

Memorandum

To: Vail Town Council

From: George Ruther, Director of Community Development

Date: March 7, 2017

Subject: Chamonix Vail – Alternate Construction Schedules and Lottery Selection Process Recommendation

I. Purpose of this Memorandum

Chamonix Vail has reached the point where a decision is needed to either maintain the construction schedule reviewed with council or delay construction until the Town knows the results of the lottery. Two schedule alternatives are presented below. Staff requires direction on which schedule to finalize the development plan and draft the planned Development Agreement.

Additionally, the Vail Town Council asked the staff to evaluate and propose an alternate lottery selection process from the recommendation forwarded by the Vail Local Housing Authority on December 6, 2016.

The purpose of this memorandum is to present alternate construction schedules and the lottery selection process recommendation for the future construction of the Chamonix Vail development.

II. Alternative Construction Schedules for Consideration

Original Schedule:

The staff and the development team have proposed a development schedule that has been presented to council - most recently on February 7, 2017. We remain on this fast-track schedule, however, at the March 21, 2017 Town Council Meeting we will require authorization to move forward with construction activities that are of significant benefit to the construction plan and budget. The key steps in the current schedule, coupled with the decision milestones that will allow Council to responsibly stay on this schedule, are outlined below:

- Development Team continues with expedited design packages including site, utility and building foundation permit packages. The site and utility permit package will be ready for submission by March 16, 2017.
- On March 21, Staff/Council will review the depth of completed lottery applications. There are more than 147 people who have completed the Home Buyer Questionnaire to date.

- Based on the strength of this market, council authorizes early construction activities beginning on April 3, 2017. These early authorized scopes include the following subcontractors (total value of these contracts authorized are in parenthesis): grading (\$1,375,000), utilities (\$525,000), factory deposits (\$1,340,000), and concrete foundations (\$1,110,000), General Conditions (\$75,000). At this time we would lock in the value of portions of the GMP.
- Of these commitments only \$575,000 of local construction and \$1,340,000 modular deposit will be spent prior to May 10, 2017. **All of these early scopes are work that needs to be done regardless of any phasing plan and the Town will always retain the option to stop construction or change the phasing plan – even with work underway.**
- Finalize coordination with the modular plant and complete Contract Design Package for pricing on April 7. Finalize Guaranteed Maximum Price (GMP) on April 28.
- Run lottery on May 3, 2017. Make final phasing determination and execute the final GMP Development Contract on May 10, 2017 based on the results of that lottery.
- Under this original schedule, we will begin site and utility construction in early April-2017; pour concrete for the first units in early May-2017; deliver the first units in November-2017; deliver final units March-2018.

The benefits and tradeoffs to this approach to development are outlined below:

- Lock down availability of critical early trades. With the extreme demand for work in the valley, we risk losing subcontractors for the job.
- Lock down favorable rates negotiated by the Development Team that are assumed in the budget.
- Commence critical path activities – site, modular deposit, and concrete – to maintain the overall construction schedule and deliver units before the end of the year.
- Reserve spot in Champion factory for early summer construction. To do this we would be committing to Champion with a deposit for the entire project. **Please note that we are not releasing the construction of all boxes – this would not happen until after we receive the state building permit in early June.**
- Build as much of the project as possible in the prime building season including all foundations and modular set/stitch prior to the winter.
- The primary tradeoff to this approach is committing to start the project based on the Lottery Applications vs. Lottery Reservations and prior to having a complete GMP contract.

Alternative Schedule:

The alternate schedule prepared by staff and the Development Team is a more conservative approach that waits until the final results of the lottery to authorize most work. The only items that would commence prior to the final lottery results would be finishing the site grading and utility work that the Town started in Spring 2016. The key steps in this alternate schedule are:

- Council approves grading and utility work to commence in early April. Total scope of work \$1,900,000. Only \$575,000 completed prior to lottery.
- Complete GMP construction documents for all construction in April 7.
- Run lottery selection process and reserve homes May 3.

- Determine phasing and sign the GMP on May 10. Council authorizes final GMP and Champion deposit based on lottery results.

The benefits and tradeoffs of this alternate schedule are outlined below:

- Only minimal and essential land development activities released prior to the GMP. Town does not commit to the vertical construction until we have best information available.
- Risk losing availability and favorable pricing from critical structural subs. Estimated cost impact \$290,000 or \$9,100 per unit.
- Risk losing place in line at Champion Factory. Unknown schedule delay.
- Exposure to winter conditions for building foundations and exterior. Estimated cost impact \$125,000 or \$3,900 per unit. The actual cost is unknown.
- Increased project duration and general conditions. Estimated cost impact \$100,000. Increased or \$3,100 per unit.
- Under the alternate schedule we will still commence site and utility work in early April-2017; pour concrete for the first units in late June-2017 (assuming availability). Complete first units January-2018 (assuming best-case Champion scheduling). Finish last units late May-2018.
- Total estimated cost increase with this approach could be \$515,000 or \$16,100 per unit.

Please note that under both scenarios, staff is requesting to get started with grading and utility work in early April-2017 to complete the site preparation work for the new neighborhood. This activity completes the infrastructure work already begun in the Spring of 2017 and is required for the neighborhood regardless of which approach is selected.

Based on the chosen schedule, Staff will prepare a Development Agreement for consideration on March 21, 2017 that reflects this approach to development.

III. Lottery Selection Process

Demand for purchasing a new home in the Chamonix Vail development is high. Presently, more than 147 people have expressed an interest in the 32 new homes slated for development at the Chamonix Neighborhood. With current demand trending towards exceeding the available supply, the Town staff recommends the Town of Vail conduct a lottery process for selecting the future buyers of the new homes at the Chamonix Neighborhood.

Further, the Town staff recommends that the lottery selection process include the following requirements for participation:

- Completion of a Chamonix Vail Home Buyer Qualifying Application.
- Demonstrated ability to comply with the terms of the deed restriction if selected for home purchase.
- Demonstrated ability to secure financing for the home type(s) desired.
- Signed acknowledgement of acceptance of the terms of the Chamonix Vail Reservation Agreement and Purchase/Sale Agreement.
- Demonstrated participation and successful completion of a Town of Vail or Valley Home Store sponsored Homebuyer Education Class within the previous 12 months.

- One chance per household for the one home type desired in the lottery selection process per Qualifying Application.
- Creation of a Chamonix Vail Home Buyer Wait List to address situations of selected home buyers “*falling out*” of the home purchase process.

Given the stated development objectives of the Chamonix Vail development, the Town staff continues to recommend that the selection process not include a weighted preference towards place of residency or place of employment. Instead, a true lottery selection process whereby each participant shares an equal chance of being selected is recommended.

The recommended lottery selection process is outlined below:

- The Chamonix Vail Lottery Selection will be conducted at 6:00 pm on the evening of May 3, 2017 at the Donovan Pavilion.
- The deadline for submitting a complete lottery application to the Town of Vail Community Development Department is 5:00 pm, Friday, March 17th.
- Prior to the lottery selection, the Town will verify that applicants have submitted the required paperwork and send an email confirmation and lottery invitation to each approved participant. We also ask that each participant predetermine which home type(s) (i.e. 2-1, 2-2, 3-1, 3-2, and 3L-2) they intend to reserve and purchase if selected. We will use this preferred home(s) information after the lottery selection process has concluded if homes become available due to “*fall out*”.
- On May 3rd, the evening of the lottery, each lottery participant will receive one (1) entry into the lottery selection pool.
- Lottery winners will then be drawn one at a time.
- Upon selection, each lottery winner will be asked to come forward to select the home (both type and location) they intend to reserve and purchase. If a home is selected, the winner will have 24 hours to execute a reservation agreement and provide a \$1,000 nonrefundable reservation fee to the Town of Vail. Lottery winners will later be asked to sign a Purchase and Sale Agreement with a 1% deposit, followed by a 0.5% deposit at a predetermined construction milestone that is 90 days prior to completion of their unit.
- To keep the lottery moving, each winner will have up to three (3) minutes to make a home selection or pass on making a selection and go to the Chamonix Vail wait list. If all the homes for which a lottery winner is prequalified to purchase have already been reserved, the winner will be given the option to have their name placed on the Chamonix Vail wait list for the home type they would reserve and purchase if it comes available later due to “*fall out*”.
- Names will go onto the wait list in the order in which they are drawn.
- This process will continue until all of the homes have been selected for reservation and purchase. Once all the homes have been selected, the lottery will conclude.
- Any future possibility to reserve and purchase a home will come from the persons whose names are on the Chamonix Vail wait list.
- The new lottery winner from the wait list will be given 24 hours to confirm whether they would like to reserve and purchase the home before moving on to the next lottery participant on the wait list.
- This wait list will be used until all new homes at Chamonix Vail are under contract and sold.

It's recommended that all lottery participants come to the lottery on May 3rd with a prepared and prioritized list of homes (i.e. type and location) they would reserve and purchase if their name is selected in the lottery.

IV. Vail Town Council Instruction

The Development Team is prepared to move forward with either of the construction schedules and outlining the specific procedures for a lottery selection process for the Chamonix Vail development. At this time, the Team is seeking instruction from the Vail Town Council on alternate construction schedule options and the lottery selection process.