

Really want to build Green? Consider Fractional

February 2009

Aspen is sprawling; you have the city, the Highlands, Snowmass and the burbs. Every inch of the valley is planned for development. It is lovely, and today it has great snow.

Five friends love Aspen for its perfect snow, scenic vistas, and small town feel. All five friends decide it's time to buy a home in Aspen. They talk to builder to design and build five new homes. Each wants the same thing: three bedrooms, two-and-a-half baths and a location close to the mountain and close to the center of town. They decide that each home needs to be 2,500+ square feet and since they all care about the environment the home should be built with the latest eco-friendly building techniques. After all, if Aspen keeps sprawling, it will lose what makes it special.

Aspen has 10-16 great weeks-per-year for skiing, and 10-12 weeks of prime summer season. Since all five of our friends can only enjoy two-to-four weeks a year of vacation, they will try to rent their new homes when they are not in use. Renting your home can be a second career.

Each home will cost \$2.5MM. Our five friends will invest over \$10.25MM in Aspen with these building projects. In many ways this is a good thing, but is there a better way?

If they truly want to be eco-friendly, preserving Aspen's charm as a 'small town' with great snow, I suggest fractional as the answer.

Ecologically...

With fractional ownership, just one great home would be built, taking up just 2,500 sq ft of Aspen's rare-air. The town would grow 1/5th as fast, preserving that 'small town' feel. The vistas would be preserved with 1/5th the development. Aspen's climate is changing and city fathers have been racing to go green to slow the changes. Snow is a fragile resource. With five people sharing the construction cost, an even more eco-friendly home may be built. One home would be heated/cooled all year and garbage service would be needed for only one home.

Economically...

Five people using a property for two-to-four weeks each means a maximum of 20 weeks of use a year. The property is vacant or available for lease for 32 weeks a year. If all five bought their own homes, 160 weeks of vacant homes would exist in Aspen. This creates financial and time burden on the owners. That is 160 weeks of heating and cooling bills when no one is home vs. 32. Under fractional five people share the cost of a \$2.5MM home, which is \$500,000 a piece. That is the equivalent down payment each person may spend to purchase on his or her own. So, instead of debt, they have a home with free and clear equity. No mortgage payments and all the Aspen home time one can use with only one fifth the insurance, utilities and tax bills.

The only down side to fractional may be the City of Aspen doesn't get four homes to tax, but it also don't get four homes of sewer service, infrastructure cost and vacant dwellings. A city employing fractional maximizes the use of its land and infrastructure, has residents in all seasons, and doesn't become a 'vacation home ghost town'. It also enjoys five times the number of 'owners,' all of whom have an emotional attachment to, and vested interest in, the town - they share in the civic cost of charities, arts and

Really Want to Build Green? Consider Fractional
Second Homes 411 – February 2009

cultures. Five times as many people say at cocktail parties “I’ve got a home in Aspen”. Also, these owners are more likely to have money left over to enjoy the town, as they spend one fifth the price to be an owner.

I used Aspen as an example because fractional is already embraced there and the city is a leader in green living. Because of its elevation and reliance of the weather it is at the tipping point of the global warming debate. It sees the effects of a changing climate. Yes, the snow has been great the last of couple years, but why not ensure that we are doing everything possible to make certain it is always there?

Personally, I don’t believe there is a global warming debate. The Earth’s weather is warming, the question is whether man is causing it or whether is it just a historical trend. My question is: “Why not be as respectful to the earth as we can?” “Why build five homes when you can build one great home and fractionalize its use and enjoyment?”

I’ve been to dozens of conferences on fractional and have heard little discussion about its importance as an eco-green method of community enrichment and environmental stewardship. It’s time to expand the debate. Fractional and timeshare are for people who truly care about small town charm and the environmental impact of development.

For more thoughts on this subject see my book “Besting: Better Nesting”

If I were running a city, especially a rare-air vacation locale, I would implement zoning overlays that encouraged fractional and timeshare development. Rules that require ‘offset credits’ if developers buy up small ‘green belts’ for city park land. For example: you get X,000 sq ft more density if you buy and preserve a vacant lot as park. In my example above, it is possible that the five friends spend \$600,000 and build a home that is 25% larger more luxurious and better located.

Fractional ownership regimes open the door to better communities, better housing, better economics and better lifestyles.