

Carolyn Sackariason
The Aspen Times
Aspen CO, Colorado

May 16, 2008

Burlingame underestimated by \$73M



Jordan Curet The Aspen Times Burlingame

ASPEN " Aspen taxpayers are on the hook for nearly six times more than expected for Burlingame Ranch.

According to city officials, the total taxpayer subsidy for the affordable housing project is at least \$73 million more than what was conveyed to voters when they were asked to approve building 236 units across from Buttermilk.

City officials told voters in a campaign brochure, distributed shortly before a May 2005 election, that the total cost for Burlingame would be \$74.3 million, with the overall taxpayer subsidy being \$14.7 million. But now city officials say the total taxpayer subsidy will be \$85.5 million " nearly a six-fold increase.

And that figure doesn't include \$2.3 million for a park and trails at Burlingame, or the financing charges that will be associated with a multimillion dollar bond if voters this fall approve borrowing against future tax revenues to pay for phases two and three of the project.

The discrepancies concern some members of a City Council-appointed citizen budget task force, which is charged with overseeing city finances and policies.

Questions have surfaced as to why voters were told that their government would be paying a

\$62,523 per unit subsidy but now that figure has climbed to \$362,343.

City officials have been scrambling for the past two weeks to try to reconcile the numbers and determine why voters were told it would only cost \$74.3 million to build all three phases of Burlingame.

City officials have given several different figures and explanations to the press and members of the budget task force in the past two weeks, with the most recent being presented to the task force's housing subcommittee on Tuesday.

While city officials told the committee that they didn't know where the initial \$74.3 million cost estimate came from or what was embedded in it, Barry Crook, assistant to the city manager, said Thursday that there was an error in the brochure's language.

The number used in the brochure was a figure for construction only and didn't include other costs of the project such as land, infrastructure, and design and engineering work.

That language error accounts for \$25.3 million of the massive increase in the total cost of Burlingame. Construction inflation accounts for another \$32.9 million and City Council changes to the project account for \$11.8 million, according to Crook.

He added that the costs related to Burlingame likely will continue to change because the work being done to track the costs is preliminary. There is no attempt by city officials to be deceptive, Crook stressed.

Regardless of the intent, the fact the figures constantly are changing and voters were asked to approve a project based on a dollar amount that was underestimated by \$73 million concerns some task force members. They are skeptical of the numbers given to them, and question the origin and logic behind many of the expenses.

At the very least, it appears that city officials haven't been tracking the costs of Burlingame as closely as they could have been. As a result, it could prove difficult to convince voters this fall to approve up to \$75 million in bonds to finish Burlingame.

"Now that we know what phase one costs, do we have the confidence in the assumptions of phases two and three?" asked budget task force member Mike Maple.

Assistant City Manager Bentley Henderson told the committee on Tuesday not to put much stock in the brochure information but rather in the actual costs of building phase one of Burlingame. Phase one includes 84 units and another 152 are slated to be built as part of phases two and three.

"The brochure was a marketing piece, it had no basis in reality," he said. "I don't think using the brochure numbers is germane."

And that appears to be the case given the additional costs that weren't factored into the original estimate. Much of the changes were either directed by the City Council and discussed publicly, or

they were costs related to improvements on the property.

According to information provided by Crook, the following are line item expenses that account for the additional \$73 million that voters were unaware of when they voted in favor of Burlingame in 2005:

- The council changed the income categories on the units to make them more affordable for people. That decision reduced revenue projections by \$7 million.
- There were \$15.1 million in shared costs between the phases of the project that included infrastructure, design, permitting and other expenses.
- Net land costs account for \$1.76 million, which went toward six different transactions that resulted in about 220 acres, only 32 of which are being used for the affordable housing development; the rest is open space.
- \$2.33 million was spent in what city officials call "community benefits." That includes trails and a park, which city officials argue shouldn't be included in the overall Burlingame budget since the community at large can use them.
- More than \$6 million are mitigation expenses, which were costs that City Hall was forced to incur in order to get approval for the project, according to city officials. That includes \$1.2 million for Highway 82 intersection improvements; \$1.9 million for improvements to Old Stage Road; and \$2.7 million in transportation fees paid to fund new buses.
- There were \$4.7 million in changes to make the project more "green," as well as subsidizing the costs for single-family lot owners to construct their homes. Other items include livability changes of \$200,000 and \$900,000 in miscellaneous expenses.
- Construction inflation is estimated at \$32.9 million. Construction costs have increased from the 2004 estimate of \$74.4 million to the 2008 current estimate of \$107.3 million, which is about an 11 percent increase per year and not unusual in the upper valley, according to Crook.
- Nearly \$1 million is accounted for in construction change orders after additional costs were incurred as conditions on the ground dictated different construction solutions. Items include adding attics, mechanical upgrades, and modifications to site and storm drainages.

csack@aspentimes.com

©2005 - 2014 Swift Communications, Inc.