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**Memorandum**

File No. 5501871

TO: Town of Johnstown

FROM: David S. O’Leary, Esq.

RE: Executive Summary for Proposed Amended and Restated Service Plan for Ledge Rock Center Residential Metropolitan District No. 2 (Single-Family)

DATE: May 17, 2022

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The proposed Ledge Rock Center Residential Metropolitan District No. 2 (the “District”) encompasses the land generally located south of Highway 60/County Road 48 and east of Interstate I-25. The proposed service area includes approximately 61.554 acres of residential land in its proposed boundaries and is anticipated to include the single-family portion of the Ledge Rock Center project upon final development.

The service area is anticipated to include potential public infrastructure, improvements and amenities/uses upon acquisition and development. The improvements needed for the Ledge Rock Center Project include approximately 90 Park and Ride parking spaces to be included in the Project based upon a request of the Department of Transit and Rail of the Town, on-site and off-site public improvements that will be determined during the land use review process in accordance with the Town’s ordinances, rules and regulations which include, among other potential improvements: (i) improvements to State Highway 60, as required by and in coordination with the Town and CDOT; (ii) improvements to High Plains Boulevard, as required by and in coordination with the Town and Weld County; (iii) improvements to the Home Supply Ditch, as required by and in coordination with the Town and Consolidated Home Supply Reservoir and Ditch Company; and (iv) undergrounding electric utilities adjacent to the Town Parcel, as required by the Town and in coordination with the Town and the electric utility provider.

The Ledge Rock Center Residential Metropolitan District No. 2 Amended and Restated Service Plan is proposed to contain the single-family residential development within the Ledge Rock Center development. All property within the proposed boundaries has been annexed within the boundaries of the Town of Johnstown (“Town”).

The primary purpose of the District is to provide public improvements consistent with Town-approved development plans that will be dedicated to the Town or dedicated to another public entity (or if permitted by IGA with the Town, retained by the District) for the use and benefit of the District’s constituents, end users, the taxpayers, visitors and the public.

Considerable infrastructure will be constructed to provide the public improvements needed to support the development in and around the District. This Amended and Restated Service Plan addresses the improvements to be provided by the District and demonstrates how the Districts proposed to serve the development will work together to provide the necessary public improvements.

Services and powers provided for metropolitan districts authorized by the Special District Act, pursuant to Title 32, C.R.S. and provided within similar districts within the Town, for consideration on the next possible public hearing of the Town Council in order to meet current schedule for development.



**I. Major Service Plan Points for Ledge Rock Center Residential Metropolitan District No. 2.**

- The owners of the property are proposed to be Ledge Rock Center, LLC and its affiliated entities.
- Developer of the property is Ledge Rock Center, LLC, and their affiliated entities (Michael Schlup and Allen Schlup are their consultants and their representatives).
- The Draft Financing Plan was provided by Piper Sandler & Company.
- Construction cost estimates were assembled by the Developer with consultation with the District Engineer, Point Consulting, which has experience in the costing and construction of similar facilities.

**II. The Project:**

- 61.554 total acres of service area within the boundaries are anticipated. All acres of property in the initial boundaries and future inclusion area boundaries are annexed to and within the Town of Johnstown.
- Assumptions upon which this Service Plan is based are reflective of the anticipated initial zoning for the property within the proposed District, the cost estimates, and the Financing Plan as being sufficiently flexible to enable the District to provide necessary services and facilities without the need for repeated amendments to the Amended and Restated Service Plan.
- Modification of the proposed configuration of improvements, scheduling of construction of such improvements, as well as the locations and dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with zoning and future development approvals for the property, but consistent with approved development plans of the Town.
- Anticipated single-family residential development is projected to begin in 2022 for a total of 196 single-family residences, absorbing at a rate of approximately 44 single-family units per year with pricing inflated as the development occurs. Absorption could occur more quickly depending upon approval of development plans and construction of public improvements needed for the project.
- Assuming development occurs as projected the residential assessed valuation at full buildout for collection year 2028 is expected to be \$6,840,674 for Ledge Rock Residential Metropolitan District No. 2. These values may differ based upon changes in assessed value of the property upon final completion of construction and development with additional assessed valuation possible depending upon final approved development plans with the Town.
- The estimated cost of the public improvements needed for the single-family residential property portion of the Ledge Rock Center project is currently estimated to be \$14,657,820 for onsite and offsite public improvements based upon current plans, but final values and costs will depend upon approved development plans which must be approved by the Town prior to construction and development of the single-family residential property.
- The proposed financing plan provides for 40 mills for debt and 10 mills for operations purposes in accordance with the current Town model service plan.



- The proposed and projected public improvements needed for the project will require additional financing to construct and complete. District financing is projected to pay for public improvements constructed through one or more bond issuances for the District. The total par amount of bonds estimated in 2022 is approximately \$3,597,000, which is anticipated to generate approximately \$2,282,090 in net proceeds provided full buildout occurs as anticipated using a 30-year amortization schedule.
- Debt is proposed to be issued in one or more series of bond issuances to allow for financing of constructed infrastructure and expedient completion of the Development.
- Requested Debt Authorization of \$4,320,000 allows for approximately 120% coverage (based upon the financing plan run at \$3,597,000 in capacity with revenue from the proposed ad valorem mill levies and operations and maintenance costs taken into consideration, the additional coverage would allow for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project. The net proceeds of the initial estimated bond issuances would be approximately \$2,282,900 for the single-family portion of the Ledge Rock Center Project. Current modeling has not been projected to provide any additional revenue other than property tax for the site initially. Additionally capacity may be available based upon what is ultimately constructed in the project based upon approved development plans and future assessed valuation for sales of the single-family residences. Public improvement costs not financed through the District would be funded through developer advances, private contributions or other financing contributions.
- Maximum voted interest rate of 8% simple interest, maximum underwriting discount of 4%. Interest on Developer Debt shall be limited to 8% simple interest.
- Metropolitan district powers allowed by the Special District Act and consistent with other Town of Johnstown metropolitan districts.
- Formation Election after approval of the original Service Plan occurred in November 2021.
- There are no current residents within the District and no debt or bonds have been issued.
- Mill levies, interest rate limitations and underwriting discounts will be consistent with the present Town imposed limitations with other service plans approved by the Town.
- Maximum term of any bond issue is 30 years for General Obligation Bonds.
- Intergovernmental Agreement with Town of Johnstown to implement Service Plan restrictions. No operations are currently authorized and future operations and maintenance of public improvements are subject to prior approval and authorization pursuant to intergovernmental agreement with the Town of Johnstown.
- Ledge Rock Center Residential Metropolitan District No. 2 shall develop and finance its own property.
- Ledge Rock Center, LLC is actively developing and meeting with the Town to complete both onsite and offsite public improvements for the commercial property, residential development and single-



family and hotel/conference center property and park and recreation improvements for the residential property.

The Ledge Rock Center Residential Metropolitan District No. 2 Amended and Restated Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Ledge Rock Center development, and will maximize both development and absorption within the District and Town without delays in development. The formation of the District will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the District.