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Since 1975

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July 6, 2016

David McConaughy
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VIA US MAIL AND E-MAIL

Kathleen and Robert Kuersten
c/o Linda Hunstman
Huntsman Real Estate
35 Horseshoe Lane
Carbondale, CO 81623
lh@lindahuntsman.com

Re: Contract to Buy and Sell Real Estate - County Road 240
Date of original Contract: July 25, 2015
Date of Acceptance of Counterproposal: August 6, 2015

Dear Mr. & Mrs. Kuersten:

The Town of New Castle hereby exercises its right to terminate the above-referenced contract pursuant to Section 30.2. By copy of this letter, I am directing Land Title Guarantee Company to refund the remaining earnest money (\$15,000) to this office via check payable to Town of New Castle, Colorado.

Thank you for your time and cooperation throughout this process. The Town Council regrets that we were unable to complete the transaction.

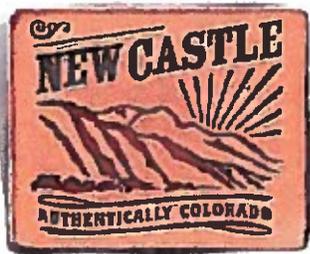
Very truly yours,

GARFIELD & HECHT, P.C.

David H. McConaughy
Town Attorney

cc: Spencer Schiffer, Esq. ([via sfslaw@comcast.net](mailto:sfslaw@comcast.net))
Tom Baker, Town of New Castle ([via tbaker@newcastlecolorado.org](mailto:tbaker@newcastlecolorado.org))
Land Title Guarantee Company ([via smoya@ltgc.com](mailto:smoya@ltgc.com))
Jim Mason ([via jmason@rof.net](mailto:jmason@rof.net))

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Town of New Castle

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Administration

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July 5, 2016

Dear Kathleen, Robert and Family,

As you know, it has been over a year since you first offered your property to the Town of New Castle. That time has been filled with excitement about the possible uses, with successful engagement of community members considering a vision for the community, and finally with also disappointment that the market is not yet ready to participate in our vision.

Many things have happened in the past year; first and foremost, you provided the Town Council with an opportunity to affordably review community options. The Town Council then aggressively pursued the concept of senior care and senior living with the goal of creating family supporting jobs for our community. Among our activities:

- Town officials met with Kathy Kopp, CFO of Augustana Care (a senior care and senior housing developer headquartered in Minneapolis) in Eagle, CO to determine if she would be interested in evaluating New Castle for the development of a senior care facility.
- Ms. Kopp toured the town, investigated New Castle demographics, and conducted a community-based focus group to understand the community need and demand.
- Ms. Kopp then suggested a Preliminary Demand Analysis (feasibility study) to quantify the need for four elements of senior care – memory care, assisted living, independent living and patio homes. Council and Augustana jointly retained the services of The Highland Group of Boulder Colorado – a highly respected firm and one that Ms. Kopp had extensive experience with.
- Concurrent with the above work, Town Council directed SGM (town engineer) and public works to evaluate the soil and determine its appropriateness for development; they determined the soil was good for development.
- The town engineer also evaluated the amount of material (gravel/pit run, etc.) that would need to be removed or relocated in order to develop the site. The engineer was also asked to provide an opinion of the possible value of this material, if any.
- The Highland Group conducted their analysis of demand (Preliminary Demand Analysis) and concluded that given other regional senior care projects in the planning stage (Stoney River in GWS) that there was little or no near-term demand (5-years) for memory care (8 suites) or assisted living (2 units); that a modest demand existed for independent living (23 units), and that a potentially robust demand existed for patio or age restricted homes (77 units annually). It was noted that one did not need a senior care developer for this last option; rather it could be provided by any housing developer.

- As a result of these conclusions from the Highland Group study, the Town Council convened a conference call with Elisabeth Borden (Highland Group), Kathy Kopp (Augustana Care), town staff and Town Council to determine our way forward. The Council questioned the Highland Group conclusions and were not entirely satisfied with the explanations; however, Elisabeth Borden reinforced her methodology with examples of communities that overreached and ended up with senior care facilities that were in financial trouble.
- Concurrently, members of the staff and Council talked informally with several area developers, who seemed interested though would make no commitments. We also twice presented our ideas to the Garfield County Commissioners.
- In a follow-up conversation with Kathy Kopp of Augustana Care, Ms. Kopp explained that Augustana Care's business model included amenities that were essential to the success of their senior care developments. She explained that those amenities required the support of 60 to 80 units. Since the Highland Group analysis concluded that this level of demand was not available in New Castle, Ms. Kopp indicated that Augustana Care would not pursue development in New Castle.
- Undaunted, the Mayor and Council pushed forward and asked the town engineer to develop a preliminary utilities plan and directed staff to schedule a community meeting for the purpose of informing community members of this ongoing work and also to develop a Request for Conceptual Proposals (RFCP) to determine if any developers were interested in partnering with the town on a project for the Kuersten property.
- Last March approximately 60+ community members attended a community meeting, which was held at the New Hope Church. As you know the New Hope Church is located less than 300 feet from the entrance to the Kuersten property. The community clearly supported the Council's work on the Kuersten property and encouraged them to continue with their efforts toward senior care and senior housing.
- In April the Town issued a Request for Conceptual Proposals to the development community and to six senior care developers that had indicated an interest in developing projects in Colorado and the west slope. While Hilltop of Grand Junction showed an interest, the remainder of the senior care developers were not interested. In the end the Town received only one proposal and that proposal was for consulting services.
- Throughout the process the Glenwood Springs and Rifle newspapers reported on our efforts and the Town heard positive responses from elsewhere in the county. There is perceived need for the kind of development we envisioned, but no developer willing to become an equity partner.

The Town Council regrets that the outcome of all this effort is to cancel the contract. We so much appreciate the Kuersten family's flexibility in allowing us the time to thoroughly explore our options. Perhaps in the not too distant future the market will be different and an opportunity will arise to create family supporting jobs on this site. If it does the Town Council will be interested in exploring ways to assist a developer in bringing their vision to fruition.

With much gratitude,

Art Riddile, Mayor
For the New Castle Town Council.