

Dear Member of Steamboat Springs City Council -

We are writing this letter to express our concerns associated with the sale of the public safety facility to a private business (currently Big Agnes, Inc.). It is highly likely that the sale of this City asset will set in motion a process and a host of unintended consequences that we ask Council to carefully consider before finalizing.

Our concerns essentially focus on two key questions:

**Why is this the time?**

It is our understanding that following the sale the City will begin to rent back from Big Agnes the space that is currently occupied by City staff beginning on or about March 1, 2013. In addition, as a result of the sale public safety personnel will need to move out of the existing facility, at taxpayer expense, in a few months. Since a permanent facility will not be available, a move into a temporary facility will be necessary. The temporary facility will need to be remodeled, yet again at taxpayer expense, to accommodate the requirements of a police department. At some point in the future this same staff would need to move again, at taxpayer expense, to a permanent facility built at taxpayers' expense.

From our perspective the sale of the building will set in motion a series of events and expenses that can be avoided if the sale is postponed until plans to relocate public safety have been fully vetted. If approved by City Council the sale creates an artificial sense of urgency that is unnecessary and does not allow time for due diligence and public process. In all likelihood that will result in hasty plans with many unintended consequences that will cost taxpayers in excess of \$10 million.

**Is this an appropriate economic development strategy?**

We appreciate Council's desire to be actively involved in local economic development efforts. Typically local governments that are effective in economic development make investments in infrastructure that are sustainable and benefit the broadest number citizens/businesses over the long term. For example efforts to expand telecommunication capabilities have the type of impact and long term sustainability associated with successful economic development strategies.

However, the sale of a public asset to a private business at below market value in the hopes that it will assist in retaining the business in the community is a deeply flawed strategy.

- a) This process is limited to the number of public buildings the city has to sell
- b) The lack of a publically understood process to determine the amount of subsidy as well as the methodology used to select which businesses get subsidized makes this unmanageable.

- c) In the unfortunate event that a company receiving this subsidy were to fail, the ultimate beneficiary will be the creditors of the company

This sale also creates a precedent that if a high profile local business alludes to the possibility that they may move out of the area the City should offer incentives in order to retain them. What is to prevent SmartWool from threatening to leave and asking for a waiver of rent, or Moots wanting to expand and asking that the Community Center be sold to them?

Although these may be silly examples they illustrate the danger of providing incentives funded by local taxpayers to an existing business located in the community. Where does asking for incentives stop? The answer is simple – it does not. Why should it because the City has demonstrated its willingness to do it, i.e. "Hey, if Big Agnes got such a sweet deal why shouldn't I?"

Moreover, the very thing Council is trying to avoid by giving Big Agnes an incentive to stay may actually encourage the acquisition of Big Agnes by an out of area entity. At a very minimum the sale of the public safety building at below market value creates an immediate increase in the balance sheet equity of Big Agnes equal to or greater than the value of the below market subsidy. Simply put, it makes them much more valuable to potential suitors. All of this is thanks to the taxpayers' subsidy.

Every serving Council reflects on decisions made by their predecessors and ask themselves, "What were they thinking?" This question may be asked by future City Councils if the decision is made to go forward with this.

Our concerns should in no way be interpreted as opposition to Big Agnes. We value them being in Steamboat Springs as much as they value and benefit from being here.

The reality is that when the logical reasons for doing something begin to fail, rationalization for doing it takes over. We are concerned that we are hearing more rationalization than reason and ask Council not to sell the public safety building to any private entity at this time or at this price.