

ALAN RICHMAN PLANNING SERVICES, INC.
P.O. BOX 3613
ASPEN, COLORADO 81612
970-920-1125

Ms. Maureen Stapleton
Aspen Snowmass Sotheby's International Realty
300 Puppy Smith Street, #211 A
Aspen, CO 81611

RE: DEVELOPMENT ANALYSIS FOR 611 WEST MAIN STREET, ASPEN CO

Dear Maureen,

You have asked me to provide a development analysis for the property located at 611 West Main Street in Aspen. The legal description of the property is Lots E, F and G, Block 25, City and Townsite of Aspen and its Pitkin County Parcel ID# is 273512448003. The property is owned by Berr LLC.

In completing this analysis, I reviewed the Aspen Land Use Code and the following:

1. Improvement Survey prepared by Aspen Survey Engineers, dated June, 1997.
2. Commitment for Title Insurance issued by Stewart Title, dated March 11, 2013.
3. Building permit file for the property kept in the City of Aspen Building Department.
4. A development analysis of the property I had prepared in 2006 and updated in 2008.

Following are my findings with respect to this property.

Zoning Analysis

The subject property is approximately 9,000 sq. ft. in size. It is zoned Mixed Use (MU). It is improved with a structure that is designated as an Historic Landmark (H). According to the City's Architectural Inventory Form the structure was built as a house in 1886, although more recently it has been used as a medical office building. The property was designated as an Historic Landmark pursuant to Ordinance 34, Series of 1995. It is also located within the Main Street Historic Overlay District. Therefore, all development on the property is subject to review by Aspen's Historic Preservation Commission.

Sec. 26.710.180 B of the Code lists the permitted uses in the Mixed Use (MU) zone district. This zone district permits a wide range of uses to occur on this property, including residential, commercial and tourist accommodations uses. Following is a list of the permitted uses in this zone district that could reasonably be considered for this property:

TABLE 1 PERMITTED USES IN THE MIXED USE (MU) ZONE DISTRICT		
Residential Uses	Commercial Uses	Other Uses
Single Family Residence	Office Uses	Bed and Breakfast
Duplex	Restaurant	Lodge/Timeshare Lodge
Two Detached Single Family Residences	Retail and Neighborhood Commercial Uses	Academic Uses
Multi-family housing (free market and affordable)	Service Uses	Arts Cultural and Civic Uses or Public Uses

Definitions in the City’s Land Use Code provide additional detail on what uses are included in the above-listed use categories. For example, service uses includes personal and financial services such as a bank, barber/beauty shop, health and fitness facility, spa and similar uses. Retail and neighborhood commercial uses include bakery/café, food market, and stores that sell books, clothing, jewelry, sporting goods, drugs, liquor, hardware, furniture and art.

While all of these uses are permitted in the MU zone district, an applicant proposing to establish new uses on the property should anticipate that a land use application may need to be filed to change the use of the property or to expand the size of the building. Further explanation of the applicable review procedures is provided below in the section describing options for the development of this property.

Table 2, on the following page, summarizes the dimensional requirements of the Mixed Use zone district and provides a basic analysis of how the existing conditions relate to these requirements. This analysis demonstrates that this property has substantial potential for expansion, particularly for a mixed use project, since information provided to me indicates that there is less than 3,000 sq. ft. of floor area on the property today and the allowable floor area for a mixed use project is 9,000 sq. ft. (1:1), increasable to 11,250 sq. ft. (1.25:1) by HPC review. While all of this potential may not be realizable due to the need to comply with HPC design guidelines, some expansion potential clearly exists, most likely in the portion of the property behind the historic structure. Further analysis of this potential is provided below in the section describing development options for this property.

**TABLE 2
MIXED USE (MU) ZONE DISTRICT ANALYSIS FOR 611 W. MAIN STREET**

Dimensional Requirement	Code Standard: Mixed Use Zone District	Existing Conditions/ Comments
Minimum lot size	3,000 sq. ft.	9,000 sq. ft.
Minimum lot area per dwelling unit	3,000 sq. ft. per single family or duplex dwelling unit ; no density limit for multi-family units	Property is large enough for a lot split or to develop with multiple units
Minimum lot width	30'	90'
Minimum front yard	10'; may be reduced to 5' by special review	Approximately 10';
Minimum rear yard	5'	Greater than 40'
Minimum Side Yard	5'	Greater than 5'
Minimum distance between detached buildings on lot	10'	Not applicable
Maximum height	Single-Fam./Duplex = 25' Commercial/Lodge/Mixed Use = 28'	May be increased from 28' to 32' by Commercial Design Review
Maximum allowable floor area : Residential Uses (see note 1 below)	Single family residence = 2,928 sq. ft. Duplex or two detached residences = 3,264 sq. ft.	Estimated to contain approximately 2,700 sq. ft. of floor area so there is some expansion potential
Maximum allowable floor area : Mixed Use (Commercial Plus Residential Uses)	1:1 (9,000 sq. ft.), which may be increased to 1.25:1 (11,250 sq. ft.) by special review	There is significant expansion potential for a mixed use project on this site
Maximum multi-family unit size	2,000 sq. ft. per unit	May be increased to 2,500 sq. ft. with a TDR
Commercial/residential ratio	Free market residential net livable area cannot be more than 150% of the floor area devoted to commercial or lodge uses on-site	

Note 1. Allowable residential floor area is 80% of that for an equivalent-sized lot in the R-6 zone district since there is not an existing dwelling unit on the property.

Parking requirements for residential and non-residential uses are as follows:

Commercial:	1 space per 1,000 sq. ft. of net leasable space.
Single family/duplex:	Lesser of 1 space per bedroom or two spaces per unit.
Multi-family:	1 space per unit.
Hotel/lodge:	0.5 spaces per unit.

Development Options

There are a variety of development options available to this property. The options can be classified as residential and mixed use options. While residential options would likely be the more straightforward to pursue, they are not likely to be the preferred approach given the fact that this property is located along the heavily travelled Main Street corridor. The Code provides more intensive development opportunities to mixed use projects because the City feels such projects are better suited to Main Street than a pure residential project.

A. Residential Development Options

1. Conversion to Residence. Because this property is an historic landmark, an applicant may change the use of the existing structure from commercial to a single-family residence without any affordable housing mitigation being required. Information provided to me indicates that the existing structure contains approximately 2,700 sq. ft. of floor area while the allowable floor area for a single family residence on this lot is 2,928 sq. ft. The actual amount of floor area on the property should be confirmed based on measurements by an architect before this or any other development option is pursued.

If the 2,700 sq. ft. estimate is correct, then there is approximately 225 sq. ft. of floor area available for a single-family expansion. An owner could also add certain types of spaces that do not count as floor area. Sub-grade space generally does not count as floor area. Such areas only count in proportion to the amount of wall area of the sub-grade space that is exposed to view, such as for a light well. In addition, there is not a garage on the property and the first 250 sq. ft. of a garage is exempt from floor area calculations while half of the next 250 sq. ft. is also exempt. So there are opportunities to significantly increase the usable space on the property by adding a basement and a garage.

Any expansion would be subject to review by HPC. The City's historic preservation guidelines would direct the expansion to be designed to make the addition visually distinct from and subordinate to the historic structure. This would most likely lead to a design solution that placed the addition behind the structure, with a connector element (one story in height and at least 10' long) between the historic structure and the addition.

2. Two Residences on a Single Lot. The allowable floor area for two detached residences or a duplex is about 10% greater than the allowable floor area for a single

family unit (3,264 sq. ft. versus 2,928 sq. ft.). However, establishing a second unit on the property would require the applicant to provide affordable housing mitigation for the second unit in an amount equal to at least 30% of the net livable area of the second free market residence. This housing could be provided on-site or by purchasing a "Certificate of Affordable Housing Credit". These certificates are created by developers who build affordable housing units and then sell the resulting credits on the private market.

3. Lot Split. Because this property is 9,000 sq. ft. in size and the minimum lot size in the MU zone is 3,000 sq. ft., it is eligible for either an Historic Landmark Lot Split or a standard Lot Split. Based on my experience, this property is not a good candidate for either type of lot split because the structure straddles the three lots, making it difficult to establish a buildable area for a second lot. It may be possible to move the structure on-site to create the option for a lot split, but HPC would likely be resistant to allowing such a move given the fact that the landmark now sits in its original location. Therefore, I have not given further consideration to the possibility of a lot split for this property.

4. Other Benefits for Historic Landmarks. Because this property is an historic landmark, the City has established several significant benefits that can be requested. These benefits include the following:

- ◆ An applicant can receive up to a 500 sq. ft. floor area bonus if the project achieves certain historic preservation goals, such as retaining an historic out-building, restoring a building to its historic appearance, etc.
- ◆ An applicant can be granted variances from dimensional standards (such as setbacks and the minimum distance between buildings).
- ◆ Impact fees (school land dedication fees, park dedication fees, storm drainage fees, etc.) can be waived.
- ◆ The right to build undeveloped floor area may be severed from the subject property and conveyed for use on another property. This conveyance is known as a transfer of development rights (TDR). TDR's may be conveyed in increments of 250 sq. ft., thereby reducing the allowable floor area of the subject property by that amount.

The number of TDR's that can be conveyed from this property would be calculated using the floor area ratio for a single family residence. Since this property appears to have less than 250 sq. ft. of undeveloped floor area, it may not have the potential to sever and convey TDR's. However, if a 500 sq. ft. floor area floor area bonus were awarded to the site that floor area could be converted to TDR's and conveyed from the property. TDR's have sold for in excess of \$200,000 each in recent years. Please note that once

a TDR is conveyed a permanent deed restriction would be placed on the subject property limiting its future development to the reduced floor area.

B. Non-Residential Development Options.

Given the surrounding mix of uses and the location of this property along Main Street, there are a wide range of non-residential development options that could apply to this property. The existing structure could be converted into a bed and breakfast use or turned into a restaurant or retail space. The allowable floor area could be used to build an addition or to create a second non-residential structure on the property. Alternatively, the owner could choose to create a mixed use project that includes both residential and non-residential uses in a single building or combination of buildings.

The conversion of the existing structure and addition of non-residential space to the property would be governed by the City's Growth Management Quota System (GMQS). The GMQS limits the annual amount of commercial and tourist accommodations development that can occur within the City. The GMQS provides two options for non-residential development to occur on an historic landmark property, these being minor enlargement and major enlargement. These options can be described as follows.

1. Minor Enlargement. Section 26.470.060 (4) of the Land Use Code authorizes the Community Development Director to grant administrative (staff-level) approval of a minor expansion of an historic landmark for commercial, lodge or mixed use development. It would permit this landmark to be expanded, provided the expansion does not generate more than four (4) employees. If this threshold is not exceeded, then affordable housing mitigation is not required for the employees generated. If the development exceeds the 4 employee threshold it is considered major enlargement and mitigation will be required.

Employee generation is calculated using a formula. The formula states that commercial development in the MU zone district generates 3.6 employees per 1,000 sq. ft. of net leasable space. Therefore, the establishment of no more than 1,111 sq. ft. of new net leasable commercial space will be considered a minor enlargement ($3.6/1,000 \times 1,111 = 3.99$ employees generated). The formula also states that each lodge room generates 0.6 employees. Therefore, the establishment of no more than 6 lodge or bed and breakfast rooms will be considered a minor enlargement ($0.6 \times 6 = 3.6$ employees generated).

2. Major Enlargement. Section 26.470.070 (1) of the Land Use Code authorizes the Planning and Zoning Commission to approve an expansion of an historic landmark that exceeds the threshold for a minor enlargement. It too allows the first 4 employees generated by the project to be exempt from affordable housing mitigation. Thirty percent of the next 4 employees generated must be provided affordable housing. Sixty percent of all employees above those initial 8 employees must be provided affordable housing. So for example, a project that creates 3,500 sq. ft. of net leasable

commercial space would generate 12.6 employees ($3,500 \times 3.6/1,000 = 12.6$). The employee housing requirement for this project would be as follows:

First 4.0 employees = 0 mitigation required.

Next 4.0 employees = $4.0 \times 0.3 = 1.20$ employees to be mitigated.

Next 4.6 employees = $4.6 \times 0.6 = 2.76$ employees to be mitigated.

So a project of this size would be required to provide housing for a total of 3.96 employees. This could be accomplished by providing affordable housing on-site or off-site at a Category 4 rate or by purchasing and extinguishing a Certificate of Affordable Housing Credit. These certificates are available for purchase on the private market and are sold by any developer who has built affordable housing that was not built for the purpose of mitigating for a particular free market project. Such units can receive affordable housing credits which they can then sell to any applicant who needs to mitigate for employees they have generated.

Development of on-site housing mitigates for employees generated at the following rates:

Studio = 1.25 employees;

1 bedroom = 1.75 employees;

2 bedroom = 2.25 employees; and

3 bedroom = 3.00 employees.

I have generated four possible development scenarios to give a potential purchaser a sense of what types of mixed use projects could be developed on this site. These scenarios are meant to be nothing more than examples and there are obviously many other such scenarios that could be considered. But these scenarios, which are summarized in Table 3, below, are representative of the range of possibilities for the site.

TABLE 3 MIXED USE DEVELOPMENT OPTIONS FOR 611 WEST MAIN STREET				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Commercial Space	2,700 sq. ft. (existing) plus 3,500 sq. ft. (new)	2,700 sq. ft. (existing) plus 2,500 sq. ft. (new)	2,700 sq. ft. (existing) plus 750 sq. ft. (new)	2,700 sq. ft. (existing) plus 300 sq. ft. (new)
Free Market Residential	None	1 unit @ 2,000 sq. ft.	2 units @ 2,000 sq. ft. each	1 unit @ 2,000 sq. ft. plus 1 unit @ 2,500 sq. ft.
Affordable Housing	1 two bedroom unit @ 950 sq. ft. + 1 one bedroom unit @ 650 sq. ft.	1 two bedroom unit @ 950 sq. ft.	1 one bedroom unit @ 650 sq. ft.	1 one bedroom unit @ 750 sq. ft.
Hallways, etc.	900 sq. ft.	850 sq. ft.	900 sq. ft.	750 sq. ft.
Total Sq. Ft.	9,000 sq. ft.	9,000 sq. ft.	9,000 sq. ft.	9,000 sq. ft.

Parking Required	7 + 3 = 10 spaces	6 + 4 = 10 spaces	4 + 5 = 9 spaces	3 + 5 = 8 spaces
Alan Richman Planning Services, Inc., March, 2013				

The scenarios all reflect a total buildout that is in the range of 9,000 sq. ft. This buildout, which represents approximately a 1:1 floor area ratio, is less than the maximum that the site would allow (1.25:1 via special review). However, my experience in working with HPC on other landmark projects along Main Street indicates that they can be reluctant to grant the special review approval to a project for this increase in floor area. Therefore, I believe it is more realistic to assume a 1:1 floor area ratio for purposes of this analysis.

One other zoning limit that needs to be accounted for in these scenarios is that in a mixed use development, the maximum allowable floor area for commercial uses is 0.75:1 (increasable to 1;1 by special review) while the limit for free market residential uses is 0.50:1 (increasable to 0.75:1). I have kept the commercial and residential uses within the 0.75:1 and 0.50:1 limits in these scenarios, avoiding the special review opportunities.

Following is an explanation of the assumptions underlying the resulting scenarios.

Scenario 1 represents a project that maximizes the amount of new commercial space on site and would not develop any new free market residences on the property. Instead it would use the remaining floor area for on-site affordable housing that mitigates for the new commercial space. It would add 3,500 sq. ft. of new commercial space, which, as explained above, would generate a total of 12.6 employees based on the City’s formulas. Of that total, the Code would require 3.96 employees to be housed. This can be accomplished by having a two bedroom and a one bedroom unit on-site. Hallways and other non-unit spaces would account for an additional 15% of floor area, or approximately 900 sq. ft. (Note: the allocation of this percentage of floor area for hallways/non-unit space is common to all four scenarios). A total of 10 parking spaces would be required (7 for the 6,200 sq. ft. of commercial space plus 3 for the affordable housing).

Scenario 2 represents a project with a balance between new commercial space and free market residential space. It would add a lesser amount of commercial space (2,500 sq. ft.) so it would generate just 9 employees. Using the City’s formulas, this number of employees requires just 1.8 employees to be housed, which could be accommodated in a single two bedroom unit (or in a one bedroom unit with a small cash-in-lieu payment for the difference). The creation of one free market residence in a historic landmark does not require affordable housing mitigation (see Sec. 26.470.060.4 of the Land Use Code). A total of 10 parking spaces would be required (6 for the 5,200 sq. ft. of commercial space, 2 for the free market residence and 2 for the affordable housing).

Scenario 3 represents a project that starts to push the residential/commercial balance more towards the residential side of the equation, while remaining well within the zoning standard that the free market residential floor area can be no more than 150% of the commercial floor area. So it would create two free market residential units, each of which would be 2,000 sq. ft. (the maximum size without using a TDR). It would also add a small

amount of commercial space (750 sq. ft.). This amount of commercial space generates less than 4 employees, so it does not require any affordable housing mitigation. The two residences do generate an affordable housing requirement. The first unit is exempt, pursuant to Sec. 26.470.060.4 of the Code, but the second unit requires affordable housing to be provided equal to 30% of the free market floor area, which is 600 sq. ft. That equates to a one bedroom affordable housing unit. A total of 9 parking spaces would be required (4 for the 3,450 sq. ft. of commercial space, 4 for the two free market residences and 1 for the affordable housing).

Scenario 4 represents a project that pushes the residential/commercial balance as far towards the residential side of the equation as is possible, while complying with the standard that the free market residential floor area can be no more than 150% of the commercial floor area and staying within the 0.50:1 floor area limit for residential uses. This project would create two free market residential units, one of which would be 2,000 sq. ft. while the second would be 2,500 sq. ft. by purchasing and retiring one historic TDR. It would add a 300 sq. ft. of commercial space to comply with the 150% free market residential to commercial floor area ratio. This amount of commercial space generates less than 4 employees, so it does not require any affordable housing mitigation. The two residences do generate an affordable housing requirement. The first residence is exempt, as explained above, but the second requires affordable housing equal to 30% of the free market floor area, which is 750 sq. ft. That equates to a one bedroom affordable housing unit. A total of 8 parking spaces would be required (3 for the 3,000 sq. ft. of commercial space, 4 for the two free market residences and 1 for the affordable housing).

Conclusion

The above represents my analysis of land use/zoning issues and development options for 611 West Main Street. This analysis has been based on a preliminary review of the facts and regulations applicable to the subject property. The City of Aspen's development review process can be discretionary, and interpretations of relevant provisions can vary with changes in staff and officials. Moreover, because the development in question could require approval of an application at a public hearing, it is difficult to accurately predict the outcome of the review process. Consequently, no warranty of the facts, opinions, or interpretations contained herein is either expressed or implied by me.

Very truly yours,

ALAN RICHMAN PLANNING SERVICES, INC.

Alan Richman, AICP