

Town of Lake City Land Leases

TO: Town of Lake City Board of Trustees

FROM: Richard Piltingsrud, 408 Silver St., Lake City, CO

DATE: June 28, 2026

RE: Rent Escalation Method for the 8th Street Lease

Dear Trustees,

I am writing to express support for the proposed lease of part of the 8th Street right-of-way to the new owners of Lake City Auto at 809 N Highway 149. The lease itself is reasonable, but the current rent language should be improved so that it protects the Town over the full 30-year term.

As drafted, the lease sets a flat rent for 30 years with no escalation. This is highly unusual in professional leasing arrangements. In a long-term public lease, it creates a serious problem: the Town risks receiving the same nominal dollar amount for three decades, even as land values and general costs change. \$600 in 2056 is not the same as \$600 in 2026. The process also leaves the rent amount dependent on a negotiated figure rather than a measurable, professional and public index.

A better approach would be to base the rent on the Hinsdale County Assessor's valuations. This provides a regularly updated benchmark reflective of our economic changes. It gives the Town a concrete basis for valuation without requiring a separate (and costly) appraisal and avoids relying solely on an informal estimate or one-time negotiated number.

My recommendation: using the 2026 assessment data for Parcel No. 450927312015 -or- 450927312001 (the GIS and Assessor website conflict on this), the parcel's land-only tax is \$4,826.87, with a land area of 35,822.7 square feet. This produces an estimated land benchmark tax of about \$0.1347 per square foot. When applied to the approximately 8,712 square feet of leased Town area, the full benchmark amount is about \$1,173.88 per year.

Because the lessee is also providing fishing access to the public, a reduced rent is likely appropriate as consideration for that public benefit. The Board has already discussed a figure of \$600 per year, and that amount is approximately 51.11 percent of the benchmark rent. Rather than fixing \$600 as a flat dollar amount for 30 years, the lease could preserve the same 51.11 percent relationship and recalculate rent periodically using the Assessor's biennial property valuation.

This approach is fair to both sides and tied to the local economy. If land values rise, the rent rises; if land values fall, the rent falls. Most importantly, the Town would not be locked into a stale rent that becomes less defensible over time. Future trustees would also have a clear and repeatable standard for similar lease requests. This protects the Town's long-term interests while keeping the arrangement fair and predictable for this business and other businesses interested in the same.

Thank you for your consideration and for your service to the Town.

Respectfully,

Rich Piltingsrud

Proposed Lease Language

Article 2 – Rent

Rent. Lessee shall pay the Town annual rent, payable in advance on the anniversary of the Effective Date, determined as follows:

(a) Benchmark Rate. The rent shall be based on the Hinsdale County Assessor's land-only taxation of Parcel No. X. The land-only tax of that parcel, divided by the parcel's land area in square feet, shall establish a per-square-foot benchmark rate.

(b) Full Benchmark Rent. The benchmark rate multiplied by 8,712 square feet shall establish the full annual benchmark rent.

(c) Fishing Access Credit. In consideration of the fishing access granted to the Town under Article 5, the annual rent shall equal fifty-one and eleven-hundredths percent (51.11%) of the full annual benchmark rent.

(d) Annual Recalculation. On each anniversary of the Effective Date, the Town shall recalculate the rent using the most recently published land-only valuation for Parcel No. X as of the preceding January 1, applying the same 51.11 percent ratio, and shall give Lessee written notice of the adjusted rent at least thirty (30) days before the new amount becomes due.