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BMC West: Is Aspen paying too much?

ASPEN " As the single most expensive land purchase in City Hall's history, the BMC West property will cost Aspen taxpayers more than \$90 a square foot for the dirt alone, and if plans for affordable housing come to fruition, the total public subsidy will be close to \$450,000 a unit.

That has some observers looking at the deal with sticker shock, including John McBride, the developer of the Aspen Airport Business Center (ABC), which is located next door to the lumberyard on Highway 82.

Some real estate industry experts say the \$18.25 million price tag for the 4.64-acre property far exceeds market value, especially considering land at the ABC sold this year for \$30 a square foot, according to McBride.

"They are paying too damn much money," said an industry expert who asked to remain anonymous. "That's a lot of subsidy, and that's a lot of money.

"Where's the fiduciary responsibility? Someone somewhere needs a reality check."

The City Council approved the purchase earlier this week, based on a recommendation from Assistant City Manager Bentley Henderson and other city staff members who were involved in the deal.

BMC West owners indicated to city officials that they had other offers on the table for more than \$20 million. Henderson told the council that the price may seem like a lot, but the current market dictated the value.

"We're not going to see a parcel of this size in the near future, and, if we did, it would probably not be at this price," he said.

Mayor Mick Ireland agreed and said it isn't the city government that is driving up the prices.

"Someone else would have bought it, and I'm almost certain they won't be in here to propose [affordable housing] for school teachers," he said. "They are going to buy it and maximize the use, as is always the case."

But McBride, who controls covenants on the property in terms of how dense the development can be and how the housing can be designed, said the property is limited by restrictions " just like the ABC is.

As a result, the BMC West parcel isn't worth as much as other properties throughout the city, he argues. And the speculative price of the parcel has implications on property and business owners at the ABC.

"There isn't much speculation going on [at the ABC] because of the covenants," McBride said, adding using the property for only affordable housing goes against the idea of keeping the area for service and commercial uses.

"It would be a contradiction with the philosophy of what we are trying to do out there," he said,

As part of the city's due diligence since the parcel went under contract on Oct. 31, officials said they considered the covenants and whether the land value was appropriate.

However, no land appraisal was done on the property and is not required.

One way to appraise the land would be to compare the square footage price to other comparable parcels in the area. The parcel at the ABC where a new fire station was built was sold for \$26 a square foot a couple of years ago. Another property located in the back of the ABC recently sold for \$30 a square foot, McBride said.

Assessed valuations in Pitkin County have increased as much as 45 percent over the past two years, which is reflective of the BMC West price, Henderson said.

Because the terms of the sale only lent 30 days for due diligence and 15 days to close, Henderson said there was not enough time to do a land appraisal. The real estate transaction is expected to close on Dec. 17.

The city's broker did a market analysis, which indicated \$18.25 million was a fair price, Henderson said.

The current plan is to build up to 100 affordable housing units on the property. The housing will be geared toward lower- to middle-income employees in both rental and ownership units.

City officials have asked the hospital, the school district, the Roaring Fork Transportation Authority and Pitkin County to buy into the program to house their employees. Representatives for those organizations have a month to decide whether they want to pay to play in the affordable housing scheme.

There will likely be more housing developed in the area because the city owns three acres next to the BMC West parcel that couldn't be accessed before.

Regardless of whether the city bought the property, it was likely that the lumberyard wouldn't stay

in that location.

Aspen's BMC West location was one of three stores sold on the Western Slope in September to Harbert Lumber Co., a Grand Junction building supplies dealer. Rather than buy the land and building, HLC is leasing the space for \$50,000 a month.

The property is in Pitkin County and currently falls under its land-use codes. An application to rezone the property into an affordable housing development will eventually be submitted to Pitkin County unless the parcel is annexed into the city.

Either way, the development still will have to adhere to the ABC's covenants.

McBride said what's conceptualized by the city is too dense and doesn't provide for any commercial space. He suggested to the council on Monday that housing be built above work space, much like the row houses in the ABC are " where there is a 1 to 1 ratio of apartments versus businesses.

"I think that would be a good project at the lumberyard," he said, adding there are 175 businesses at the ABC and 165 living units. "The covenants are there, and it has much more to do with the character of what should be out there."

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