

(WORKING DRAFT) FISCAL IMPACT ANALYSIS

BROWN RANCH DEVELOPMENT
STEAMBOAT SPRINGS, CO

ABOUT RCLCO



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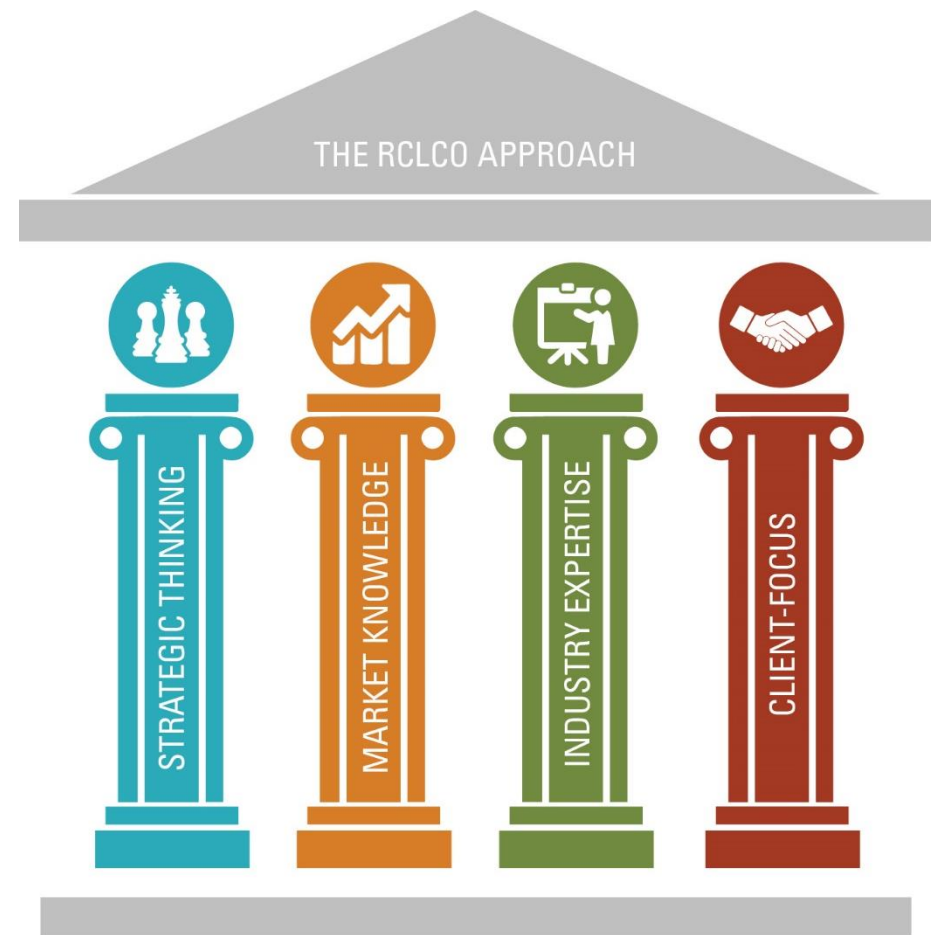
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OBJECTIVES & KEY FINDINGS

OBJECTIVES

At buildout, Brown Ranch is contemplated to be a 2,264 -unit development with a mix of products that will serve local workforce households, as well as a small neighborhood-serving commercial core with a mix of civic uses. Given the large scale of development planned for Brown Ranch, there are expected to be significant long-term economic benefits to the City of Steamboat and Routt County more broadly. More workforce housing in Steamboat will not only provide a more stable and diverse community and employment base, but there will also be tangible benefits such as some increase in sales tax, vehicle taxes, and spillover impacts related to lodging taxes as the economy grows. However, given the need for more City and County services, there are also expected to be significant costs.

In order to better understand these trade-offs and inform City Council of the true cost of annexing Brown Ranch into the city boundaries, the Yampa Valley Housing Authority and the City of Steamboat Springs seek a comprehensive fiscal and economic impact analysis as Brown Ranch is considered for annexation, including the following key tasks:

- ▶ Determine major city revenues that would be generated by the Brown Ranch development
- ▶ Determine major city expenses that would be generated by the Brown Ranch development
- ▶ Calculate the projected direct net fiscal impact of the development at Brown Ranch based on projected household, tourist and employment growth induced by the development

Aerial View
Brown Ranch Parcel; March 2023

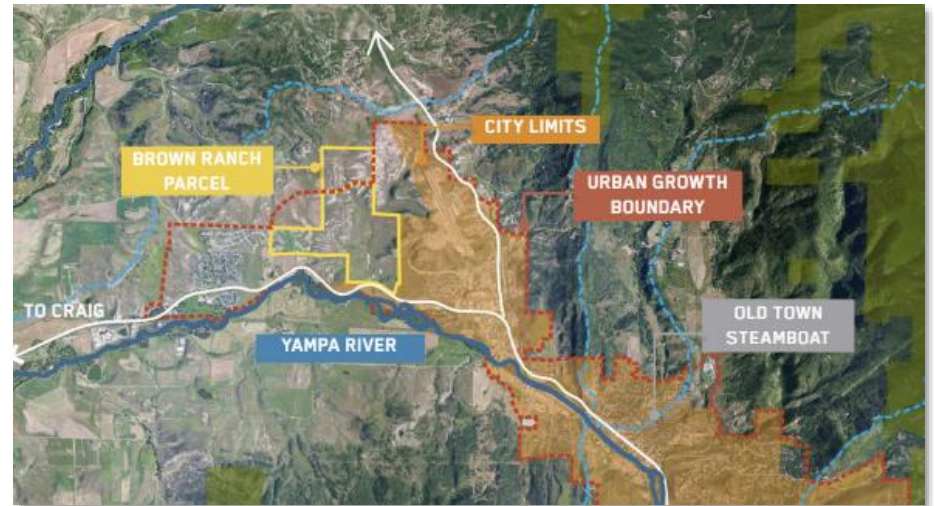


Image Source: BrownRanchSteamboat.org

KEY FINDINGS - REVENUES

RCLCO identified three major takeaways from the analysis. These findings show how the development and annexation of Brown Ranch has the potential to greatly expand the city's housing supply to support sustainable growth in Steamboat over the long-term, but will also create a negative impact on the city's General Fund.

- The Brown Ranch Development will increase the housing stock within Steamboat Springs by roughly 23%. RCLCO expects the added units will **increase the number of full-time households in the city by 21%**, as well as increase part-time households, tourists and employment from other regions by 8.1%, 4.1% and 5.6%, respectfully.
- RCLCO projects the annexation and development **will increase the city's General Fund revenues by \$2,654,051 per year at full buildout**. Likewise, RCLCO projects the development will increase the cities revenues by **\$1,172 per household** annually at full buildout.
- RCLCO predicts the annexation and development will have a **negative net fiscal impact on the General Fund**. The actual net impact, defined as total revenues less total expenses, is yet to be determined. The expenses will be calculated internally by the City of Steamboat of Springs using a custom analysis. A detailed example of how expenses will be calculated is available on page 15.

Net Fiscal Impact on General Fund – Cumulative & Per Household Brown Ranch Development & Annexation

Net Revenues				
Net Revenues	2040	Avg. Annual	Phase I Total (2023-2030)	2023-2040 Total
General Fund	\$2,654,051	\$1,509,539	\$4,467,788	\$27,171,699
Sales Tax	\$2,003,081	\$1,173,225	\$3,677,760	\$21,118,052
Vehicle Tax	\$237,080	\$121,274	\$277,291	\$2,182,933
Franchise Fee	\$109,176	\$57,427	\$141,319	\$1,033,680
General Gov	\$21,645	\$11,218	\$26,573	\$201,922
Fire & Police	\$71,830	\$36,749	\$84,060	\$661,480
Parks & Rec	\$103,983	\$54,333	\$131,468	\$977,988
Other	\$107,256	\$55,313	\$129,317	\$995,643
TOTAL REVENUE	\$2,654,051	\$4,061,633	\$28,255,997	\$1,414,985

Net Revenue Per Household				
Net Revenue Per Household	2040	Avg. Annual	Phase I Total (2023-2030)	2023-2040 Total
General Fund	\$1,172	\$667	\$1,973	\$12,002
Sales Tax	\$885	\$518	\$1,624	\$9,328
Vehicle Tax	\$105	\$54	\$122	\$964
Franchise Fee	\$48	\$25	\$62	\$457
General Gov	\$10	\$5	\$12	\$89
Fire & Police	\$32	\$16	\$37	\$292
Parks & Rec	\$46	\$24	\$58	\$432
Other	\$47	\$24	\$57	\$440
TOTAL REVENUE	\$1,172	\$667	\$1,973	\$12,002

Note: All findings are in 2023 dollars and are not inflation adjusted

Source: RCLCO

OVERVIEW & METHODOLOGY

SUMMARY OF PLANNED DEVELOPMENT

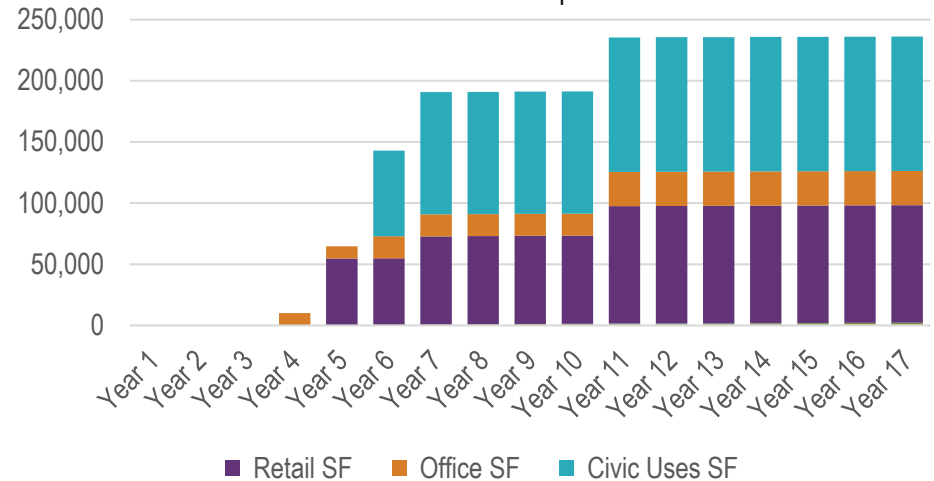
BROWN RANCH IS EXPECTED TO INCLUDE 2,264 HOMES AND INCREASE THE HOUSING SUPPLY WITHIN STEAMBOAT SPRINGS BY 20% AT BUILD OUT

- Brown Ranch is a 534-acre site located northwest of the existing Steamboat Springs city limits. Initial plans for the site include development of several residential uses, for a total of 2,264 housing units.
- » The development will target existing full-time households within Routt County, as opposed to part-time households or seasonal users. Given the current housing supply of roughly 10,000 units in Steamboat Springs, this development will create a significant increase to the housing stock and will assuage housing supply issues for the local workforce, allowing Steamboat to grow in a sustainable manner.
- In addition to significant housing supply increases, Brown Ranch will include a town center which incorporates retail, civic and office space.

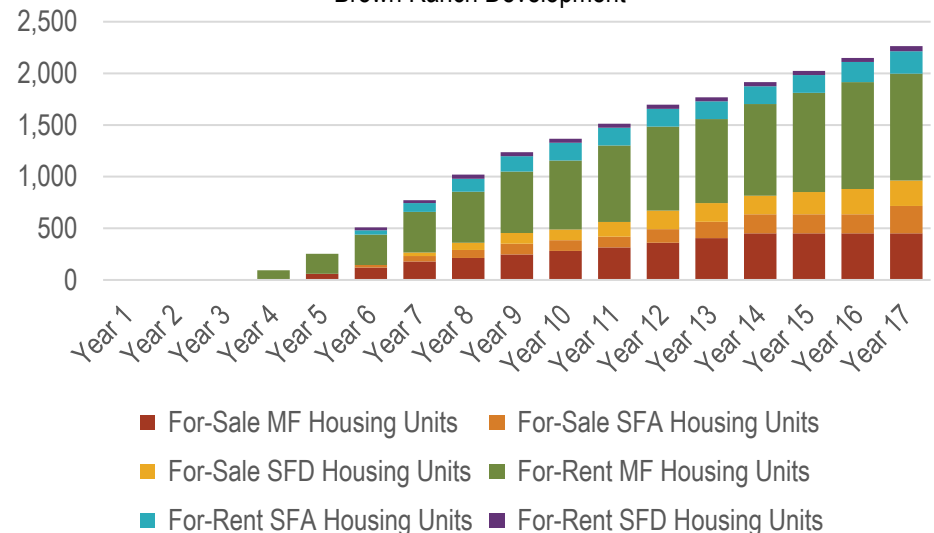
Current Development Program; Brown Ranch; March 2023

LOCATION AND USE	QUANTITY
Total Residential	2,264
For-Sale MF Housing Units	451
For-Sale SFA Housing Units	266
For-Sale SFD Housing Units	245
For-Rent MF Housing Units	1,035
For-Rent SFA Housing Units	218
For-Rent SFD Housing Units	49
Total Commercial	234,000 SF
Retail SF	96,000 SF
Office SF	28,000 SF
Civic Uses SF	110,000 SF

Square Footage of Commercial Space by Year and Type;
Brown Ranch Development



Residential Units by Year;
Brown Ranch Development

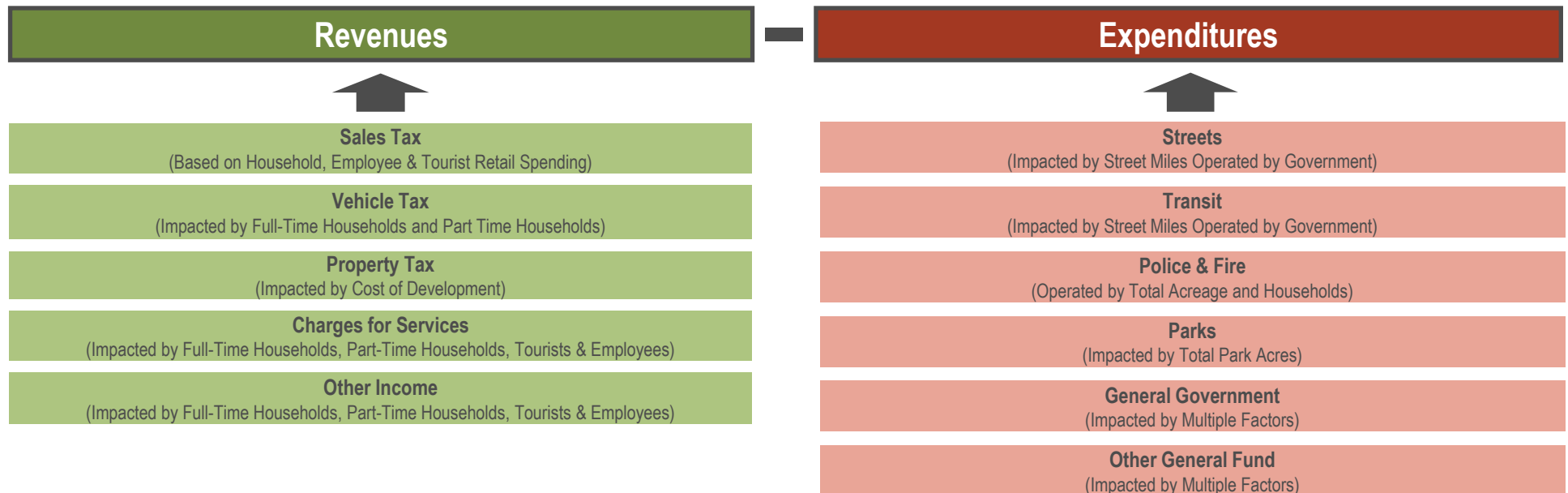


SOURCE: RCLCO

FISCAL IMPACT OVERVIEW & METHODOLOGY

- The analysis summarized in this report calculates the net fiscal impact of the development that will occur at Brown Ranch. The net fiscal impact is defined as the annual tax revenues that Brown Ranch will generate less annual expenses. For the purpose of the study, RCLCO focused the analysis specifically on the cities General Fund.
- To calculate revenues, RCLCO first identified the expected revenue streams outlined in the 2023 Steamboat Springs Adopted Budget. For each revenue stream, RCLCO determined what percentage was fixed and would not increase with additional development, and what percentage is variable and likely to increase as Brown Ranch takes shape. RCLCO then used expected household growth, tourism growth and employment growth induced by the Brown Ranch development (see page 11-14) in order to determine the net impact the development is likely to have on each of Steamboat Springs revenue streams.
 - » **Sales Tax** was calculated using a custom analysis. In order to project sales tax, RCLCO calculated annual taxable retail spending by full-time household, part-time household, tourist and Steamboat employees living elsewhere, and then applying that figure to the relevant tax rate and expected growth induced by Brown Ranch. Additional analysis was used to account for sales tax induced by on-site retail, with considerations taken for possible cannibalization in the market.
- Barring streets, expenses have not yet been calculated. Expense streams will be calculated internally through the city of Steamboat Springs utilizing custom and detailed analysis to determine total costs.

Calculation of Net Fiscal Impact; Brown Ranch Development & Annexation

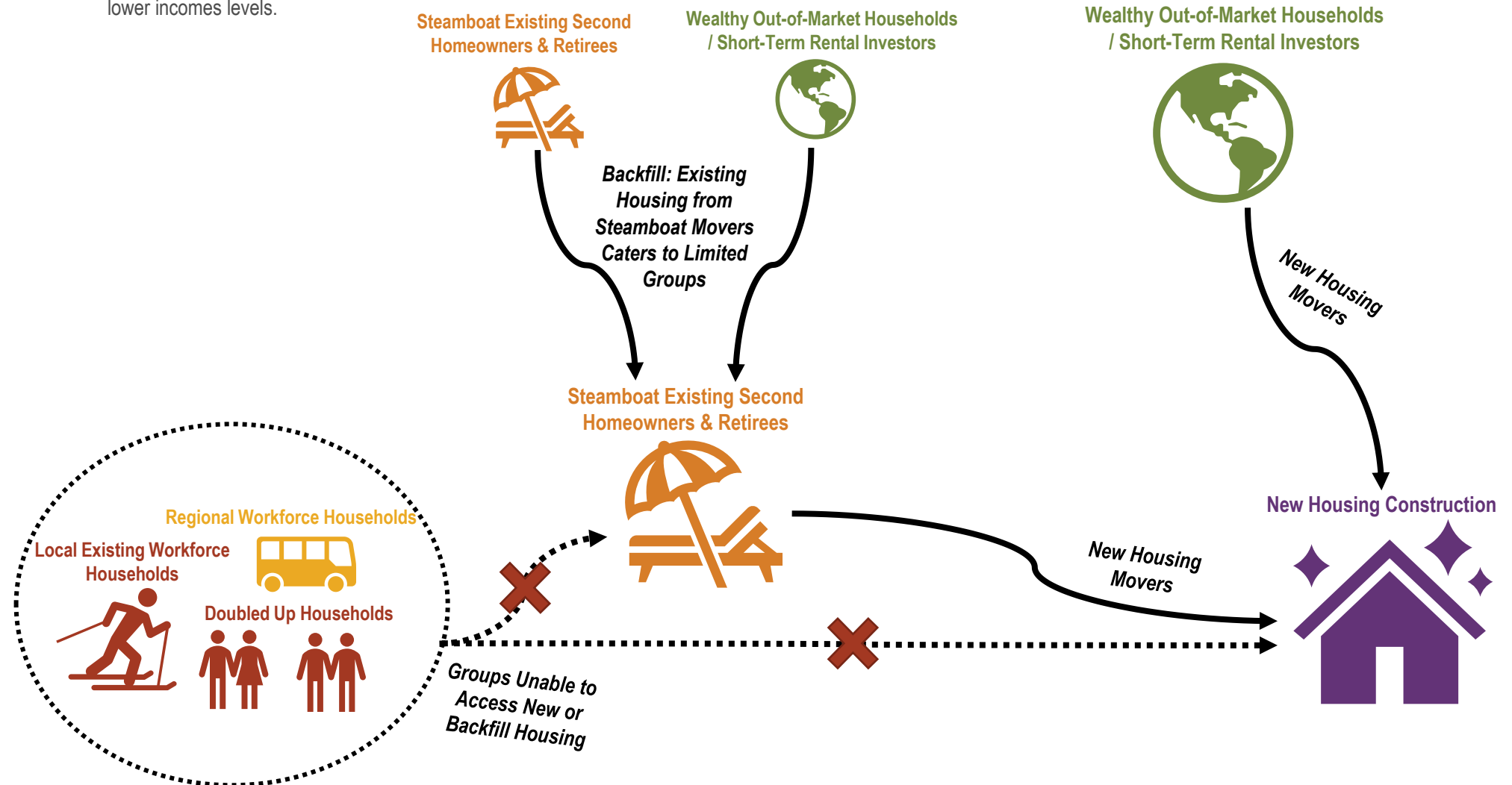


Source: RCLCO

NET IMPACTS

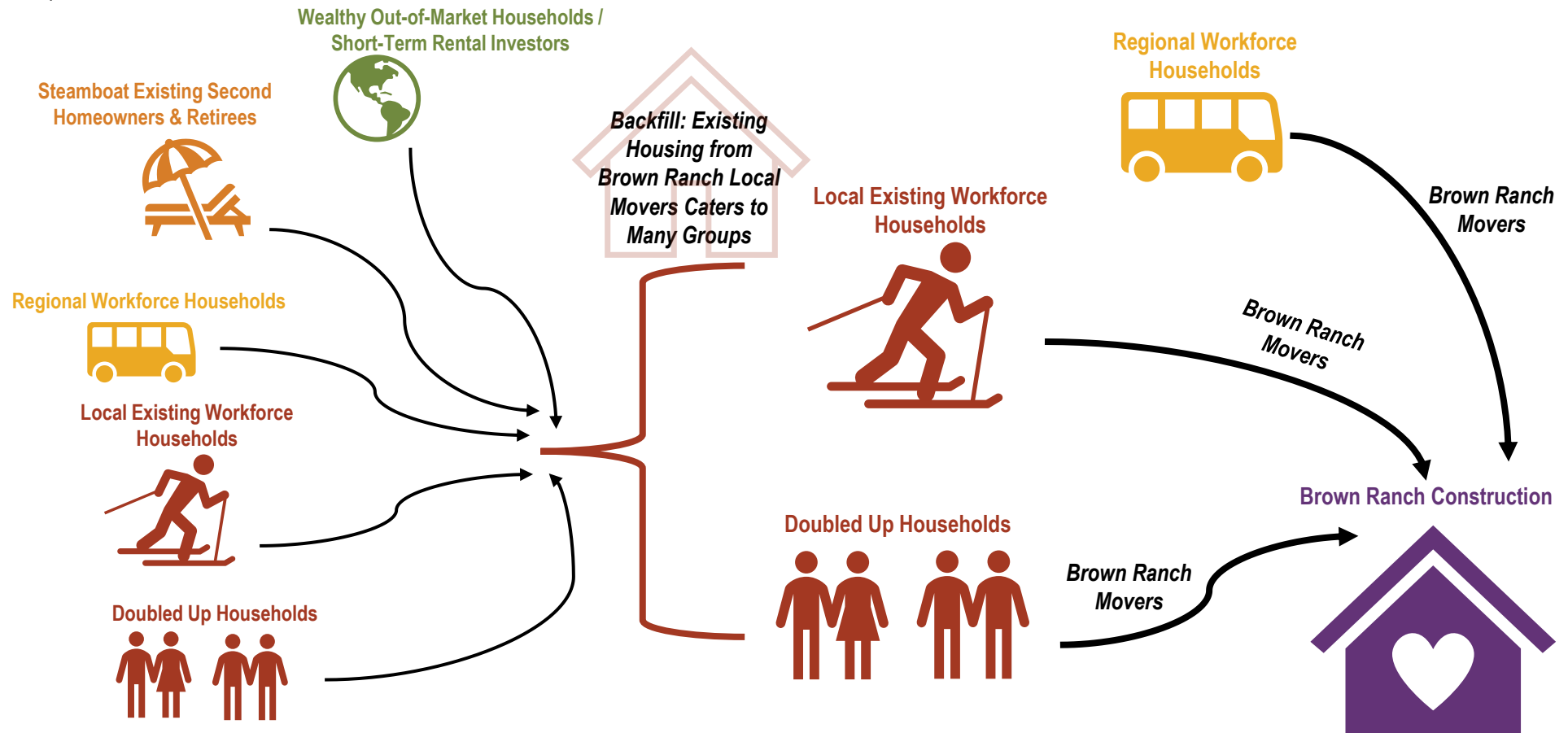
EXISTING NET NEW HOUSING SUPPLY IMPACTS

- Today, the cost of new housing is too high to serve existing local households; new supply only impacts wealthy part-time homeowners or retirees, relocating from elsewhere within Steamboat or another area.
- Any “backfilling” (vacated supply opening up) that occurs from those relocating to new housing within Steamboat, is also limited to wealthy part-time homeowners or retirees due to the high prices in the Steamboat housing market. Essentially, this means there is a housing “log jam” effect with new supply unable to serve local households at moderate or lower incomes levels.



BROWN RANCH NET NEW HOUSING SUPPLY IMPACTS

- In contrast, Brown Ranch is expected to cater to local workforce households, instead of wealthy part-time homeowners or retirees.
- While a share of new units at Brown Ranch are expected to generate direct net new household growth (largely due to some workforce households living in other parts of Routt or Meeker counties relocating to Brown Ranch), a large share of moves to Brown Ranch will consist of existing Steamboat workforce households relocating within the market.
- Backfilling in this case is more diverse; the vacated housing supply opened up by shifting Steamboat workforce households will result in net new growth in additional workforce, part-time, and short-term rental units.



NET NEW GROWTH SUMMARY

RCLCO ANALYZED FOUR GROUPS THAT THE BROWN RANCH DEVELOPMENT WILL IMPACT: FULL-TIME HOUSEHOLDS, PART-TIME HOUSEHOLDS, TOURISTS, AND STEAMBOAT EMPLOYEES LIVING OUTSIDE THE CITY LIMITS

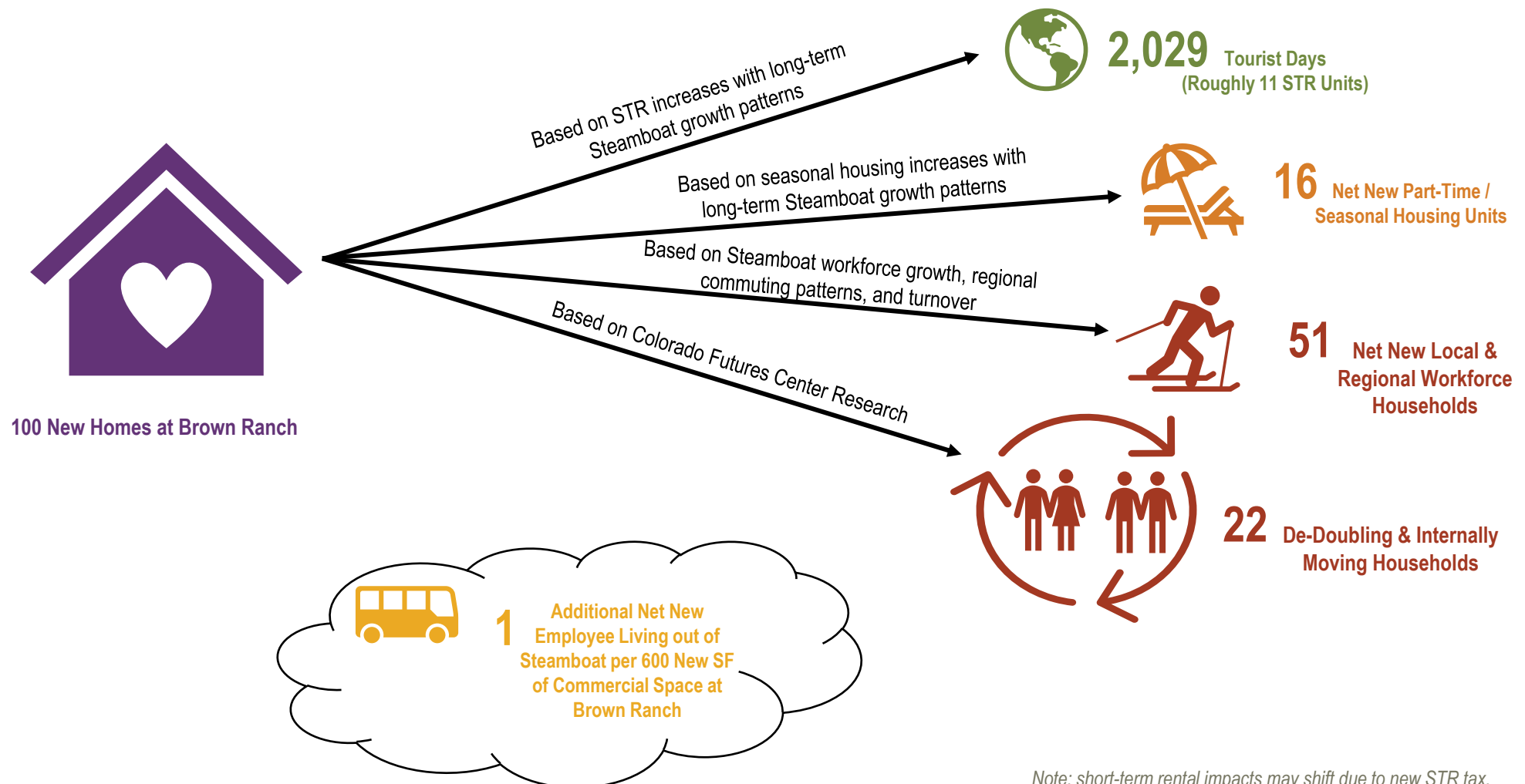
- ▶ RCLCO used existing Census and housing data in order to determine housing supply levels, workforce dynamics and household preferences. Using this data and a statistical model, RCLCO was able to forecast how new development at Brown Ranch will increase the number of full-time and part-time households, tourists and Steamboat employees living outside the city. RCLCO limited the analysis to these four groups because they are the ones expected to most impact the city's revenues and expenses.
- ▶ RCLCO expects household development on site will not generate a 1:1 increase in household growth, due to tenure shifts/internal moves within the city, as well as some "de-doubling" of existing households. This household movement within the city and de-doubling is factored into the growth metrics below.
 - » In general, Brown Ranch will have the largest impact on full-time households, due mostly to the site's workforce-oriented nature which will target those currently working in Routt County. For every 100 homes built at Brown Ranch, RCLCO projects the city will add 51 full-time households – mostly from those who can't currently afford to live within city limits or can't find a home due to housing constraints.
 - » For every 100 households built, RCLCO projects the city will add 16 part-time households. These additions come mostly from backfilled homes already existing within the city; numerous households in Steamboat Springs will likely move to Brown Ranch for the increased affordability, and their houses may be turned over/filled by part-time owners.
 - » Tourism is expected to increase marginally due to Brown Ranch. Tourists will mostly stay in part-time households which are rented out while the owners are away.
 - » Brown Ranch will develop significant office, retail and civic space, which will drive additional employment. In order to avoid double counting, RCLCO only considers anticipated additional employees not living within Steamboat Springs when calculating the fiscal impact the commercial development will have on the city.

GROUP	DEFINITION/ EXPLANATION	NET INCREASE	TOTAL GROWTH AT FULL BUILD-OUT
Full-Time Households	Households which spend the majority of their time within Steamboat	51 Additions per 100 Homes Built	21%
Part-Time Households	Second-home owners who come to Steamboat seasonally	16 Additions per 100 Homes Built	8.1%
Tourists	Tourists who are visiting	2,029 Additional Tourist Days per 100 Homes Built	4.1%
Employees Living Elsewhere	Employees who work within Steamboat but live nearby	One Addition per 600 SF of Retail/Civic/Office, on Average	6.2%

Source: CensusOnTheMap; Esri; CoStar; RCLCO

NET NEW GROWTH SUMMARY

NEW DEVELOPMENT AT BROWN RANCH WILL BENEFIT STEAMBOAT – CREATING A SUSTAINABLE COMMUNITY BY INCREASING THE NEW HOUSING SUPPLY IN A WAY THAT HAS TRICKLE-DOWN IMPACTS FOR MANY DIFFERENT AUDIENCES



Note: short-term rental impacts may shift due to new STR tax.

TOTAL EXPENDITURES – STREETS EXAMPLE

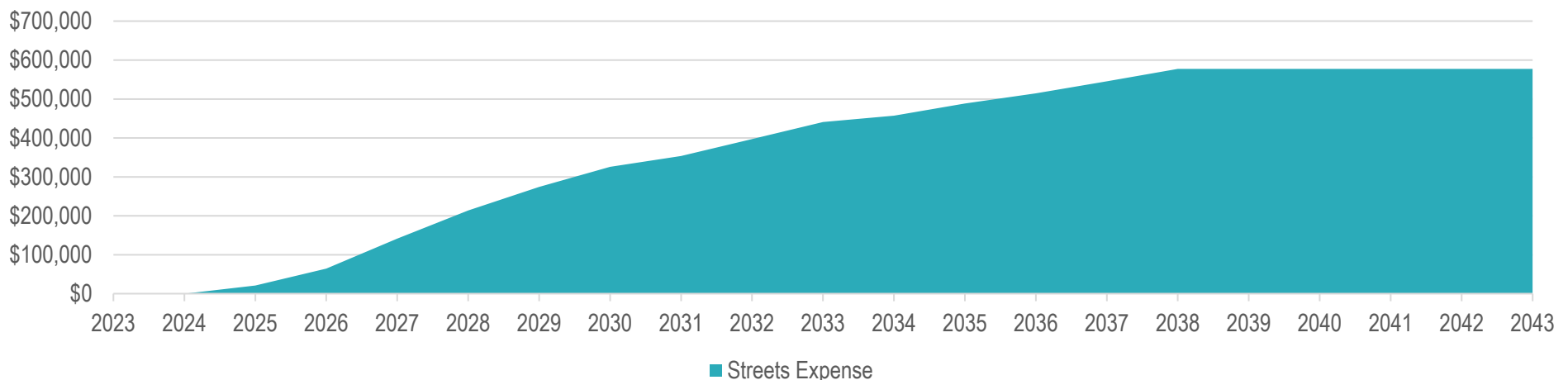
BROWN RANCH WILL INCREASE THE CITY'S STREETS EXPENSE BY \$577,450 ANNUALLY AT FULL BUILD-OUT

- The City of Steamboat Springs used a custom analysis in order to calculate total street expenditures caused by the Brown Ranch Development. Using detailed expense data provided through the Streets Department, the city was able to determine the total operating cost per mile of paved roads. Assuming the development adds 23.53 miles of streets, the analysis suggests the development will cost the General Fund \$577,450 per year at full build-out.
 - » RCLCO used the lesser of two cost figured provided by Steamboat Springs; these estimates excludes outlay costs.
- This analysis is meant to serve as an example for how different expenses will be calculated. Generally, the city of Steamboat Springs will develop a custom analysis based on current expense data in order to project costs incurred as a result of Brown Ranch.

Streets Expense Per Lane Mile;
City of Steamboat Springs

STREETS EXPENSE ANALYSIS	
Additional Street Miles	23.53
Current Operating Cost Per Mile	\$25,092
Additional Employees	3 Employees - \$265,000
Additional Equipment Needed to Purchase	3 Pieces of Equipment - \$771,500
All-In Cost Per Mile	\$24,541*
Total Cost at Full Build-Out	\$577,450

Brown Ranch Induced Streets Expense, First 20 Years;
Brown Ranch Development & Annexation



Note: All-In Cost Per Mile decreases because the number of miles increases and there are some fixed costs
Dollar amounts are in 2023 dollars, additional street miles is an estimate

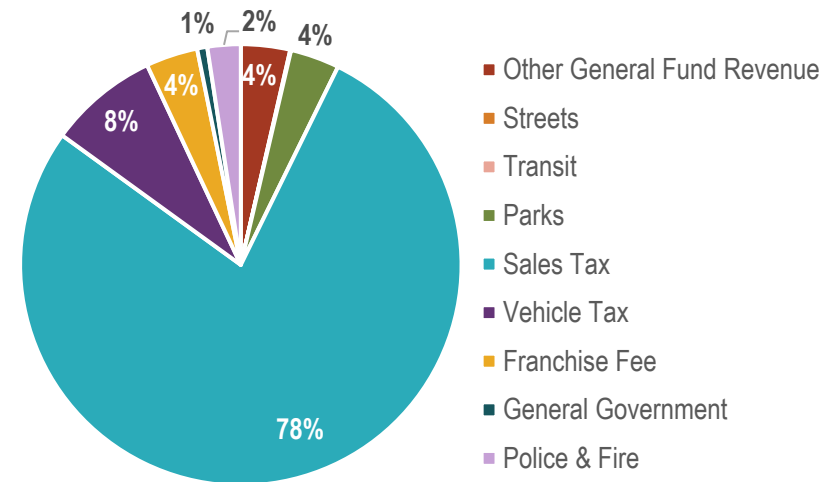
Source: RCLCO

TOTAL REVENUES – STREETS EXAMPLE

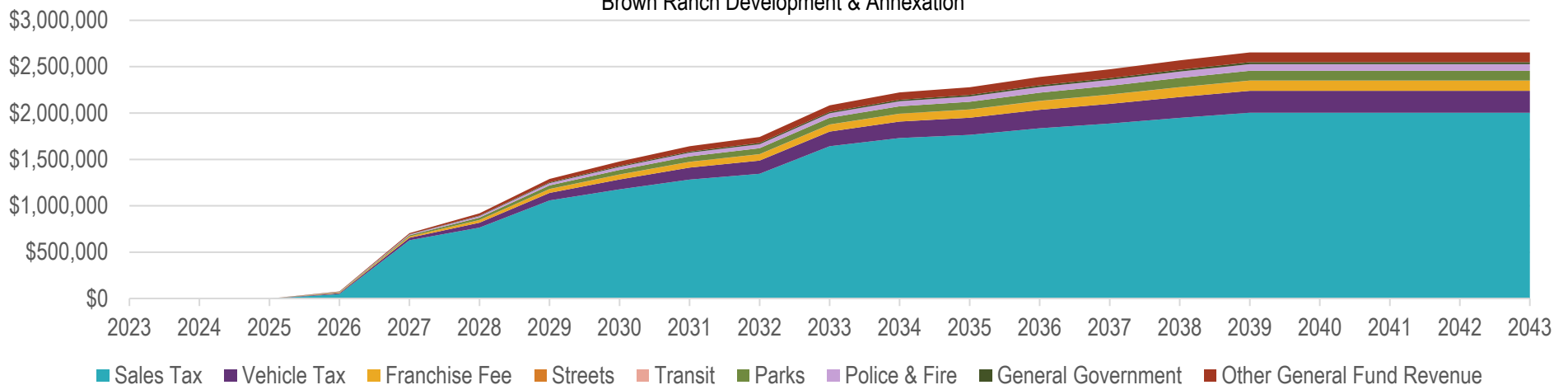
BROWN RANCH WILL GENERATE \$2,654,000 ANNUALLY AT FULL BUILD-OUT, WITH VERY LIMITED COMING FROM STREETS

- Using the framework outlined on page 9, RCLCO projects Brown Ranch will increase General Fund revenues by \$1,509,000 annually on average through 2040. At full build-out, RCLCO projects the General Funds revenues will increase by \$2,654,000 annually.
- These figures are in 2023 dollars and are not inflation adjusted. Likewise, the addition to the city's revenues above is based only on revenues caused by Brown Ranch and excludes other revenues the city may incur between now and then.
 - » RCLCO projects the majority of Brown Ranch induced revenues will come from sales tax. Sales tax currently makes up about 67% of General Funds revenues and is considered a highly variable income stream.
- Streets make up a small portion of General Fund revenues and is not considered a major income stream. The adopted 2023 budget projects streets will generate \$20,000 in revenue, or 0.04% of all income. RCLCO projects Brown Ranch will increase this number marginally to \$21,857 at full build-out.

Brown Ranch Induced General Fund Revenues by Source, First 20 Years;
Brown Ranch Development & Annexation



Brown Ranch Induced General Fund Revenues by Source, First 20 Years;
Brown Ranch Development & Annexation



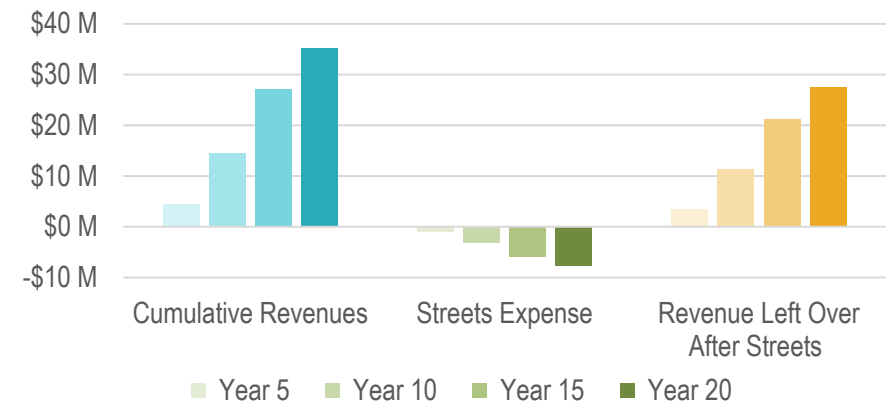
Note: Dollar amounts are in 2023 dollars.

Source: RCLCO

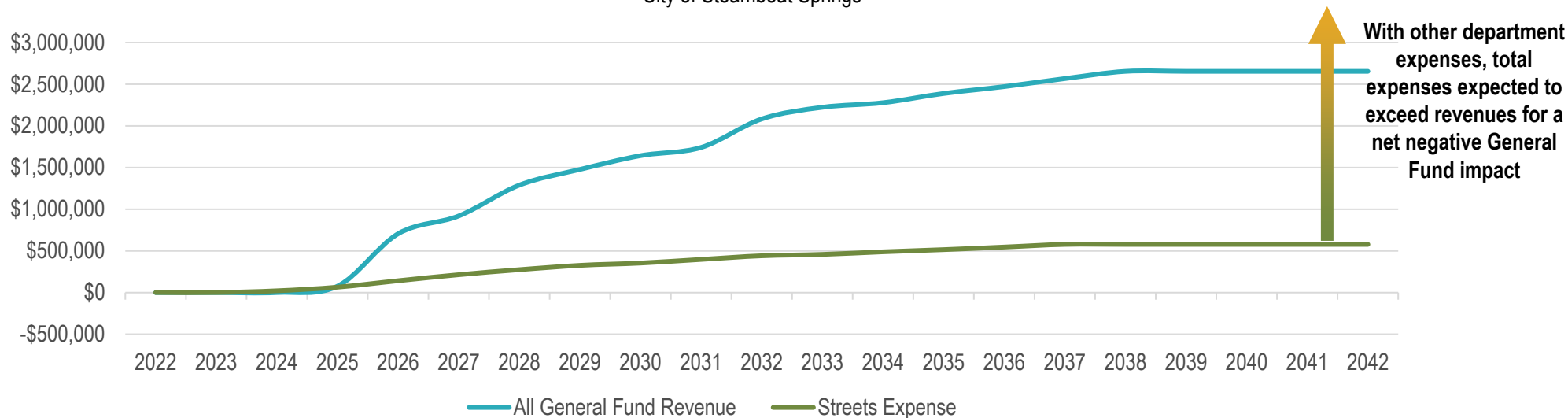
NET FISCAL IMPACT – STREETS EXAMPLE

RCLCO SUSPECTS BROWN RANCH WILL GENERATE SIGNIFICANT REVENUE, BUT WILL ULTIMATELY HAVE A NET NEGATIVE IMPACT ON THE CITY'S GENERAL FUND

- RCLCO projects that Brown Ranch will generate \$2,654,000 at full buildout. Meanwhile, The city of Steamboat Springs project Brown Ranch will cost the city \$577,000 annually in order to operate the city streets. The analysis does not yet include the impact Brown Ranch will have on other expenses within the city's General Fund, including transit, fire, parks, police and general government.
- The total net fiscal impact will not be available until RCLCO obtains all cost estimates from the city of Steamboat Springs. Current expectations are that Brown Ranch will have a significantly negative net fiscal impact and will cost the city money during and after development.



**Cumulative Revenues, and Streets Expenses Induced by Brown Ranch;
City of Steamboat Springs**



Note: Dollar amounts are in 2023 dollars.

Source: RCLCO

ADDITIONAL CONSIDERATIONS & NEXT STEPS

WHILE THIS ANALYSIS FOCUSES ON THE GENERAL FUND, ON WHICH BROWN RANCH IS EXPECTED TO HAVE A NET NEGATIVE FISCAL IMPACT, THERE OTHER ARE POSITIVE REVENUE STREAMS THAT CAN OFFSET SOME OF THE IMPACT

- ▶ **Building Use Taxes** and **Excise Taxes** are calculated using the development's expected cost of construction and applying the relevant tax rates to determine revenues. Brown Ranch could generate up to \$30M in these taxes that can be used for capital projects.
- ▶ The short-term rental tax is expected to drive up to \$14M in revenue; part of this could be earmarked to offset some of the Brown Ranch fiscal impacts.

NEXT STEPS WILL DRIVE TOWARD AN UNDERSTANDING OF THE TRUE NET IMPACT OF BROWN RANCH, AGGREGATING ALL THE CITY DEPARTMENT EXPENSES AND REVENUES

- ▶ RCLCO will continue to work with the various city departments to estimate detailed expenses similar to the streets example.
- ▶ RCLCO will continue to refine revenue assumptions based on fixed and variable revenue streams due to the net new growth generated by Brown Ranch.

DISCLAIMERS

CRITICAL ASSUMPTIONS

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

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

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

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

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

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

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

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

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

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

GENERAL LIMITING CONDITIONS

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

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

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





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