

Thompson & Trautz LLC.

Ever Vail Fiscal Impact Report

(Revised 2/16/2010)

Summary

Thompson & Trautz LLC has been retained as an independent consultancy to provide analysis as to the potential financial impacts, revenue and expenditures, the planned Vail Resorts development project Ever Vail will have on the Town of Vail. Our analysis is based on information provided from Vail Resorts Development Company, Town of Vail, Eagle County Assessor, and various other consultants currently engaged to work on this project.

The results of our analysis estimate that the project will generate for the Town of Vail onetime revenue of \$31.6 million as well as \$7.6 million at build out in ongoing annual revenue that includes \$4.7 million from Tax Increment Financing (TIF).

Annual Revenues

TIF Revenue	\$ 4,737,318
Sales Tax - Condo Lodging	679,157
Sales Tax - Hotel Lodging	496,692
Sales Tax - Utilities	54,260
Sales Tax - Retail & F&B	837,456
Lift Tax	299,640
RETT	486,000
	\$ 7,590,523

One Time Revenues

RETT	\$ 9,666,000
Use Tax - Building Materials	16,000,000
Permits & Fees	5,430,000
Traffic Impact Fees	500,000
	\$ 31,596,000

We estimate the additional operating and capital costs to the Town of Vail will be less than the estimated annual and one time revenues. A detailed analysis follows with explanation as to the individual components of the revenue and expenditure totals. It is critical to note that all amounts used are in today's dollars and are NOT adjusted to reflect inflation and are pre 2007 recession. The estimated revenues are based upon the project being 100% built out and all

commercial spaces occupied as presented. See the enclosed spreadsheet at the end of this document for the calculations. Unless noted occupancies and room rates are annual averages.

This report does not attempt to address or quantify the obvious significant economic benefit and spin off in the community at large resulting from Vail Resorts Development Company spending in the region of \$1.2 billion on materials, labor and services, providing jobs and trade in the community, during the course of construction on the Ever Vail project.

Property Tax Revenue

The Ever Vail project, upon completion, will increase the assessed property valuation in the impacted area by \$102 million. Currently the assessed value of the properties occupying the impacted land is \$5.5 million. The project is in the Lionshead TIF District that was formed in 2005. The TIF district has a 25-year lifecycle starting in 2005 thereby having the capacity to generate revenue through 2030. Based on a TIF mill levy of 46.124 the project is estimated to generate \$4.7 million in TIF revenue annually. Once the TIF district expires the incremental property tax revenue to be generated from the Town of Vail's mill levy of 4.979 mills is \$511,385.

Incremental Assessed Value by Source

	Actual Value	Assessed Value
Condominiums	\$ 966,600,000	\$ 76,941,360
Deed Restricted Residential	34,560,000	2,750,976
Hotel (Cost is actual value)	66,000,000	6,960,000
Commercial - Office	12,218,182	3,543,273
Commercial - Restaurant/Club	17,689,091	5,129,836
Commercial - Retail	44,442,424	12,888,303
	<u>\$ 1,141,509,697</u>	<u>\$ 108,213,748</u>
Current Assessed Value		5,505,440
Incremental Assessed Value		<u>\$ 102,708,308</u>

Assessed value is the actual value of real property determined by the county assessor multiplied by the assessment rate of 7.96% for residential property and 29% for commercial property. The actual value of the 358 condominium units is based on a sales price of \$1,800 per square foot. The assessed value of the 120 hotel units is \$200,000 per room which is determined by comparing assessed values of other comparable hotels in Vail, Beaver Creek and Bachelor Gulch. The County uses an income approach versus a market value approach to determine the assessed value for Hotels. The cost of the proposed hotel will be approximately \$66 million but

the income approach to determining assessed value produces \$24 million which is substantially less than cost or market value.

The 155,575 square feet of commercial space includes office, restaurant/Club and retail. The commercial space is valued for property taxes by dividing the projected lease rate per square foot by a cap rate of 8.25%. The lease rate for office and restaurant/club is \$30 per square foot and retail \$50 a square foot. The cap rate of 8.25% is based upon discussions with the county assessor staff.

Sales Tax Revenue

Sales tax revenue will be generated by lodging, food and beverage and retail sales. The sales tax rate on all but short term lodging sales is 4% and on short-term lodging revenue it is 5.4%. The Town of Vail does not collect sales tax for sales made on the mountain; however, a lift tax of 4% is paid to the Town of Vail on passes and lift tickets sales. Total annual sales tax at build out is estimated to be \$2 million as follows.

Sales Tax by Source (thousands)

Condo Lodging	\$	679
Hotel Lodging		497
Utilities		54
Retail & F&B		837
	\$	2,068

The sales tax on lodging sales is based on the short rental of condominiums and hotel rooms. We estimate that \$1.1 million in lodging sales tax will be generated from the proposed lodging. It is estimated that 50% of the condo owners (358 total units) will rent their units at an average daily rate (ADR) of \$550 with an estimated occupancy rate of 35%. The 120 hotel rooms will be rented 60% percent of the time at an ADR of \$350. These numbers are based upon what similar properties are experiencing. At this time there are no lodging revenues being generated on the development site.

Ever Vail's buildings could generate \$54,260 in sales tax on the electric and natural gas used. Based upon other properties the annual gas per room is \$843 and electric is \$1,050. The 1,531 underground parking structure stalls is estimated to cost \$295 per stall for heat and electricity.

We estimate the Ever Vail project will generate sales tax revenue of approximately \$837,456 on Retail and F&B sales. This estimate is based on the number of people occupying the proposed lodging. We estimate that each lodging guest spends on average \$100 a day in retail and F&B. Condos are occupied by 4 people when either used by owners or when used by guests who rent them. Based on prior experience of similar properties owners who are not in the rental pool will use their units 25% of the time and units in the rental pool will rent them 35% of

the time. The combined occupancy of the Condos in a rental pool and non-rented condo's is 30%. Hotel units generate 2 guests per unit and are occupied 60%.

The Town currently collects sales tax from approximately 4 businesses on the development site. The sales tax collected from these four businesses has not been subtracted from the projected revenue since that information is proprietary and was not provided to us by the Town.

Real Estate Transfer Tax Revenue (RETT)

The Town of Vail collects a 1% RETT on all real property sales. Onetime revenue of \$9.7 million may be collected on the first sale of all 358 condo units at \$1,800 a sq. ft. The resale of the units will generate on average \$2.7 million or \$27,000 in RETT revenue annually per unit. We project the turnover to be at 5% or 18 units sell a year generating \$486,000 in annual revenue.

Lift Tax Revenue

The Town collects a 4% admission tax on all lift tickets and ski passes sold. We are estimating that the bed base from Ever Vail will generate 908 skier days per day during a 150 day ski season. Using the assumption that 50% of the skiers will buy a daily lift ticket at \$70 and the other half will buy an annual pass the projected annual revenue is \$299,640.

Other One Time Revenues

Use Tax and Permit Revenues

The Town collects a use tax on building materials that is anticipated to generate \$16 million in revenue for the town. Permits and impact fees are estimated to generate \$5.9 million for the Town. The actual traffic impact fee is estimated to be \$2.5 million but anticipates an offset of \$2 million.

Town of Vail Fiscal Costs

Our study projects the Ever Vail project could bring approximately 209,000 additional guests annually to the Town of Vail. These guests, as well as the resources and requirements that development adds, will require the Town to provide additional services.

The additional services to be provided are relatively small when you consider the infrastructure of the Town is extensively developed and has the capacity to handle additional service pressures. Additionally, it has to be considered that the Ever Vail project is mitigating most of its impacts with the enhancement of roadways and roundabouts, the addition of sidewalks and other pedestrian ways, and the addition of bus stops and transit facilities. The project is proposed to be governed internally with a metro district with all of the internal

improvements, including streets and plazas, to be owned and maintained by the district and the owners. All of these provisions act to reduce reliance on the Town for services.

To attempt to quantify any potential service impacts to the Town we reviewed the current budget as well as the projected budgets. We also have asked the Town of Vail's staff to provide us with an estimate of what the fiscal impacts of Ever Vail will be and have not received any estimates. Greg Hall the Town's director of public works said that the largest expense would be additional bus service. Other expenses could include additional snow plowing for a larger frontage road and maintenance, landscaping, lighting of medians. Greg Hall, the Town's director of public works did not seem to think the Town's costs would exceed the projected revenues from the project.

There will be 3 other major developments opening in the Town of Vail over the next 3 years: Solaris, Ritz, and Four Seasons. The Town's 2010 budget and forecast budget for 2011 – 2014 includes no increase in staffing to service these new projects coming on line. We believe from talking with staff and reviewing the Town's 2010 budget that the projected revenue from Ever Vail will cover any reasonable additional operating or capital costs to the Town of Vail.

Should the Town quantify the impacts to the operating and maintenance budgets, we are happy to include them in this report.

Ever Vail Development

Annual Property Tax Revenue Generated from Ever Vail						
Use of Space	Units	No. Of Sq Ft	Value Per Unit	Value Per Sq Ft	Actual Value	Assessed Value
Residential	358	537,000	\$ 2,700,000	\$ 1,800	\$ 966,600,000	\$ 76,941,360
Deed Restricted Residential	48	57,600	720,000	600	34,560,000	2,750,976
Hotel	120		200,000		66,000,000	6,960,000
Commercial - Office		33,600	30	364	12,218,182	3,543,273
Commercial - Restaurant/Club		48,645	30	364	17,689,091	5,129,836
Commercial - Retail		73,330	50	606	44,442,424	12,888,303
					<u>1,141,509,697</u>	<u>108,213,748</u>
Minus the current assessed value of land and property that now exists						5,505,440
Incremental increase in Assessed Value						<u>102,708,308</u>
Town of Vail Property Tax Revenue (4.979 mills)						<u>511,385</u>
Potential Revenue TIF Revenue@ 46.124 Mills From Property Tax						<u>\$ 4,737,318</u>
Annual SalesTax and RETT Revenues Generated from Ever Vail						
Sales Tax Revenue			Gross Sales			
Condo Lodging (35% Occupancy, Room Rate \$550, Units Rented 179)					12,576,988	\$ 679,157
Hotel Lodging (60% Occupancy, Room Rate \$350, Units 120)					9,198,000	496,692
Utilities					1,356,499	54,260
Retail and Food & Beverage (30% Occupancy Condo, 60% Hotel) (4/ppl per Condo, 2/ppl per Hotel, spending \$100/day in Town)					20,936,400	837,456
						<u>2,067,565</u>
Lift Tax Revenue					\$ 7,491,000	299,640
Real Estate Transfer Tax					\$ 48,600,000	486,000
						<u>\$ 2,853,205</u>
One Time Revenues from Ever Vail						
Real Estate Transfer Tax					\$ 966,600,000	\$ 9,666,000
Use Tax on building						16,000,000
Permits & Fees						5,430,000
Traffic Impact Fee						500,000
Total One Time Fees						<u>\$ 31,596,000</u>

People & Room Nights Generated

	No. Of Rooms	People Per Yr Per Room	People Generated
Non Rental Sales Tax			
Condo (30% Occupancy, 4 people per room)	358	438	156,804
Hotel (60% Occupancy, 2 people per room)	120	438	52,560
People Generated			209,364
Rental Sales Tax			
	No. Of Rooms	Days Per Year Per Room Occ	Room Nights
Condo (50% Rented, 35% Occupancy)	179	128	22,867
Hotel (60% Occupancy)	120	219	26,280
People Nights			49,147

Data Assumptions

CONDOMINIUMS

# people generated per unit	4
Number of Condo's	358
Percent of condos rented	50%
Occupancy rate of condos rented	35%
Condominium nightly rental rate	\$ 550.00
Occupancy rate of condos not rented	25%

HOTEL

# people generated per unit	2
Number of Rooms	120
Occupancy rate	60%
Hotel Rental Rate	\$ 350.00
Guest Spending Per Day in Vail (not on mountain)	\$ 100.00 /day

LIFT TAX

Skiers Per Day from bed base	908
Percent buying a ticket at retail	50%
Percent buying a season pass	50%
Pass rate per day	\$ 40.00
Daily ticket price	\$ 70.00
Number of days in ski season	150

Utilities

Annual Gas per Room	\$ 843
Annual Electric per Room	\$ 1,050
Parking Stalls	\$ 1,531
Annual per stall Gas & Electric	\$ 295.00