



THE BEACH - Due Diligence Report

City of Fruita
2 Forks Ventures

February 20, 2024

TABLE OF CONTENTS

- 03** Introduction
- 05** Constraints Reports
 - 06** Title Assessment
 - 08** Survey
 - 09** Floodplain Analysis
 - 11** Phase 1 Environmental Site Assessment
 - 12** Wastewater Decommissioning
 - 13** Arborist
 - 14** Geotechnical Investigation
- 16** Conceptual Public and Private Development Plan
- 19** Conceptual Utility and Infrastructure Pricing
- 21** Market Assessment
- 24** Conclusion
- 25** Exhibits

INTRODUCTION

The City of Fruita and 2 Forks Ventures are pleased to present to The City of Fruita City Council the summaries and reports from the due diligence period for the Beach. The Beach is an exciting new project for the Fruita community that has the potential to create unparalleled Colorado River access, public park amenities, and opportunities for mixed-use private development. Thank you to the City of Fruita City Council for the opportunity to explore this exciting project. Your support and participation throughout this due diligence phase has been integral to our success and momentum thus far.

The City of Fruita (the City) and 2 Forks Ventures (2FV) started collaborating on this project in March 2023 and signed an MOU in June 2023. We have worked together to review prior reports, share historical data, engage sub consultants, and assess the feasibility of the Beach.

The Beach consists of 41.26 acres owned by the City and is located at 879 Raptor Road. The City purchased four (4) parcels from Mesa County and One Riverfront in August 2023. These transactions consolidated ownership of the main development site with those previously owned by the City. An additional 12.16-acre parcel owned by Chevron is continuing to be pursued by the City.

(It is noted that “the Beach” is a working title for the project. 2FV looks forward to participating in a naming workshop with the City at a future date.)



Figure 1 - The Beach - Basemap Graphic

The Beach - Basemap graphic (Figure 1, Exhibit A) depicts the contiguous 41.26 acres now owned by the City. The existing Colorado Riverfront Trail and Little Salt Wash are shown crossing the property.

With approximately 640ft of frontage along the Colorado River, the Little Salt Wash, existing infrastructure, and connectivity to Downtown Fruita and other attractions via the Colorado Riverfront Trail System, the Beach is positioned to meet many of the desired goals outlined in the Fruita in Motion Comprehensive Plan (Fruita in Motion Plan). In reflection of the Fruita in Motion Plan, the City and 2FV have drafted a set of guiding principles. This draft is written to guide future City of Fruita City Council members, 2 Forks Ventures staff, investors, and all involved in the development of the Beach to ensure it reflects Fruita community values and the goals of the City's Fruita in Motion Plan.

CONSTRAINTS REPORTS

06 Title Assessment

08 Survey

09 Floodplain Analysis

11 Phase 1 Environmental Site Assessment

12 Wastewater Decommissioning

13 Arborist

14 Geotechnical Investigation

THE TEAM

WALTER ENVIRONMENTAL
— & Engineering Group Inc. —

High Desert Surveying



Huddleston-Berry
Engineering & Testing, LLC



— Since 1967 —

DESIGN CAMP

Significant previous work by:



TITLE ASSESSMENT

Performed by: Land Title Guarantee

Land Title Guarantee (Land Title) produced a “TBD” Commitment (Exhibit B) of the property at 879 Raptor Rd and it has been reviewed by 2FV. This does not constitute legal advice but is a professional assessment of the general issues associated with the exceptions to title for the property. Further research is required to have all five (5) parcels’ title commitments addressed and represented on the consolidated survey. However, the initial assessment from the primary parcel presents a relatively clean title history and appears completely acceptable for development and subdivision.

The property at 879 Raptor Road contains nineteen (19) exceptions to the title. The first seven (7) are standard exceptions of which six (6) can be insured over and beyond.

Exception 7 in favor of patented and unpatented mining claims is beyond the scope of a typical Colorado real estate transaction.

Exception 8 is in favor of any existing leases and tenancies.

Exceptions 9 and 10 address the effect of the banks of the Colorado River and the Little Salt Wash on the size of the parcel and its boundary lines, typical for a parcel with rivers and creeks as boundary lines.

Exception 11 protects any possible claims the public may have on access to the Little Salt Wash and the Colorado River, since the purpose of the public park development is to provide this access there is nothing of concern in this exception.

Exception 12 and 15 reserve mineral rights in favor of individuals that acquired them in the late 1880s, while they do require further research, they are likely to remain exceptions to title for all future transactions. These gain some considerable protection from the adverse effects of future mining through their annexation into the Municipality of Fruita. All of which is a common state of affairs for mineral rights in Colorado.

Exceptions 13, 14, and 17 provide partially overlapping easements for a wagon road and other access by foot, animal, or vehicle. While further effort to remove these easements is warranted, it is likely that they are also satisfied by the future right of ways created during the project development.

Exception 16 is a Warranty Deed that requires the sewer lagoons be fenced with gates that are kept closed and that the sewer piping be placed deeper than “plow depth”. This is noted only for the humor of the specificity since the intention is for the lagoons to be removed.

Exception 18 is the 1980 Annexation Ordinance into the City for the property, it contains no additional provisions or restrictions.

Exception 19 is an easement granted to Public Service Co for the utility lines. It is typical to renegotiate utility easements with the utility companies during the development process.

SURVEY

Performed by: River City Engineering + High Desert Surveying

Previously performed on behalf of the City, River City Engineering and High Desert Surveying performed a survey on the property. 2FV re-engaged High Desert Surveying to expand the extents of their survey to include the riverbank section from the point of the southern property boundary to the Riverfront Trail pedestrian bridge. (Figure 2, Exhibit C)

It is noted that the survey lines do not entirely correspond to dirt fill piles. Significant future fill will be required.

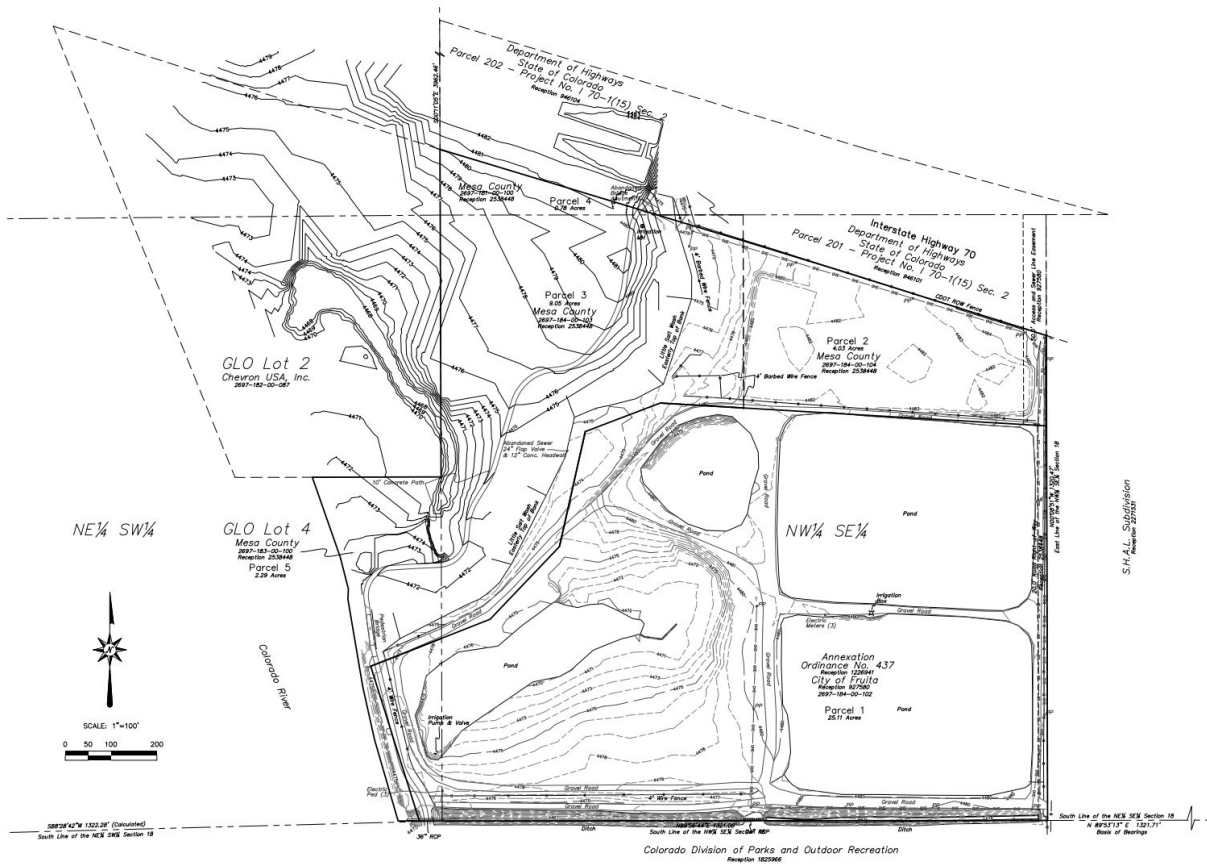


Figure 2 – Survey

FLOODPLAIN ANALYSIS

Performed by: River Restoration

The City hired River Restoration to complete a floodplain analysis and an initial boat ramp and hydraulic design consideration report. (Figure 3, Exhibit D)



Figure 3 - Floodplain Concept Site Plan

This Floodplain Concept Site Plan produced by River Restoration depicts the FEMA 100-yr floodplain limits as a red line. Future development is currently being imagined to the N and E or “outside” of the 100-year floodplain limits. Any fill outside of the 100 year floodplain would be managed by a proportionate excavation or permanent removal of material within the floodplain to achieve a no rise condition. The Little Salt Wash pedestrian bridge is also shown re-positioned up stream.

Based on River Restoration's initial site assessment:

- The proposed ramp is well located.
- The preferred 10% ramp slope is "easily achievable" based on preliminary GIS contour data and the floodplain concept site plan (Figure 3)
- River training structures or adjustments to the bank grading adjacent to the ramp may be implemented to control water velocities, current patterns, and sediment transport.
- U.S. Army Corps of Engineers (USACE) will be engaged to review the proposed boat ramp and proper permitting vehicle.
- A wetland delineation will need to be completed before the specific permitting vehicle is determined for the boat ramp.
- Given current site assessment and conceptual site plan "We are confident that through modeling and design, a no-rise condition is able to be established." (Exhibit D, p 1.)

Based on the initial site assessment, River Restoration has concluded that the developable property and proposed infrastructure can reasonably be constructed out of the 100-year flood plain for development. River Restoration also has concluded that the proposed boat ramp site and river conditions are feasible for the public improvement.

In addition to the River Restoration initial site assessment, the City and 2FV had a preliminary meeting with City Engineer, Sam Atkins to review potential constraints. He will continue to be instrumental in the design of the Beach improvements.

PHASE 1 ENVIRONMENTAL SITE ASSESSMENT

Performed by: Walter Environmental & Engineering Group Inc.

Scott Carmichael from Walter Environmental Group & Engineering Group (Walter) delivered a Phase 1 Environmental Site Assessment Report (Exhibit E) on October 6, 2023 to the City.

The report included historic and observed subject-site conditions, historic and observed adjoining-site conditions, as well as public records search results.

The results of the report indicate that no site uses or features were identified that Walter believes meet the definition of a recognized environmental condition.

“Based on the data summarized in this report, Walter recommends no additional environmental investigation for purposes of appropriate inquiry.” (Exhibit E, p.iii)

The ponds were officially decommissioned in September 2013.

WASTEWATER DECOMMISSIONING

The former City of Fruita sewer lagoons site was decommissioned in September 2013. It is noted in the Annual Biosolids Report (Exhibit E, Appendix F) that biosolids were removed and the compromised liner transported to a proper facility out of state.

The Termination of Permit to Discharge (Exhibit F) was effective October 1, 2013 by Colorado Department of Public Health and Environment (CDPHE) and the site was considered “remediated” by the City of Fruita per the Annual Biosolids Report.

Further water quality and soils testing as well as research with CDPHE will be necessary to confirm the existing condition of the lagoons areas.

ARBORIST

The Beach contains many mature cottonwood trees toward the west and north area of the property. These are either in the park and natural areas of the little salt wash or are on the parcel owned by Chevron. It is not currently anticipated that the proposed public and private construction areas will impact these trees during the phase 1 work. Therefore, the City and 2FV have decided not to pursue an assessment by an arborist at this time.



Figure 4 – Aerial Property Image

GEOTECHNICAL INVESTIGATION

Performed by: Huddleston Berry Engineering & Testing, LLC

Huddleston Berry Engineering & Testing (Huddleston) conducted a geotechnical investigation (Exhibit G) of the property for CORES, LLC and delivered a report on March 27, 2019. These reports were assigned to the City in July 2023. The investigation evaluated the subsurface conditions at the site with respect to foundation design, pavement design, and earthwork for the proposed development.



Rs – Oxyaquic Torrifuvents, 0 – 2 % slopes

Rc – Fruitland sandy clay loam, 0 – 2 % slopes

Gt – Glenton very fine sandy loam, 0 – 2% slopes

999 – Water

Figure 5 – Geotechnical Investigation Map

After analyzing ten (10) test pits, Huddleston generally encountered native and fill clay soils and native sand soils as indicated in Figure 5.

“No geologic hazards were identified which would preclude development of this property. However thick fill and moisture sensitive soils were encountered during the subsurface investigation and these materials may impact the design and construction of foundations, pavements, etc. In addition, flooding of the Colorado River or Little Salt Creek may impact the site. Soft soil conditions may also impact the design and construction.” Exhibit G, p. 1

Huddleston’s recommendations can be found on page 1 of the report in Exhibit G. Huddleston recommends deep foundations in the southern portion of the site and shallow foundations in the northern part of the site. They share a number of feasible types of foundations and pavement recommendations that will work with the soils found on site.

Huddleston’s report indicates the construction of this site is feasible per their investigation results.

There is a significant amount of soils work required for this site, from re-working the riverbank, to filling the ponds and building the berm. This will be a focus in the scope of work for the first stage of civil and soils engineering and additional geotechnical testing and investigation will take place at that time.

CONCEPTUAL PUBLIC and PRIVATE SITE PLAN

Produced by: Design Camp

The purpose of developing a conceptual public and private site plan is to have a basis for which to determine the feasibility of the site and to understand the implications of the site constraints. The graphics produced are initially imagined parcel boundaries and site improvements that then can be investigated for pricing, potential issues, and to help further the understanding of the opportunities and challenges of the site.



Figure 6 - The Beach - Parcel Map Graphic

In Figure 6 The Beach - Parcel Map graphic (Exhibit H) depicts the areas of public and private development as noted by the darker and lighter green shading. Parcels 1, 5 and 6 total 20.6 acres and are initially imagined public development parcels. Parcels 2, 3, 4, 7 and 8 total 20 acres and are initially imagined private development parcels. These initially imagined parcels are for feasibility study purposes only and are not officially proposed or presented at this time. The project will go through a concept plan submittal through the City of Fruita's planning and zoning (P+Z) process including P+Z meetings, public meetings, and community outreach.



Figure 7 – The Beach – Conceptual Site Plan Graphic

In Figure 7 The Beach – Conceptual Site Plan graphic (Exhibit I) depicts initially imagined phase 1 development on parcel 1 and parcel 2. Parcel 1 includes imagined infrastructure improvements including an entrance road, parking, as well as rerouting the Colorado Riverfront Trail access with a spur along the southern property boundary. Parking improvements will be designed throughout this area, with the end of the entry and parking terminating at the Colorado River with a boat ramp. Also notable is a reserved location for a future pedestrian bridge across the Colorado River. This bridge will create a connection between the City and Snooks Bottom Open Space, Fruita Front Country and McInnis Canyons National Conservation Area.

Parcel 1 also includes a re-positioning and expansion of the Colorado Riverfront Trail and existing Little Salt Wash bridge. A sandy beach area is imagined along the bank of the Colorado River as well. Public restroom amenities and an amphitheater are imagined within the park.

Parcel 2 depicts conceptual mixed-use private developments by the dark rectangles which could include restaurant, retail, and residences. The mixed-use buildings could include ground level retail with upper-level residences. Parcel 1 and Parcel 2 are imagined as phase 1 of the development, with the planning for subsequent phases being imagined for the remaining parcels at a later time.

CONCEPTUAL UTILITY and INFRASTRUCTURE PRICING

The purpose of the infrastructure section is to identify what unusual infrastructure issues might affect the development of the property. There are two significant infrastructure projects that create a challenge for this property. The first is off-site and on-site infrastructure costs of providing infrastructure to the public and private development parcels and the second is the fill and soil conditions associated with the old sewer lagoons. Both of these items create a challenge for the development's feasibility.

The off-site infrastructure costs for this particular property are very high on three factors; the partially developed nature of Raptor Road, the long runs of relatively high-capacity services that are required, and some existing utility infrastructure that needs relocation or replacement. There are other development proposals on Raptor Rd, it does seem likely that the City could develop some cost recovery or cost sharing structures with those developments. The high-capacity services needed are pretty typical for a site this size but are usually more closely located to the site. The property is also challenged by some previous infrastructure issues that are either in need of relocation or improvement. These issues include the existing sewer lift station, the existing 3-phase power lines, and the open GVDD ditch.

The filling of the old sewer lagoons creates its own sequence of challenges for either first costs or the sequenced development of the site. In the first case, if the lagoons have to be filled prior to development, then fill costs are so substantial that it questions the feasibility of the project. If the filling of the lagoons is staged in such a way as to offset the actual costs of the fill, then the timing of the extension of the infrastructure onto the site is significantly more expensive due to extending infrastructure past the lagoon areas to other developable areas of the site. This is the strategy that we are recommending as most effective for this project.

There are three categories of Infrastructure costs:

Off-site, in order to provide infrastructure to the property line of the 41.26-acre property. Preliminary estimates are \$1.6M and include:

- Sanitary sewer extension and relocating the Raptor Road lift station.
- 10' Domestic water main extension
- Filling the GVDD ditch at the property line with James M. Robb State Park.
- 2" gas line extension.
- Raptor Road build-out.
- Colorado Riverfront Trail extension.

On-site, in order to develop infrastructure for the future development of the public and private improvements.

Preliminary estimates are \$1.55M and include:

- Raptor Rd extension and associated parking.
- Water and sewer extensions on to the site.
- Gas and electric extended on to the site.
- Colorado Riverfront Trail extensions in the public right of way.

Park improvement costs to create a river front park.

Very preliminary estimates are \$2M and include:

- Boat ramp and riverbank re-grading.
- Waterfront improvements.
- Relocation of the Colorado Riverfront Trail and pedestrian bridge.
- 3-4-acre lawn area.
- Restroom and maintenance building.
- Modest park amenities such as picnic tables and plantings.

Cost estimates are very preliminary and based on the current conceptual site plans (Exhibit I) current market infrastructure pricing, and the Fruita Lagoons Preliminary Engineering and Utility Study performed by River City Consultants. (Exhibit J)

The combination of off-site, on-site, and public improvement infrastructure is a high-cost burden for this property, and it has created challenges in the past and will require new approaches in order to be successful. For the Beach property to be economically viable these costs will need to be addressed through creative financing and partnership mechanisms. Fortunately, those tools are available, and the solutions are within the scope of future partnership negotiations.

MARKET ASSESSMENT

The purpose of this marketing assessment is to summarize the opportunities and identify the potential challenges for the planning and real estate development of the Beach. This assessment has been assembled from a variety of third-party sources and direct observations. Please see below for citations. Within the greater context of the Grand Valley, Fruita has established a unique desirability based on demographics, location as a recreation gateway, and its authentic small-town identity. Within the City of Fruita, the Beach property is located where a remarkable number of unique qualities and natural resources come together to create an incredible development opportunity. While positioned along the banks of the Colorado River, the Beach also has excellent exposure to I-70 with very close walkable proximity to downtown, yet it feels at the edge of Fruita, with the natural landscapes and open space access of the Colorado River and beyond.

This recreation-focused property is unique, and its public park can provide the community and visitors world class Colorado River access one-mile from the City of Fruita's authentic, funky downtown. The Beach also has an opportunity to offer new recreation and small business focused alternatives to both commercial and residential real estate buyers.

Market

The real estate landscape in the Grand Valley and in Fruita in particular, is a market full of potential. Key opportunities for this project hinge on Fruita's steady population growth, its strong lifestyle driven in-migration, both locally and regionally, coupled with economic diversification efforts that beckon industries beyond the traditional.

Fruita's population is 14,192 in 2024 and growth is predicted at approximately 1.55% annually (Worldpopulationreview). 29% of the population is non-family independent households, this is typically a growing and underserved group of buyers and renters. Additionally, in-migration and second homeowners continue to be a meaningful driver in the Fruita real estate market. Some of these residential demands are better served by units that are different than the typical single family residential offering.

Fruita will continue to grow naturally from resident families, demographic shifts that allow people to seek a more positive balance between the cost of living and quality of life, and in response to its increasing desirability in the Grand Valley.

Real Estate Opportunities

Fruita's typical new residential development is small to medium single-family subdivisions with one- and two-story single-family homes. This traditional typology is wonderful for supporting families young and old; however, it does not offer a lot of variety for singles, empty nesters, and others that are looking for alternative housing opportunities. While recently built townhome and apartment projects have created some new alternatives, there is still room in the market to explore smaller units, elevated townhomes, and live-work opportunities for small business owners and artists. Fruita's median household income is approximately \$58,900 and projected to increase 2.7% annually for the next five years. (ERSI Business Analyst) Fruita's median home price is predicted to rise nearly 40% over the next five years (Valbridge Appraisals). These realities create a growing real estate market where there is a lot of opportunity to explore alternative typologies that are not currently well represented in Fruita's market.

The City and Grand Junction Economic Partnership (GJEP) have actively driven economic diversification in the sectors of tech, healthcare, and notably, outdoor recreation. The continued success of these efforts presents fertile ground for commercial development. Recent examples of relocations in the area include Goose Gear, Skyhook Solar, and over the last few years the City of Fruita attracted Imondi Wake Park, Canfield Brothers, and the Fruita Arts Recreation Marketplace. The outdoor recreation industry contributed 7.2% of Mesa County GDP in 2022 and continues to grow in its influence (Economic Impact of Outdoor Rec in mesa County, CMU study by Perry, Casey, Snyder). This vibrant sector, along with the area's general economic indicators, points to a promising horizon for small-scale mixed-use real estate.

And in the tech sector, the Grand Valley has witnessed an uptick in tech company relocation in the past 5 years. GJEP participated in attracting Pax8, Cloudrise, INFOCU5 and most recently Sky Peak Technologies. In addition, there has been a consistent increase in remote workers seeking a quality of life that can only be found here in the Grand Valley.

Infrastructure investments including the Colorado Riverfront Trail System, fiber internet, and access improvements further sweeten the pot, making Fruita increasingly accessible and attractive.

Over the past 10 years commercial land sales in the western end of the Grand Valley continue to climb in total sales, sales volume, and when comparing equally well positioned properties in price per acre. (MLS data)

Challenges

Fruita has typically faced significant economic volatility, particularly within sectors like energy and agriculture, that has previously introduced a layer of unpredictability to the local real estate economy. Additionally, the interest rates market in the past two years has been a strong headwind for successful projects. This factor seems to be easing and many developers and future homeowners are looking forward to more favorable conditions over the next couple of years. Moreover, the competitive landscape demands flexible and creative strategies to differentiate the Beach from several competing projects in Grand Junction, although we believe none have the strength of the Beach's prime location and proposed amenities. Each of these challenges will need to be addressed, along with the inherent challenges of development in a regional market – lower volume of demand, higher economic volatility, fewer total jobs, and somewhat slower resilience. The answer to these challenges is to build this project out in direct response to immediate needs, rather than trying to be over optimistic about the forecast in any one particular sector of the economy.

Conclusion

A successful approach to the public-private partnership of the Beach project is not just about land and buildings; it's about creating synergy between lifestyle and business. The City's brand as a low-key, exciting recreation hub with an authentic small town funky feel offers a strategic advantage over its neighbors. There is a growing demand for small flexible residential and commercial spaces, tailored for brands and lifestyles that align with Fruita's vibe and values. This demand extends to hospitality, retail, professional services, and residential real estate, reflecting a community ripe for a public-private development that serves both the local community and visitors.

The potential for a mixed-use development that includes innovative modern commercial spaces with live-work units, modern mixed-use condos, and a destination restaurant, especially those leveraging Fruita's only public, accessible, waterfront access, underscores the unique opportunities at play for this project. The competitive edge lies in developing the Beach site plan in such a way that it not only meets the current market demand but is flexible enough to adapt to future growth and changes in the market conditions.

CONCLUSION

The Beach is an amazing project with an exciting path to an innovative mixed-use, live-work neighborhood in Fruita. This project has the potential to bring an incredible 20-acre community riverfront park to life as the backbone of a 20-acre private commercial and residential development. This project is poised to serve the local community and will build on the strong economic development and market forces of the Grand Valley and the City of Fruita.

The purpose of this report is to address any major impediments or constraints to the successful redevelopment of Fruita's decommissioned sewer treatment property.

As a summary:

- The title work is generally clean.
- The survey did not uncover any conflicts or unknown constraints.
- The floodplain boundary has generally been established and the development proposal can successfully work within it.
- The Phase 1 Environmental Site Assessment did not discover any unanticipated environmental issues.
- There is evidence that the wastewater treatment plant was fully decommissioned and accepted by the CDPHE as complete and final.
- The geotechnical challenges have solutions that are reasonable.
- There is an exciting conceptual site plan from which landscape architecture and land planning can start in earnest.
- There is conceptual utility and infrastructure pricing that is well understood and ready for the next steps in landscape and civil engineering design.
- And there is a market assessment that identifies where the project fits within the overall real estate market of the Grand Valley.

While the overall feasibility of this project is promising, there are a few items that will need further investigation.

The floodplain adjustments, the infrastructure costs, the geotechnical requirements, and the timing and costs of filling the old sewer lagoons, are all items that will require additional planning, expertise, investigation, and financial commitments to solve. Most importantly, we have determined that these items are solvable, and the solutions have been outlined by this team in response to the current project direction and conceptual site plan.

It will take a strong public-private partnership to complete this ambitious project, and we look forward to breaking ground with you.

EXHIBITS

- 26** Exhibit A – The Beach – Basemap Graphic
- 28** Exhibit B – Land Title Guarantee “TBD” Commitment
- 41** Exhibit C – Survey
- 43** Exhibit D – Floodplain, Boat Ramp and Hydraulic Design Considerations
- 47** Exhibit E – Phase 1 Environmental Site Assessment Report
- 471** Exhibit F – Termination of Permit to Discharge
- 473** Exhibit G – Geotechnical Investigation
- 527** Exhibit H – The Beach – Parcel Map Graphic
- 529** Exhibit I – The Beach – Conceptual Site Plan Graphic
- 531** Exhibit J – Fruita Lagoons Preliminary Engineering Study