

A photograph of a large, multi-story resort building with a rustic, mountain-style architecture. The building features numerous balconies, stone accents, and snow-covered roofs. In the foreground, there is a swimming pool and some snow-covered trees. The sky is a deep blue, suggesting dusk or dawn. The text is overlaid on the right side of the image.

Four Seasons Resort and Residences Vail

Proposed Amendments to SDD No. 36,
Series 2005, as previously amended by
Ordinance No. 20, Series 2005 &
Ordinance No. 21, Series of 2017



The Team

- Gary Barnett, Extell Development, Founder and Chairman
 - Andrew Sellnau, Extell Development, Asset Manager
 - Greg Perkins, Wear Travers Perkins LLC, legal counsel
 - Kristin Kenney Williams, Commfluent Inc., public affairs counsel
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Partnership + Flexibility = Solutions

- Designed in the early 2000s, and ultimately breaking ground in 2005, the Resort experienced tremendous turmoil prior to opening, including numerous delays and ultimately a repossession by the lender.
- In 2016, Extell Development acquired the Resort with a vision and a promise to invest tens of millions of dollars to redevelop the Resort into a best-in-class facility to draw highly desirable guests to the Vail Valley from all over the world.
- In addition to working with the Town of Vail to amend the Special Development District in 2017 to address the failed fractional component, we completed construction without ever shutting down the Resort at the Town's request. We are again asking to work with the Town to address the onsite employee housing component that has also largely failed.

Our Employees & Our Existing Employee Housing

- Today we have 209 employees, which is comprised of:
 - 130 Full-Time / Regular
 - 33 Full-Time / Seasonal
 - 15 Part-Time / Regular
 - 31 On Call / Casual
- Employee Housing provided to date is:
 - 28 onsite dorm rooms designed for 56 employees
 - 1 offsite 3-bedroom owned and deed restricted unit in the Town of Vail (3.5 employees, per Town Code)
 - 1 offsite 2-bedroom deed restricted unit in the Town of Vail (2.25 employees, per Town Code)
- The total number of employee housing mitigation we have provided is 61.75, which is ~30% of our total employee count

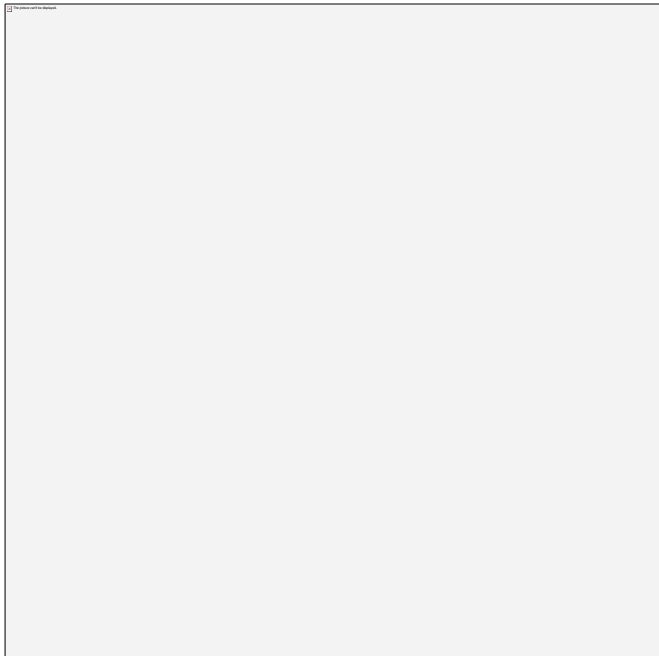


A Failed Experiment

The SDD for the Four Seasons Resort was passed in 2001 and received additional amendments in 2003 and 2005. A condition included in the Resort's approved SDD was that 28 employee housing units were to be provided onsite; said units were conceived and approved as dormitory style and double-occupancy in order to house 56 of the employees generated by the new development.

To our knowledge, this form of employee housing was not used significantly before or after the Four Seasons SDD. Moreover, once the Town of Vail codified the employee housing components of the Town Code, the minimum standards permissible by Code were far in excess of the approved employee housing that was part of the Four Seasons SDD— for example, Section 12-13-4 requires new dormitory units to contain “200 sq. ft. minimum for each person occupying the EHU”.

By comparison, our dorm rooms are approximately 166 sq. ft. for each person occupying.



Housing Challenges

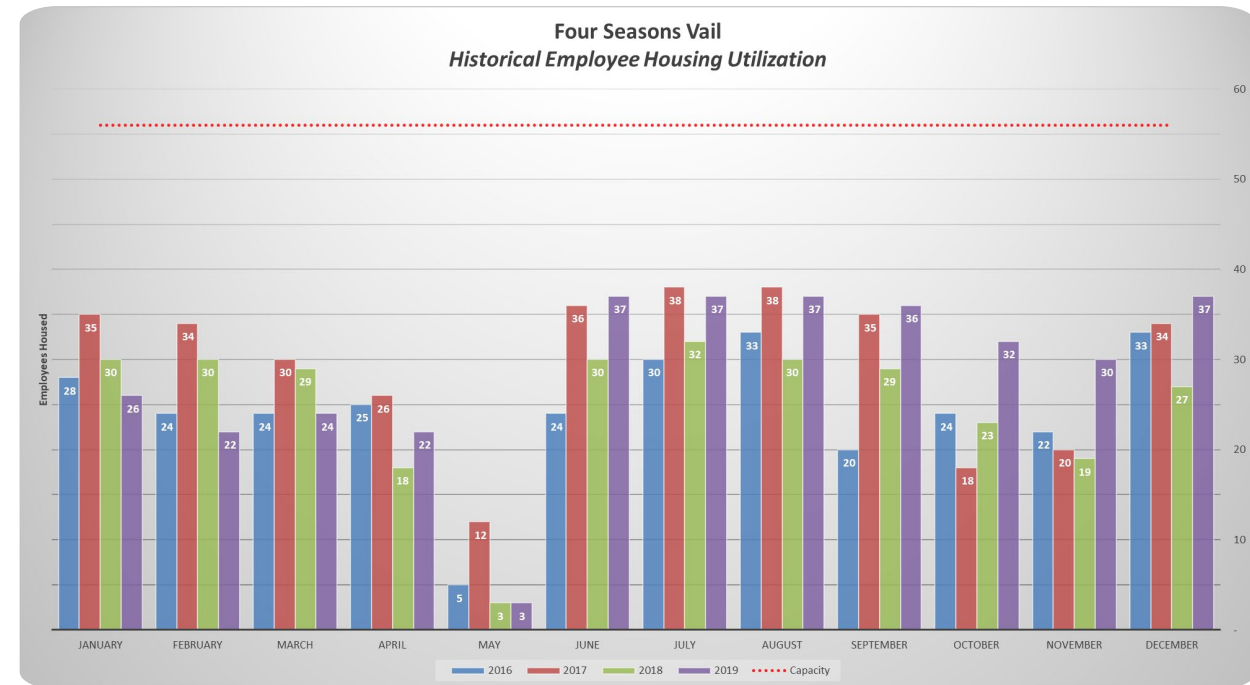
- The aforementioned approved housing plan compared to Town Code's subsequent minimum standards highlights several quality-of-life issues:
 - A lack of kitchen facilities requires all meals to occur via the employee cafeteria
 - Shared bathrooms and layouts are not conducive to families, couples or privacy
 - Location within the Resort and lack of independent facilities
- As a result, we find that:
 - The accommodations do appeal to some young and temporary employees, such as those that are part of the H2B and J1 Visa programs. As a result, we do want to maintain approximately 43% of the units on-site, which equates to around 12% of our workforce.
 - The units do not offer long-term housing to help retain year-round, frontline employees, nor do they address housing needs of residents looking to work and raise a family in the Vail Valley.
 - Rental cost is less than \$600/month (including all utilities and meals); we have not increased the cost in more than five years – and still the units remain available for rent, but unfilled.

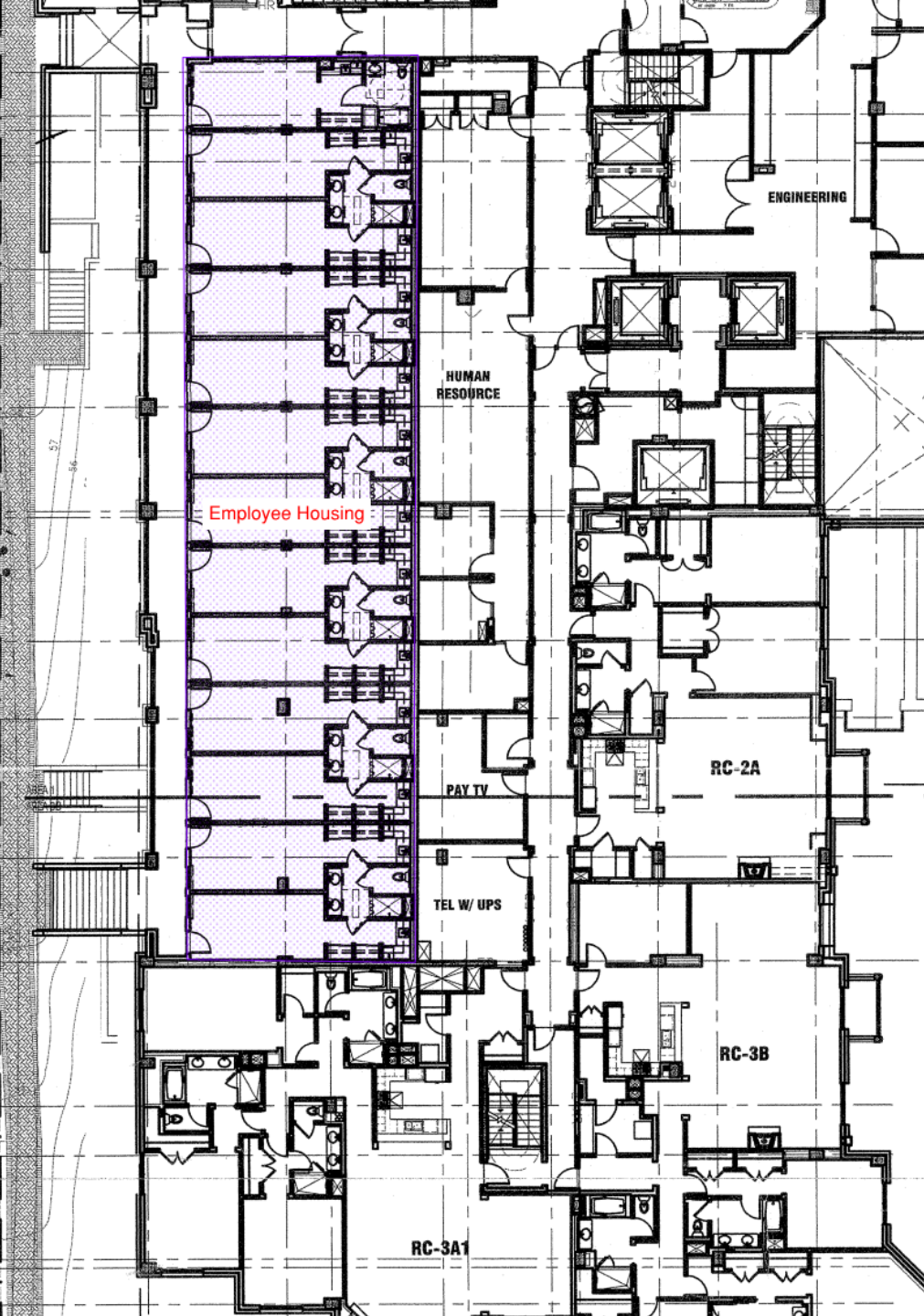
Anecdotes from our employees...

- Single young female professional that relocated from Dallas TX for a promotion; she is a manager that has been with Four Seasons since 2018. She was offered to live in employee housing and did so for a period of time. Throughout that time, she searched exhaustively for housing in the surrounding areas including Vail, Avon Edwards and Eagle. This manager prefers to have a private space that would allow for a cat and a guest; the closest viable housing she found that met her needs was in the Denver area. Rather than risk losing her we allowed her to work remotely.
- Married middle-aged female professional with 2 children. Currently living with her parents and paying rent in Edwards until she can purchase her own home. If she cannot find someplace affordable to purchase they will leave the county where she was born and raised.
- Young male in a relationship relocated to Vail from Houston TX for a Front Desk position. He had requested housing and it was offered but upon arrival he shared with us that he had a significant other that would be residing with him. Although outside of our policy he was offered to stay the night since he had not made other arrangements. Upon viewing the unit and the shared bathroom he opted to find other accommodations. He resigned within a week after finding another position in Denver where he was able to locate affordable housing for them.

The facts are....

- Historically, occupancy of the on-site units is well below capacity and has been verified with rent deductions on historical paystubs: peak simultaneous occupancy in 2019 was 37 tenants and 2018 was 32. Our capacity is 56 tenants.
- As indicated on our most recent Annual Verification Reports for EHUs (2018-2021), we have never achieved full and year-round occupancy of 56 employees.
- Section 12-24-9D of Town Code provides that “An EHU shall be continuously occupied by an employee and shall not remain vacant for a period in excess of three (3) consecutive months unless, despite reasonable and documented efforts to occupy the EHU, efforts are unsuccessful.”
- Despite our efforts to do our very best to occupy all units, the dorm rooms remain underutilized: we cannot force employees to live in the dorm rooms and their occupancy is very much a byproduct of the size and schedule of each year’s J1 and H2B Visa programs.

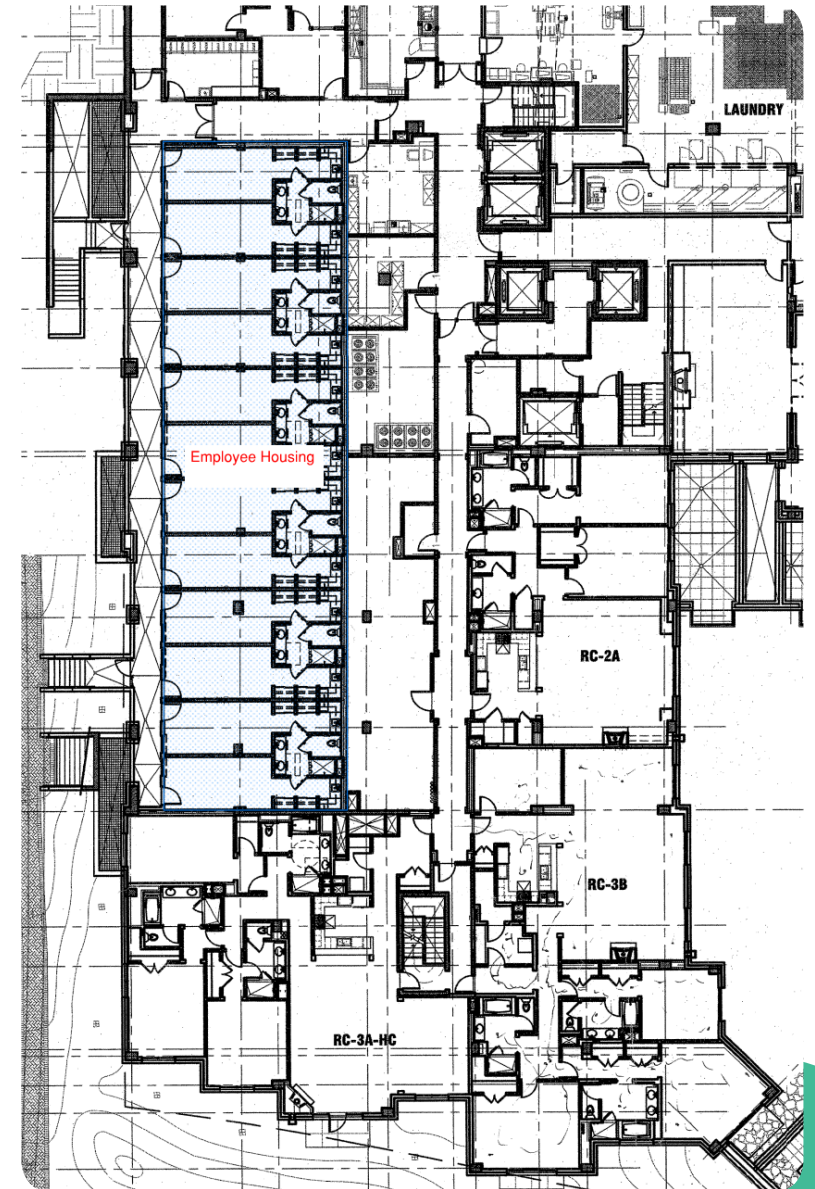




Can the dorm rooms be reconfigured to make them more desirable with living rooms, kitchens and bedrooms?

- The dorm rooms are mostly located on the western side of the building on the 3rd and 4th floors and sandwiched between third party owned condos, the fixed and shared corridor to condos, fractional units and hotel rooms and other critical building infrastructure that cannot be moved. Accordingly, any reconfiguration would need to occur within the same overall general space as today.
- That leaves approximately 129 linear feet of building frontage on each floor to provide all necessary access and light/air per the building code. A rule of thumb in building design is that 11-12 feet is a reasonable dimension for room width. Accordingly, this fixed 129' dimension generally limits us to two three-bedroom units (~46 feet wide each) and a single two-bedroom unit (~35 feet wide) on each floor. Per Town Code, that could house 18.5 employees, ***which would be a 63% reduction from the current configuration.*** An alternate way of verifying this calculation is that we currently have approximately 8,000 sqft of employee housing on the 3rd and 4th floors; using the Town code metric of a 3-bedroom requiring a minimum of 1,225 sqft equates our area to just six and a half 3-bedroom apartments. **We are not interested in reducing our employee housing requirement and we presume, notwithstanding some of PEC's comments, that the Town is also not interested in reducing the quantity of deed restrictions.**

- In addition to reducing our housing by nearly 65% and costing a tremendous amount of money to renovate into 6 apartments, we believe some operational characteristics would still limit the overall desirability of the new apartments— namely, there would be no onsite parking for the new employee apartments, their immediate adjacencies to condos and hotel rooms would impose certain limitations on permissible activities within the apartments and the proximity to the Hotel General Manager and other senior leaders would continue to cause awkward interactions between employees' work and social lives.
- Instead, dorm rooms that are undesirable to non-transient employees can be reconfigured into hotel rooms for transient guests— hotel rooms essentially are enhanced dorm rooms, as they do not require kitchens, laundry, living rooms and other ancillary space expected in desirable apartments/homes. In addition, converting these to hotel rooms (albeit at substantial cost and risk) will (i) create the economic engine to offset the cost of offsite deed restrictions and (ii) not require any reduction in the quantity of deed restricted employee housing.



What are our options?

- Our request today is entirely voluntary and driven by a goal to improve the flaws of the past and acknowledge the changed landscape for housing product and housing location for work force housing.
- If the Town's vision does not contain common ground in our goal-oriented approach or the permissible solutions are too burdensome, we can continue to operate per the status quo, including:
 - The dorm rooms will be made available for employee use
 - The dorm rooms will continue to be inconsistent with modern housing expectations for most employees; the ultimate occupancy of the dorm rooms will closely correlate to the popularity of J1 and H2B Visa programs
 - We will "*Check the Box*" on providing the housing required by the Resort's SDD, but in practice the utilization will be sub-optimal and our employees will continue to exert additional pressure on the entire rental market by choosing to rent more desirable and conventional offsite housing albeit while they struggle with ongoing challenges of affordability, longevity of lease term and being constantly challenged by rental product being converted to vacation homes or vacation rentals
- The SDD process allows for creative and customized solutions to unique and challenging project specifics; the process can be more goal-oriented and less pedantic to broadly applicable codes.
- With the Resort originally entitled pursuant to an SDD, an SDD amendment would allow for past flaws to be corrected in order to improve utilization of the employee housing.
- We have spent over a year preparing a tailor-made solution to the unique challenges the project faces; this amendment, along with the substantial capital investment we are prepared to make, will voluntarily evolve our employee housing from empty beds satisfying a regulatory requirement to occupied desirable workforce housing that is restricted for Eagle County employee use in perpetuity.

Housing Solutions

- Amendments to SDD #36 are intended to allow for the reconfiguration of the Four Seasons that will include:
 - Maintaining 12 onsite dorm rooms for J1s, H2Bs and temporary employees;
 - Replacing the other 16 underutilized onsite deed-restricted employee dorm rooms with offsite deed restrictions;
 - Reconfiguring the underutilized employee housing units into hotel accommodation units (AU's);
 - Reclassifying seven existing hotel accommodation units into four dwelling units.
- Vail Local Housing Authority provided their unanimous recommendation in support of the proposed amendment and opined: "Perpetuating the existence of otherwise under-performing, on-site employee housing units "checks all the boxes" of the regulations, however it offers little value when it comes to successfully addressing the housing needs of our community. Moreover, the solutions proposed by the amendment facilitates an outcome which continues to comply with the Vail Town Code."

The evolution of our proposal....

Extell fully recognizes the housing mitigation requirement it inherited when it acquired the property; however, we also acknowledge that the form of employee housing that was approved in 2005 is not conducive to the needs of today's employees nor those of the future. Vail as a destination has evolved over the last 20 years; hospitality employers are no longer seeking temporary labor but instead seeking qualified employees for a year-round destination– even in our slowest months, we have more than 150 employees on payroll.

Contrary to the suggestions of others (including PEC), our ideas over the past year to correct the failed housing program have never sought to diminish our requirements. Our ideas to use Off-Site Mitigation to satisfy up to and including 32 of the 56 employees have evolved:

First proposal:

- We sought to replace 16 of the onsite dorm rooms with master leases for 16 bedrooms within units that had adequate living, kitchen and bathroom spaces, and within the Mitigation Region (Vail, Eagle-Vail, Avon and Edwards core).

Second proposal:

- We proposed to replace 16 of the onsite dorm rooms with 16 deed-restricted off-site bedrooms within units that had adequate living, kitchen and bathroom spaces, and within the Mitigation Region (Vail, Eagle-Vail, Avon and Edwards core).

Current proposal – after a year of upfront discussions with Town of Vail leadership, the Community Development Department, the Housing Department and the Vail Local Housing Authority:

- We propose to abandon the 1:1 bedroom approach and instead follow an employee basis count in line with Town Code. Thus, we now propose to deed-restrict approximately 28 bedrooms within units that have adequate living, kitchen and bathroom spaces, and within the Mitigation Region (Vail, Eagle-Vail, Avon and Edwards core).

Proposal	Bedrooms	Estimated Minimum Total Square Feet	Sqft, per employee	Employees	Employees, per bedroom
Prior	16	6,476	202	32	2
Current	28	13,401	419	32	1.14

Note: Square footage and bedroom count assumes (i) use of the Eagle-Vail property detailed on subsequent pages, and (ii) minimum unit sizes per Town of Vail code for the balance of the bedrooms.

	Bedrooms	Estimated Minimum Total Square Feet	Sqft, per employee	Employees	Employees, per bedroom
Existing	16	5,325	166	32	2

Can you purchase offsite units in Vail?

- Given the purchase prices for the Meadow Ridge, Vail East Lodging and Pitkin Creek presented earlier tonight, the large-scale nature of what we are trying to improve would require an investment that is cost prohibitive for likely all business owners.
- We are proposing to deed restrict approximately 28 off-site bedrooms; if we were to acquire units similar to the aforementioned projects, the total cost would be \$11 million (using Meadow Ridge) to \$15 million (using Pitkin Creek). That sort of expenditure would significantly exceed the annual Net Income of the Resort; which is completely unrealistic.
- Moreover, if you set aside our true desire to improve the housing situation and instead focus on the other changes in our application (+4 condominiums and +13 hotel rooms from what exists today), it would never be expected of an applicant for a new project of that size to provide housing for 32 employees. Moreover, our changes to the AUs and DUs within the project do not increase employee counts.
- Accordingly, the solution must be tailored to recognize that we are voluntarily seeking to improve the housing situation for our employees, the Town and the community overall– if the solution is so onerous and we are trying to reconcile that with the limited incremental condominiums and hotel rooms that are ancillary to our application, it becomes unviable, and we have no choice but to preserve the status quo of dorm rooms and trying our best to occupy them.

Housing Solutions: Why off-site must include a region of deed restriction options

Lack of inventory for deed-restrictions: The Town of Vail would be challenged to deed restrict in Town the quantity of units we are proposing; the Vail InDEED program acquired 12 deed restrictions in 2021, which was down 43% from the year prior and down 82% from 2017. The pool of viable options is dwindling.

Vail Health, for example, provided a fee in lieu for its housing mitigation because of this lack of inventory.

The 2A ballot measure specifically provided for “the revenues from such tax increase to be used to fund housing initiatives, housing developments and housing programs and related activities inside and outside the town” because the viable options within the Town are limited.

A month ago, Town Council directed further exploration of the Town acquiring deed restrictions at Kayak Crossing, which is located outside of the Town. The electorate and elected officials recognize that employee housing cannot be limited to Vail at this juncture.

As mentioned previously, 12 dorm rooms would remain onsite. By maintaining about 43% of the units on-site at the Resort, about 12% of our workforce will, at a minimum, be in the Town of Vail.

We have around a dozen employees that have expressed an interest in deed restrictions and/or down payment assistance in connection with a simultaneous purchase and deed restriction transaction. Upon amendment approval, we intend to work with these employees to consummate and facilitate transactions that would (i) help convert employees from renters into homeowners and (ii) ensure the Town another desirable home reserved for employee use in perpetuity.

In addition, we have negotiated a deal (subject to final approval and execution of a binding agreement) with an Eagle-Vail property owner for 14 bedrooms (seven two-bedroom homes). These bedrooms would (i) be deed restricted comparable to Vail InDEED and (ii) Four Seasons would have the right of first refusal to lease the units for their employees as tenants vacate.

To have the best chance of acquiring a deed restriction from our employees, we need to have a Mitigation Region that includes where they own homes or want to live. Approximately 70% of our current employees living in their own housing reside outside the Town of Vail.

We do not want to “solve” one failed housing plan with another that is unachievable due to a lack of inventory; in addition, we want to action this plan immediately and do not intend to wait many months or years to acquire available deed restrictions.

Our Employee Housing Proposal

We are proposing, via a SDD amendment, to use Off-Site Mitigation to satisfy up to and including 32 of the 56 employees (ie, 12 onsite dorm rooms will remain) by recording with the Eagle County Clerk and Recorder a Town of Vail employee housing deed restriction on dwelling unit(s) located within the Mitigation Region (Vail, Eagle-Vail, Avon and Edwards core). Any such deed restriction(s) shall immediately and permanently reduce the on-site dormitory requirement based upon the occupancy (as set forth in Town of Vail code Table 23-2) of the off-site deed restricted dwelling unit(s). For example, deed restricting an off-site two-bedroom dwelling (1.75 employees housed, per Table 23-2) and a three-bedroom dwelling (2.25 employees housed, per Table 23-2) would immediately reduce the onsite requirement by four employees (ie, reduce the on-site requirements by two double-occupancy dormitory rooms). As we offset the onsite dorm rooms with the Off-Site Mitigation, we intend to renovate, reconfigure and repurpose the area into new hotel guestrooms; the new deed restrictions must be in place before any certificate of occupancy for the new guestrooms.



Edwards core

The Eagle-Vail Property

We have agreed upon a deed-restriction deal with the property owner; our respective counsel is working on final agreements and documentation.

- **Number of Homes**: 7 apartments
- **Bedrooms**: Each home is 2 bedrooms; five of them have 2 bathrooms and two of them have 1 bathroom
- **Size**: 1 home is 916 sqft, 1 home is 1,007 sqft and 5 of them are 1,158 sqft; these homes are 40% larger than code requirements and 2.9x the square footage of the dorm rooms that they would replace
- **Amenities**: Each home includes a balcony and parking
- **Location**: Exit 169 off of I-70; approximately 2.5 miles outside of Town limits
- **Transportation**: Located on the Highway 6 bus route; bus stops are just outside the building
- **Age**: Built in the mid-1990s

- The 7 homes would be permanently deed restricted with the Town of Vail being the grantee.
- Four Seasons would have the first opportunity to lease units as they become available for use by their employees.
- This would represent in a monumental change in the type and quality of deed restricted housing made available by Four Seasons; small, undesirable and very tenant specific dorm rooms would be replaced by large, highly desirable and proper homes for all types of employees.
- The building's close proximity to Vail and its location on the bus route will aide with transportation.

We can't change history, but we can alter the future...

Knowing what we know now, we do not believe that the Four Seasons onsite dorm room employee housing would have been approved in the past and we think our proposal attempts to improve the situation in a thoughtful, executable and reasonable manner.

- Our proposed housing plan likely improves the situation for the community as it ensures that ~28 additional bedrooms are not removed from the rental housing stock for vacation homes or vacation rentals. Underutilized dorm rooms are being traded for proper and desirable dwelling units and ensuring that they are forever precluded from non-employee use by being devoted in perpetuity to *full-time, year-round employee* use. Is a deed restriction better suited on an underutilized dorm room or a desirable home that remains under threat to be removed from the rental market entirely?
- Our fundamental goal with this amendment is to correct the underutilized nature of our employee housing and to replace dorm rooms with off-site deed restricted dwellings; making this change will ensure that the deed restricted beds are *actually* occupied year-round by Vail workforce instead of merely meeting a zoning requirement but sitting underutilized year after year due to an ill-conceived type of housing product.
- On its third owner, it has taken 11 years of operating before an owner of the Resort has come to the Town open-minded and seeking a partnership on shared goals to improve housing and implement more and better deed restrictions.
- This is a very project specific challenge, as we're one of only a few businesses that satisfied their employee housing with dorm rooms.
- With over a year invested to reach this hearing, if we cannot implement this solution, then the current dorm room situation will remain as-is presumably for the next several decades with no realistic means of making them more desirable to employees. We're prepared to execute on the solutions detailed today and invest the capital necessary; while the solutions certainly will not address *all* of the Vail Valley's housing challenges, we do believe this is a major improvement from the status quo and is a substantial investment and risk taking by a private business owner voluntarily attempting to do their part to address the larger overall challenges in the region.

Summary and Benefits

- Additional flexibility to address employee housing needs and retain employees: 28 employee bedrooms satisfied with off-site mitigation and 12 onsite dorm rooms remain. The deed restricted square footage would be approximately 2.5x the current area.
- Our fundamental goal with this amendment is to correct and/or improve upon the assumptions from 20 years ago in which the idea of employees living onsite was ultimately much better received in theory than in practice.
- For 10+ years, the Resort has checked the box and provided the required employee housing; however, that housing was predominately empty due to most employees having no desire to live in onsite dorm rooms and Vail as a destination growing to a point that staffing largely with visa employees is not a viable business model.
- Much like Vail has evolved as a community since 2001, Ownership aims to reinvent the antiquated employee housing with the assistance and cooperation of the Vail Local Housing Authority, Housing Department and Town Council.
- Economically, the underutilized dorm rooms are not benefitting the Town either; the additional DUs that are part of our application will generate additional transfer taxes and occupancy taxes and the additional AUs from the converted empty dorm rooms will generate additional occupancy and sales tax for the Town of Vail.
- Our proposal is driven by a desire to find real solutions to correct prior flaws and to meet the demands of our valued year-round employees.