

Aspen Daily News

Published on Aspen Daily News Online (<http://www.aspendailynews.com>)

Aspen botched BMC deal

Guest - Non ADN Writer:

Adam Frisch

This last Saturday I was enjoying a beautiful blue-bird Aspen day, sitting on the deck of Bonnie's, and drinking some beers with friends. We all agreed it was days like that that drew us to this town or convinced us to stay here. Unfortunately, as it will, the conversation turned to the not so great parts of our community. Many of my friends have been expressing increasing frustration at the financial irresponsibility of the local government, and worry about what it means for the future of our community. They also feel it hasn't been adequately addressed by City Council or the media.

I write this column through the lens of over 20 years of financial and budgetary experience, including a dozen years analyzing companies and international economies while running business units that had up to \$50 million budgets. I also write this from the local community perspective of being the chair of the Pitkin County Financial Advisory Board for the last four years.

The financial irresponsibility I am referring to concerns the purchase of the BMC lumberyard site by the city of Aspen for \$18.25 million last year for our needed affordable housing program. While I agree BMC is a good site for high-density affordable housing, city hall vastly overpaid for the land, possibly to the tune of \$12 million. From what we have all heard, there was not another single firm bid on the table. Why are they throwing away this much taxpayer money?

The BMC story goes like this:

— In 2007 the city signed a contract for \$18.25 million to purchase the BMC lumberyard on Highway 82 with 15 days of due diligence and a 30-day closing. No appraisal was done at the time, or any market analysis the city has released.

— The assessor's office value for the lumberyard was \$5.724 million as of June 2007, in the height of the market, but was never even asked about their expert view on the value of the land.

— John McBride, the main developer behind the Aspen Airport Business Center for decades and the creator of the North 40 subdivision, recently wrote he believed the market value of the property was in the \$6.5 million range based on his decades of experience at the AABC. This number also matches comparable sales at the time.

I appreciate this land is very valuable to our community, even more valuable than to any other potential buyer. Scott Miller, the city's capital asset director, stated in his guest opinion piece last week, "argue about price if you like, but this was an unparalleled opportunity."

OK, I will argue about price. There is no evidence that this opportunity would have gone away, or have been any less unparalleled, if the city had used standard business practice in their negotiations. Again, we have not seen evidence of another serious bidder for the land. City hall should have started in the \$6 million range, and raised its bid if/when needed. Common sense is not paying more than you have to pay.

Along with many other folks, I'm mad as hell that city hall has been so careless with our money. To simply waste up to \$12 million of affordable housing funds because the government lacked the common sense to even try to pursue a better deal is an outrage.

This land purchase, and others the city has made, has recently cost the city's affordable housing fund over \$25 million. This wiped out the \$20 million in the fund earmarked to build Burlingame Phase II, and required borrowing \$8 million from the Wheeler fund which needs to be paid back.

Many people are having a hard time seeing any new housing built until the city somehow raises millions of dollars to cover these land purchases. The current city plan, based on old assumptions, is to ask the voters for \$50 million in bonds this November to pay back the Wheeler fund and other expenditures. With our coffers empty and our revenue streams from real estate transfer taxes drying up (that revenue is down close to 65 percent from last year), my experience tells me it's questionable in today's market environment if the city will be able to get these bonds underwritten. After all this mismanagement, will taxpayers even vote for it if city hall can pull it off?

I look forward to more blue-bird days without clouds of doubt regarding the lack of financial stewardship at city hall. Aspen deserves better from the city's leadership. Let's demand more common sense for our uncommon town.

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