out value for the commercial space, preparing a residential only redevelopment plan and negotiating a deal with Summit County.





## 6.0 Conclusions and Recommendations

The findings from the preliminary economic analysis make it clear that redevelopment of the Snowbridge Square property is not financially feasible at this point in time. The primary reason the project does not work is the retail component of the Snowbridge Square building. The Summit County Planning Department will not support conversion of the retail floor area into residential units. Without the conversion of retail space to residential units the Homeowners Association must buy-out the commercial leases and compensate the commercial property owners at current market value.

The estimated cost of the commercial buy out is \$2.6 million. This is a financial burden that adds a layer of costs that go directly to the bottom line and makes the project financially infeasible. Rebuilding the commercial space increases construction costs and again makes the project financially infeasible. The project moves into the realm of possibility if the Snowbridge Square building can be rebuilt without the commercial buy out or reconstruction of the commercial space.

It appears that if the commercial buy out is to remain a component of the construction financial package that The Homeowners Association will have to wait for appreciation to catch up with the projected sales price. According to the Eddie O'Brien of Coldwell Banker Real Estate, even with a flat real estate market appreciation of Summit County continues to grow at 7% per year. Based on a 7% appreciation, and assuming construction costs do not escalate in the interim, it will take approximately 1.5 years for the projected sale price of \$670 per square foot to grow to the required \$720 per square foot.

The following actions are available to the Snowbridge Square Homeowners Association:

- Enlist the services of a development consultant or a land use attorney to work with the staff of the Summit County Planning Department and elected officials (and possibly Intrawest/Fortress Financial) to pursue a policy change and permit the conversion of commercial floor area to residential units with the Copper Mountain Planned Unit Development.
- Look at options to reduce or remove the commercial buy out fees.
- Assume real estate values at Copper Mountain will continue to appreciate at a rate of at least 7% and begin planning for the redevelopment of the



Snowbridge building. The public hearing process to rezone the property will take approximately six months. The preparation of architectural and engineering drawings for the new building will six to nine months. Time will also be required to hire a contractor, arrange construction financing and prepare sales and marketing materials. By the time all of this front end work is completed sales prices may have escalated to a point where the project is finically feasible. If not, the Homeowners possess all of the drawings permits and approvals necessary to proceed in a timely manner when the opportunity presents itself.

- Create a special assessment that will be used to raise the funds necessary to buy out the commercial property owners.
- Set aside the project for the time being. The time will come in the near future when this project is financially feasible.



## Appendix A

### Snowbridge Square Condominium Map

Note: The images presented here are scans of 30 year old pen and ink drawings. A CD with digital copies of these images at original scale has been filed with the Snowbridge Square Homeowners Association Board. These files will also be archived at Stonefield Development Consultants



CONDOMINIUM MAP FOR  
**SNOWBRIDGE SQUARE**  
CONDOMINIUMS

**SURVEYOR'S CERTIFICATE**

THE REGISTRAR OF DEEDS, BRITISH COLUMBIA, HAS REVIEWED THIS CERTIFICATE AND THE PLAN TO WHICH IT RELATES AND IS SATISFIED THAT THE SAME COMPLY WITH THE REQUIREMENTS OF THE CONDOMINIUM ACT, R.S.B.C. 1996, CHAPTER 64, AND THE CONDOMINIUM REGULATION, R.S.B.C. 1996, CHAPTER 64-10. THIS CERTIFICATE IS VALID FOR THE PURPOSES OF THE ACT AND REGULATION.

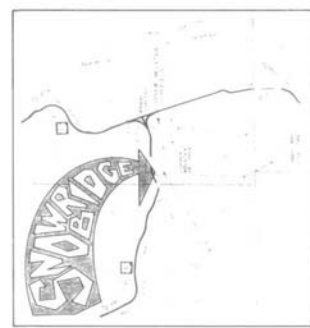
*Richard A. Smith*  
REGISTERED SURVEYOR  
No. 11174

**OWNER'S CERTIFICATE**

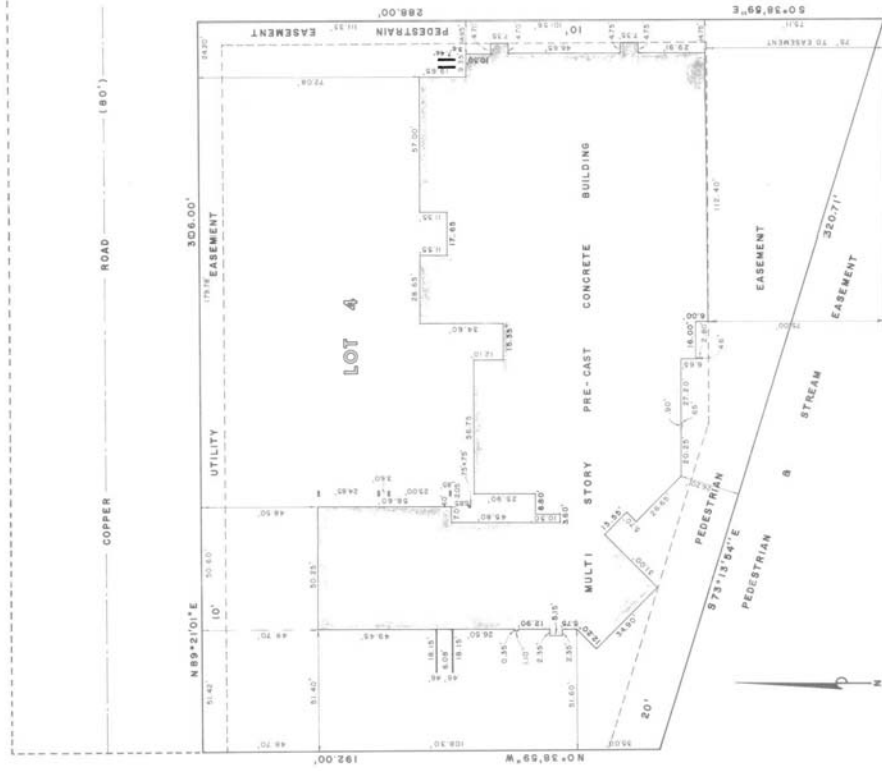
THE REGISTRAR, COPPER DISTRICT, BRITISH COLUMBIA, HAS REVIEWED THIS CERTIFICATE AND THE PLAN TO WHICH IT RELATES AND IS SATISFIED THAT THE SAME COMPLY WITH THE REQUIREMENTS OF THE CONDOMINIUM ACT, R.S.B.C. 1996, CHAPTER 64, AND THE CONDOMINIUM REGULATION, R.S.B.C. 1996, CHAPTER 64-10. THIS CERTIFICATE IS VALID FOR THE PURPOSES OF THE ACT AND REGULATION.

*Richard A. Smith*  
REGISTERED SURVEYOR  
No. 11174

**GENERAL NOTES:**  
S.C.E. - LIMITED COMMON ELEMENT  
S.C.E. - GENERAL COMMON ELEMENT  
F. - FIREPLACE, FIREPLACES ARE L.C.E.  
ELEV. - ELEVATIONS, ELEVATIONS BASED ON USCG 85 DATUM.  
B.M. 421 - BRASS 'CAN' AT WHEELER CWT, ELEV. - 9676.84'  
WALLS - WALLS AS INDICATED BY SOLID BLACK LINES  
VEINS ARE S.C.E.



AREA MAP



SCALE: 1"=20'  
0 25 50 75 100  
LOT 4, BLOCK 1, COPPER MT. FILING NO. 2

**RECORDER'S CERTIFICATE**

THE REGISTRAR OF DEEDS, BRITISH COLUMBIA, HAS REVIEWED THIS CERTIFICATE AND THE PLAN TO WHICH IT RELATES AND IS SATISFIED THAT THE SAME COMPLY WITH THE REQUIREMENTS OF THE CONDOMINIUM ACT, R.S.B.C. 1996, CHAPTER 64, AND THE CONDOMINIUM REGULATION, R.S.B.C. 1996, CHAPTER 64-10. THIS CERTIFICATE IS VALID FOR THE PURPOSES OF THE ACT AND REGULATION.

*Richard A. Smith*  
REGISTERED SURVEYOR  
No. 11174

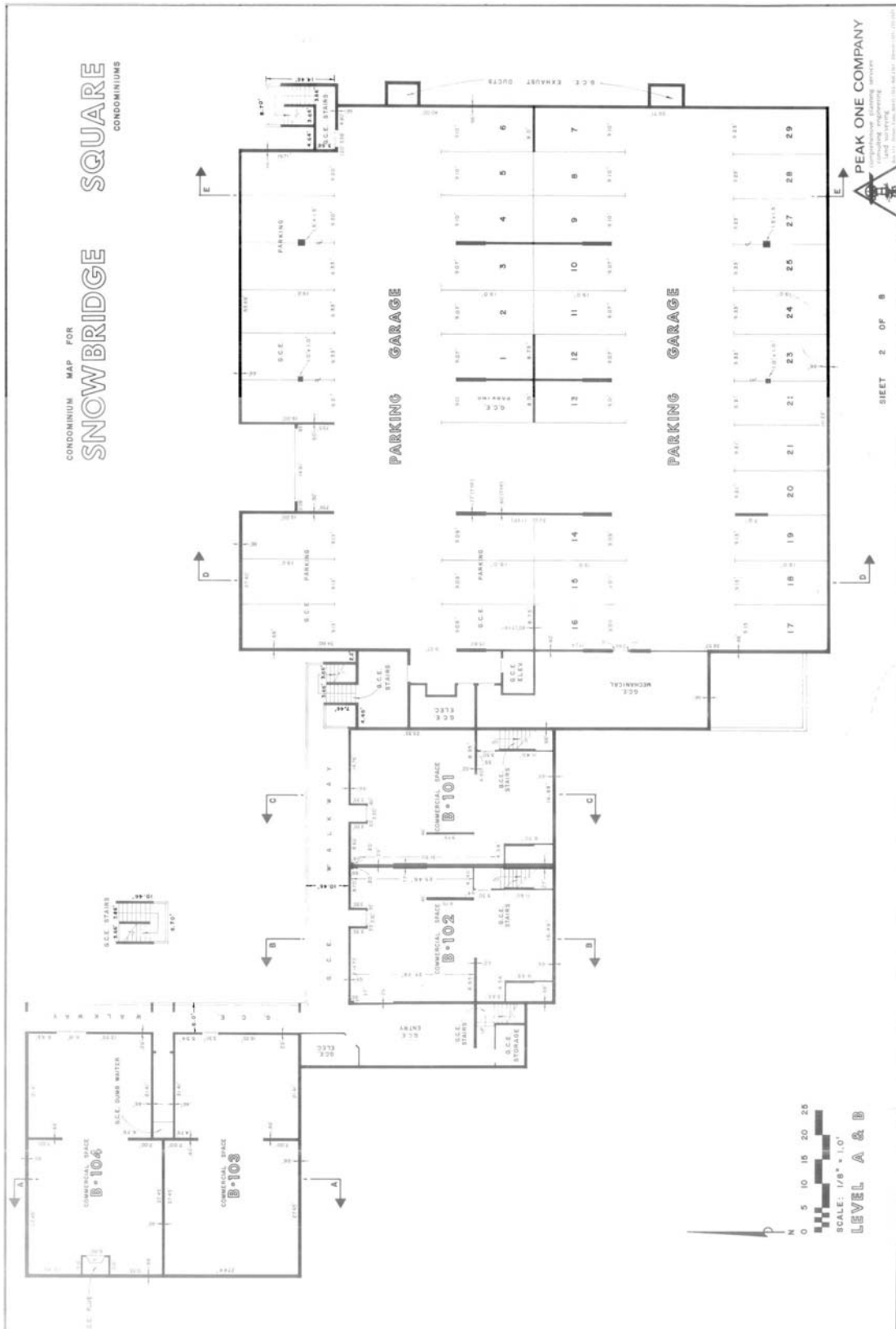


SHEET 1 OF 8



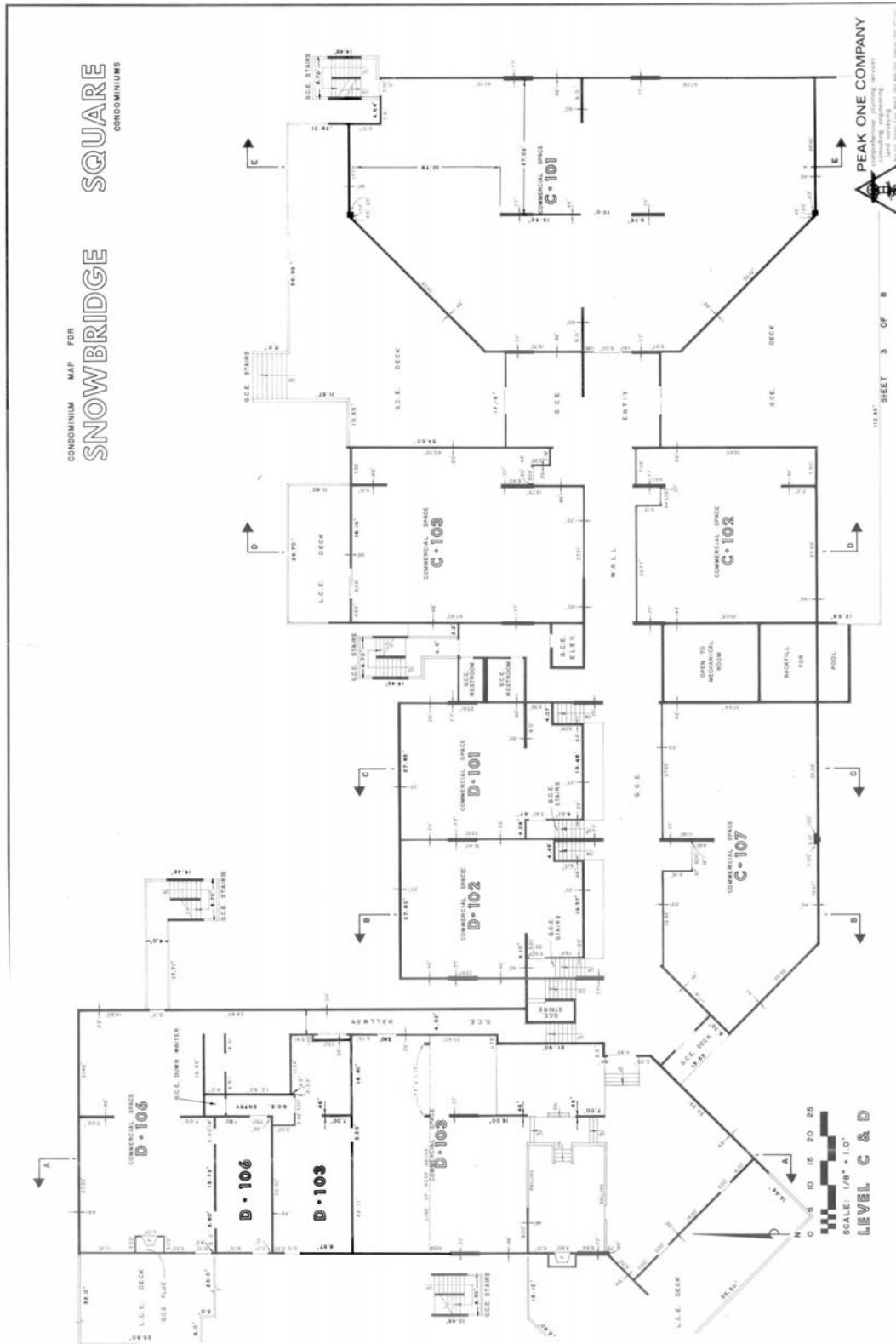
# Snowbridge Square Feasibility Study

March 3, 2008



# Snowbridge Square Feasibility Study

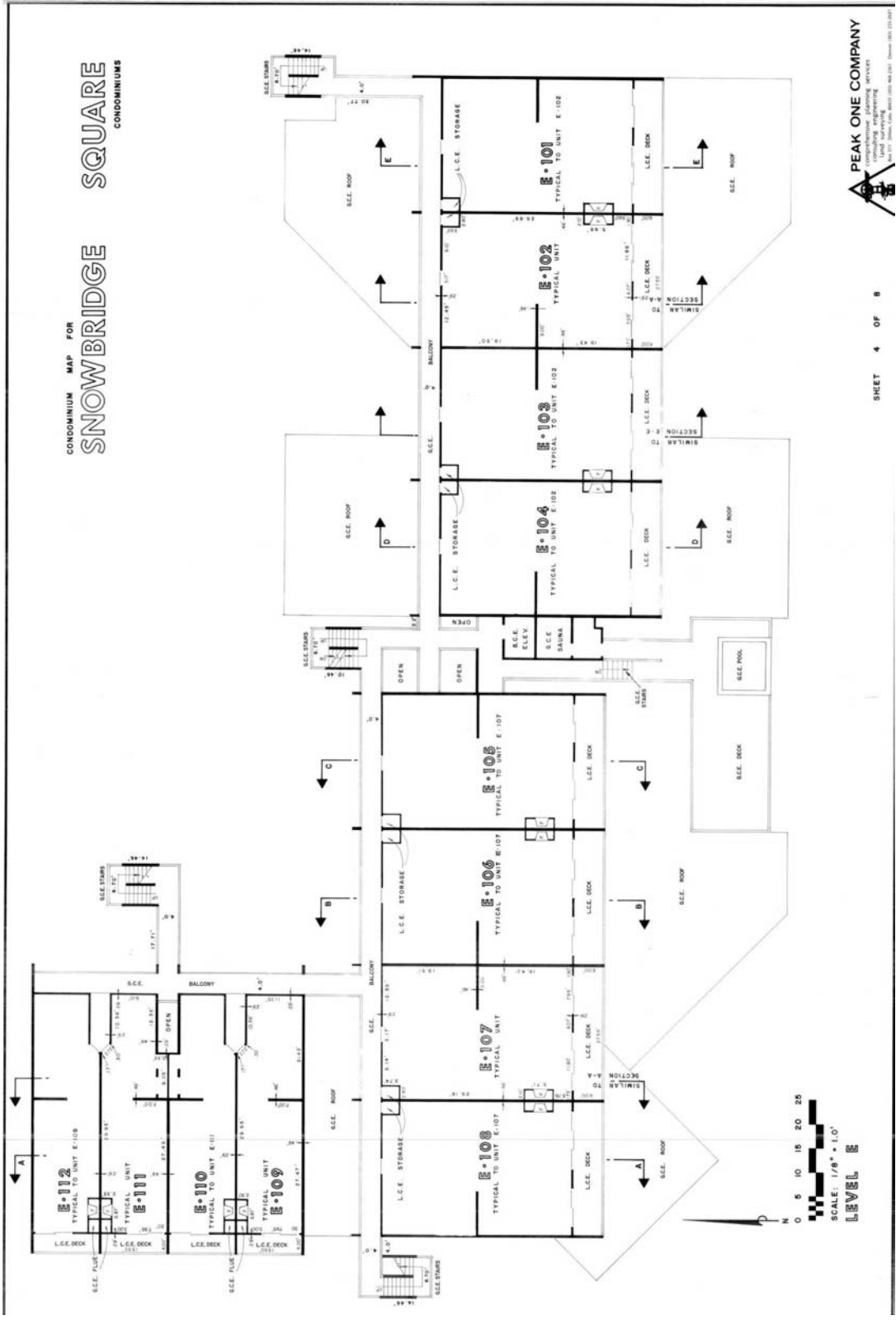
March 3, 2008





# Snowbridge Square Feasibility Study

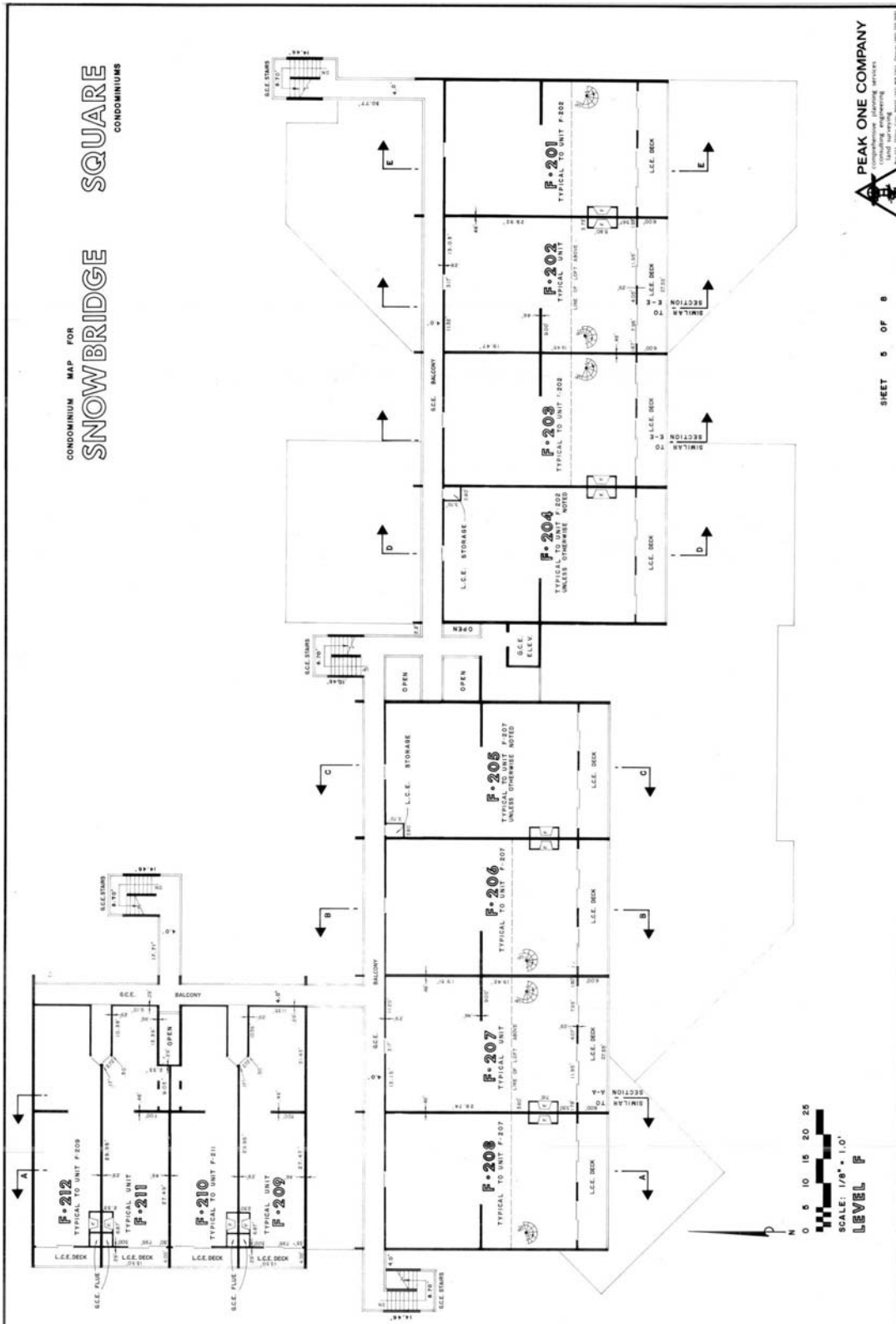
March 3, 2008





# Snowbridge Square Feasibility Study

March 3, 2008

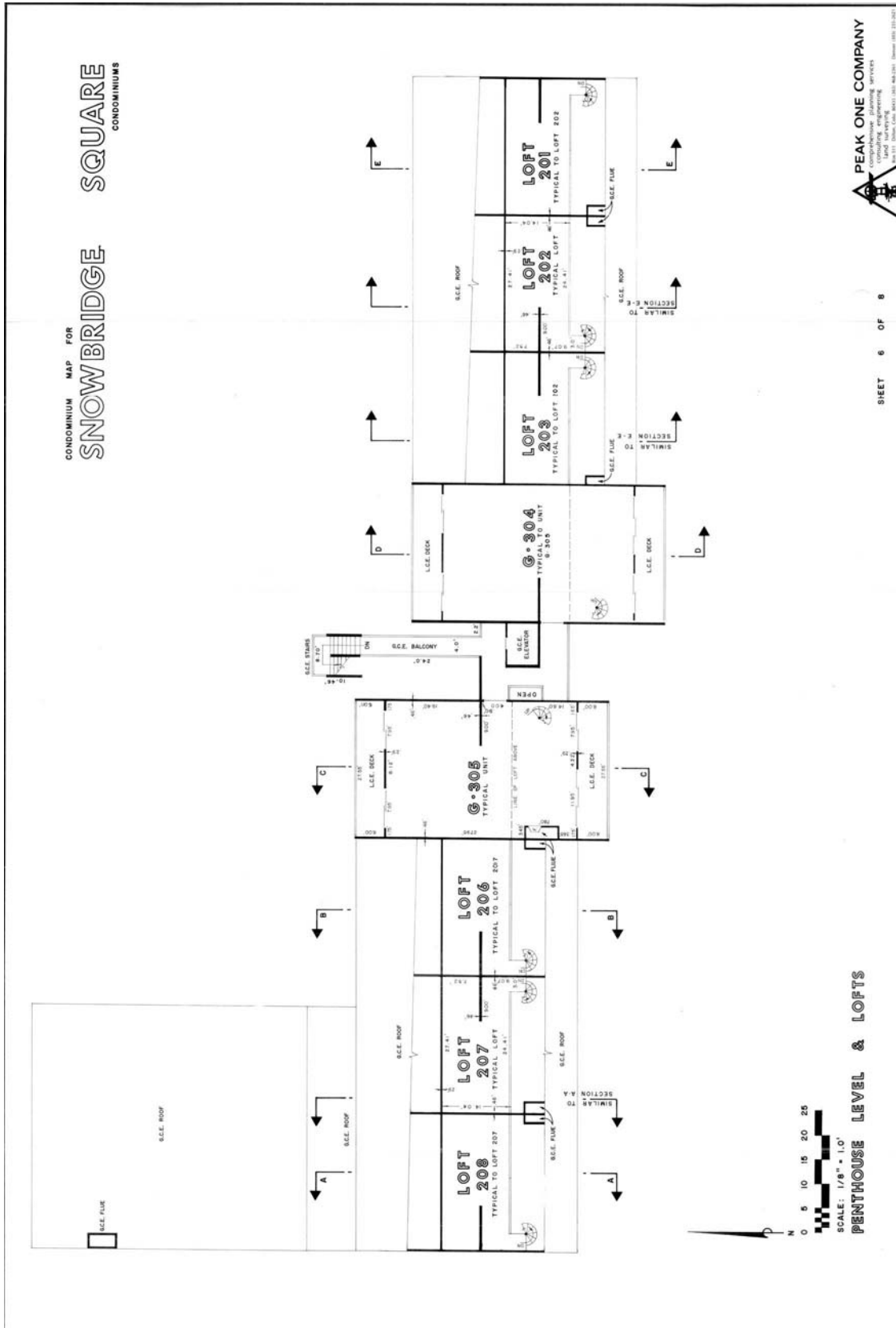






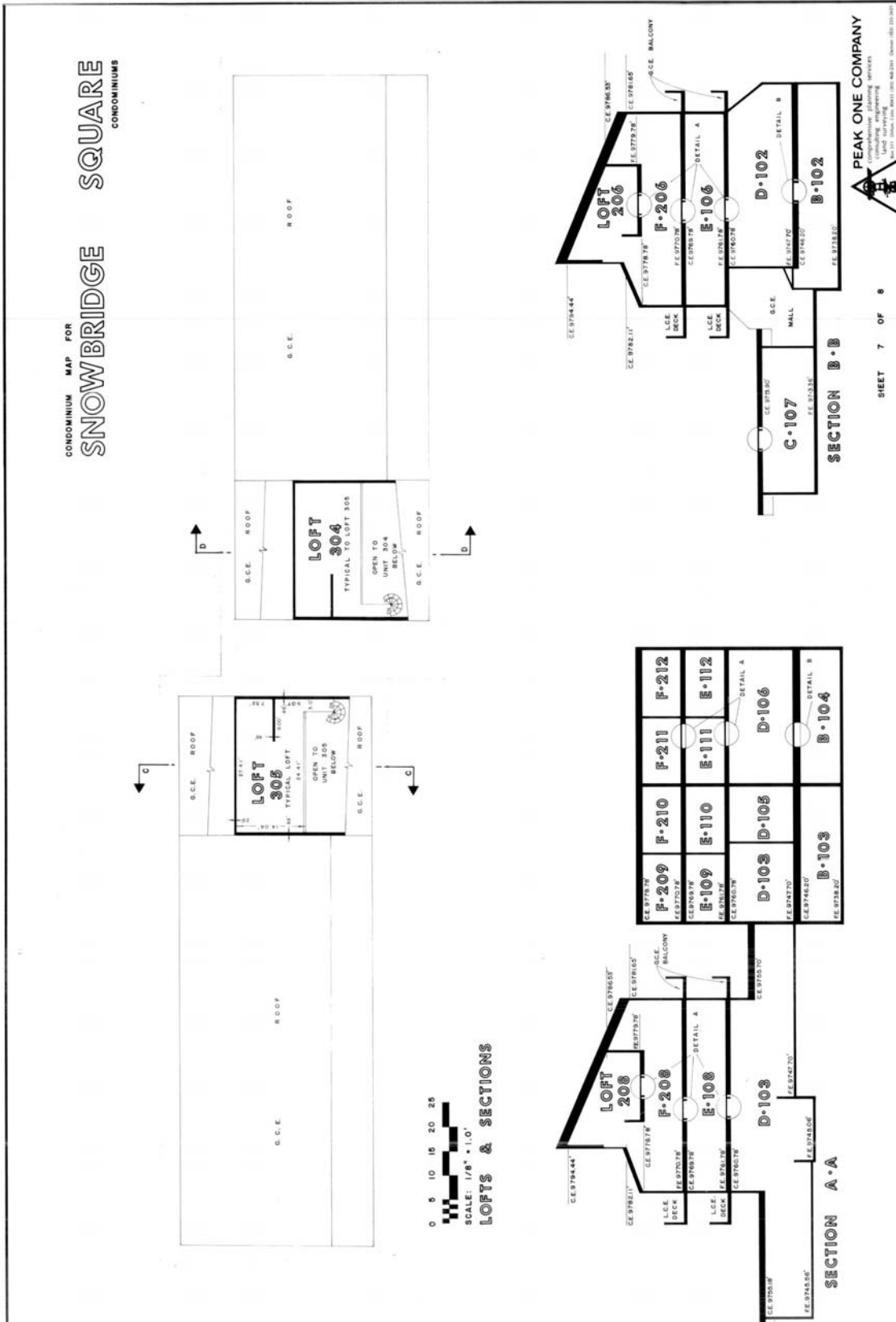
# Snowbridge Square Feasibility Study

March 3, 2008



# Snowbridge Square Feasibility Study

March 3, 2008



# Snowbridge Square Feasibility Study

March 3, 2008

