

Attachment #1.

BRYNN GREY

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WEST STEAMBOAT NEIGHBORHOODS

To: City of Steamboat Springs Council
From: Brynn Grey Partners, Ltd.
Re: Gateway Neighborhood Water Resources
Date: October 25, 2016

Steamboat Springs City Council,

We provide the following information to support the Council Communication Form that has been prepared by Public Works on the topic of water resources for the Gateway Neighborhood, Phase 1 of the West Steamboat Neighborhoods. The information is a result of meeting with Public Works, our understanding of the key factors, and possible alternatives to address them.

OVERVIEW

Brynn Grey Partners has presented the West Steamboat Neighborhoods 30-Year Vision to Council (June 14, 2016), as well as a Memorandum of Understanding (MOU) outlining a path to proceed through an annexation and development approval process (August 23, 2016, September 23, 2016). Key to the MOU is working through critical issues, to understand the feasibility of developing the West Steamboat Neighborhoods property, and the pros and cons of doing so, including the costs involved. Water is perhaps one of the most pressing of those issues, so the Brynn Grey team and staff are addressing it first.

The 30-Year Vision describes an ultimate buildout of this property over approximately 500 acres of infill land – it is abutted on three sides by urban development – including approximately 1,600 units across seven distinct neighborhoods, a recreation complex and field house, extensive trails and paths, and neighborhood-serving commercial space. While the Vision is grand, it is extremely long-term. Understanding the overall buildout of a property of this size is necessary to size infrastructure in order to build the very first house. No matter how slowly, or how quickly, the market dictates the construction of homes (we anticipate from our experience in other mountain towns an

estimate of 25-40 homes per year and has proposed a cap of not more than 52 units per year), the Vision provides one approach to **establishing control over development on the largest tract of land on the west side of Steamboat; making certain that any development there will occur consistent with City Council's vision and policies, within the City, and in accordance with the City's land use regulations.**

The first neighborhood – Gateway Neighborhood – will consist of approximately 131 homes (80% locals housing), with an energy and resource efficient traditional neighborhood design very similar to neighborhoods that Brynn Grey is known for (Wellington Neighborhood in Breckenridge and Peak One Neighborhood in Frisco). The development site is contiguous to current city limits and there is an existing 12' water main that runs through the property to the Steamboat II subdivision.

In order to serve just the Gateway Neighborhood, there are four factors to consider:

1. **West Area Water Storage Tank.** The planned West Area Water Storage Tank must be in place. At this time, there is funding for the construction of that tank; however, location of the tank is uncertain. Staff is currently in negotiations concerning potential sites.
2. **Pressure Release Valve and Booster Station** Although the Gateway Neighborhood has a 12" water line running through it, there still needs to be a new on site pressure relief valve ("PRV") and booster station. The cost of the PRV and booster station is preliminarily estimated at \$200,000, which cost Brynn Grey has agreed to pay.
3. **Looped Infrastructure.** Development in Steamboat Springs has traditionally been required, consistent with national engineering standards, to have primary and secondary water lines, which provide back-up in the event of failure, as well as help prevent stagnation and water quality issues. The cost to install a secondary water line is estimated to be approximately \$1,000,000. Brynn Grey has proposed that prior to commencement of development of the second neighborhood (assumed to be Slate Creek consisting of approximately 150 homes and a proposed Slate Creek Elementary School) that Brynn Grey would pay this amount.

4. **Redundancy.** As staff described in the September 13th presentation to Council, there is a great need for the city to develop redundant water supply for public health and safety. Redundant water supply is also necessary for the development of the west Steamboat area, including but not solely, the West Steamboat Neighborhoods property. The Elk River water supply would provide that redundancy, and allow the city to sustainably grow in the future. The estimated cost to develop these supplies as well as developing related water rights is estimated at \$16M. Brynn Grey has proposed that all “Market Homes” (units not dedicated to locals) would pay to the Water Firming Fund at closing of the sale of the Market Home equal to \$16,000. Assuming that over time 1,000 of the units would be Market Units, this would generate \$16,000,000.

Council must consider the overall annexation of the West Steamboat Neighborhoods property, as well as the development application for the Gateway Neighborhood. **According to HB 08-1141: Sufficient Water Supplies for Land Use Approval, the developer must demonstrate adequate water supplies for the proposed development at the development permit stage. It is possible that annexation could occur without the commitment to serve, so staff focused on the City of Steamboat Springs’ ability to provide water to the Gateway Neighborhood.**

ALTERNATIVES RELATIVE TO DEVELOPMENT OF THE GATEWAY NEIGHBORHOOD

Corresponding to the four factors outlined above:

1. West Area Water Storage Tank:

The West Area Water Storage tank is an absolute pre-condition to serving the Gateway Neighborhood.

2. PRV and Booster Station:

The cost of the PRV and booster station is preliminarily estimated at \$200,000, which cost Brynn Grey has agreed to pay.

3. Looped Infrastructure:

Alternative 1: Require Brynn Grey Partners to pay \$1,000,000 to install the secondary line prior to the development of the Gateway Neighborhood.

- *Pros:* This is standard practice for development in the City of Steamboat Springs.
- *Cons:* Cost prohibitive and not aligned with the vision to provide locals' housing at an affordable price.

Alternative 2: The City allows Brynn Grey to build the Gateway Neighborhood served by a single 12" water line; however, require Brynn Grey to complete the loop prior to development of any subsequent neighborhoods (likely to be Slate Creek Neighborhood).

- *Pros:* The approximately \$1,000,000 in looping cost can be deferred until development can fund the improvements allowing this locals housing project to proceed. (Note: Breckenridge required the Wellington Neighborhood water service to be looped; however, it allowed the first 200 homes to be serviced by a single 12" line and booster station. Upon completion of the final phase, 280 homes total, the system will be fully looped. By virtue of 80% of the homes being occupied full time by locals, there was minimum risk of water sitting in dead end lines as would be the case in neighborhoods with significant second home population.)
- *Cons:* The system in this initial phase would not be up to City standards with accompanying, albeit relatively small, risks.

4. Redundancy:

Alternative 1: Require Brynn Grey to pay or provide financial assurance for the payment of \$16,000,000 to develop the Elk River Water supply and related water rights in advance of annexation or development approval of any of the proposed West Steamboat Neighborhoods. Brynn Grey has indicated that this is not economically feasible.

- *Pros:* The Developer bears the entire cost of developing water resources for

redundancy for the west Steamboat area as a whole.

- *Cons:* Cost prohibitive and not aligned with the vision to provide locals' housing at an affordable price.

Alternative 2: The City and thus, current rate-payers, fund the entire cost of the development of the Elk River Water supply, with future residents paying standard tap fees for future improvements.

- *Pros:* Steamboat rate-payers benefit from redundant water supply in the foreseeable future, as well as sustainable growth in the future.
- *Cons:* Notwithstanding the redundancy and housing benefits, this is likely to be viewed as an unfair burden to current rate-payers for the benefit of future residents.

Alternative 3: The City: a) provides service to the approximately 150 homes planned for Gateway Neighborhood; however, all Market Homes within the Gateway Neighborhood (proposed to be approximately 30 homes) would pay into the Water Firming Fund at closing of the sale of the Market Home equal to \$16,000 (the total Gateway Neighborhood Market Home contribution equaling approximately \$480,000); and b) if at a future date the City elects to provide service to any other West Steamboat Neighborhood, all Market Homes would pay into the Water Firming Fund at closing of the sale of the Market Home equal to \$16,000.

- *Pros:* It gets the Gateway Neighborhood and the related locals housing launched providing locals housing and generating approximately \$480,000 toward water system improvements. Then, if Council allows future West Steamboat Neighborhoods to go forward, there is potentially significant additional funds for water system improvements. Costs are shared and spread over the entire development of the west Steamboat area, including this specific property.
- *Cons:* While the system can accommodate serving the Gateway Neighborhood, prior to approving service to any future neighborhoods beyond Gateway and Slate Creek would likely require the full system improvements upfront, which would be unfunded.

CONCLUSION

At this time, predicated on the installation of the West Area Water Storage Tank, there is capacity serve the Gateway Neighborhood with existing water resources. In order to do so, City Council would have to recognize that the supply is being taken out of resources that are allocated for vacant property within current city limits at build-out. Under this scenario, it would be very important for the City to pursue the development of the Elk River water supply for the purpose of redundancy and future supply. Similarly, it is possible to serve a neighborhood with one 12" water line, though this is not your standard or recommended practice.

Thank you.

Brynn Grey Partners, Ltd.

A handwritten signature in black ink, appearing to read 'D O'Neil', written in a cursive style.

David O'Neil
Founder/CEO

A handwritten signature in black ink, appearing to read 'MSherburne', written in a cursive style.

Melissa Sherburne
Partner