



Memorandum

To: Vail Town Council

From: George Ruther, Housing Director

Date: April 5, 2022

Subject: Resolution No. 9, Series of 2022 2022/2023 Timber Ridge Village Apartments Master Lease between the Town of Vail and Vail Resorts

1. SUMMARY

The purpose of this agenda item is to present the new 2022/2023 Timber Ridge Village Apartments master lease to the Vail Town Council for review and authorization, subject to the approval of Resolution No. 9, Series of 2022.

A copy of the proposed resolution is attached for reference.

Vail Resorts has agreed to the terms as presented by the Town of Vail.

2. BACKGROUND

On March 1 and 15, 2022, the Vail Town Council reviewed a proposed new Timber Ridge Master Lease agreement. Following discussion of the proposed new master lease agreement by the Town Council, direction was provided to the Town staff. The master lease terms are outlined in Section 3 below. A copy of the new master lease is attached for reference.

3. NEW MASTER LEASE TERMS

The following master lease terms are provided:

- Lease Term – June 1, 2022 to August 31, 2023, or unless otherwise notified of an earlier termination date due to redevelopment. *(extends the lease to 15 months total to fill the gap between a 12-month lease and the anticipated start date of a Timber Ridge redevelopment)*
- Rent Rate – \$1,620 per month. *(n/c)*
- Number of Units – 36 total plus one on-site manager's residence. *(n/c)*
- Number of assigned parking spaces – 27 total *(n/c)*
- Occupants per Unit – up to 3 occupants total *(n/c)*
- Security Deposit – a cash deposit equal to \$58,320 *(amount increased to reflect new rent rate)*
- Other Standard Lease Provisions – Insurance, maintenance and repairs, indemnifications, utilities, default remedies, etc. *(n/c)*
- Convenience Fee – *(adds a \$34,000 convenience fee to reflect the premium granted by the Town for allowing a 37-unit master lease. Vail Resorts is prohibited from passing*

this fee on to the sub-tenants. Said fee shall be deposited into the Town's Housing Fund to further the Town's housing goal)

- Subtenant leasing – *(amended such that all sub tenants shall be employees of Vail Resorts who work within the Town)*
- Holding Over Provision – *(amended to clarify and align the duration of any holdover tenancy to not more than 2 months total i.e. October 31, 2023)*

4. RECOMMENDATIONS

The Town staff recommends the Vail Town Council approves the revised master lease agreement with Vail Resorts based upon the revised terms outlined in Section 3 of this memorandum. In doing so, Town staff will present the approved lease agreement to Vail Resorts for consideration and acceptance. If accepted, the Town staff will return to the Vail Town Council with a new master lease agreement for the Town Council's approval subject to an authorizing resolution.

Suggested justifications for the revised master lease terms include:

- Vail Resorts has agreed to the terms of the new lease agreement.
- Pursuant to the Development Agreement with Triumph Development the Timber Ridge property can be redeveloped before August of 2023.
- \$1,599 is the 2022 rental rate at Timber Ridge. Effective January 1, 2023 that rate is expected to increase 3% to 4%. The proposed rental rate of \$1,620 per unit per month blends seven months at the 2022 rate with five months at the projected 2023 rate thereby ensuring Vail Resorts is paying its equitable share during the lease term.
- 36 homes are equal in number to two buildings. History has shown it is best to master lease entire buildings versus intermixing units within buildings.
- An onsite manager to oversee the Vail Resorts master leased units has proven effective.
- Demand for housing by individuals and other businesses in the community has demonstrated a need for at least 18 of the 54 homes available for lease at Timber Ridge. There is presently a wait list of +/-40 persons seeking a rental opportunity at Timber Ridge.
- A master lease tenant has greater control over the allocation of parking spaces and assignments.
- More than 3 occupants per home have proven to be detrimental to the physical condition of the property and the quality of life and quiet enjoyment of persons residing at Timber Ridge.
- Cash on hand for a security deposit is required of all lessees at Timber Ridge. Vail Resorts should be of no exception.
- In the current market, the value of master leasing has pivoted from the lessor to the lessee. The convenience fee, as proposed, causes Vail Resorts to pay for a portion of the value they are getting.
- The amended holding over provision ensures that the current tenants can not occupy the homes beyond October 31, 2023, thereby allowing the Town to renegotiate a new lease prior to the start of the 2023/2024 winter ski season.
- The sub tenants are not bearing the financial impact of the added convenience fee.