



Memorandum

File No. 5501871

TO: Town of Johnstown

FROM: David S. O’Leary, Esq.

RE: Executive Summary for Proposed Amended and Restated Service Plan Ledge Rock Center Commercial Metropolitan District

DATE: May 17, 2022

The proposed Amended and Restated Service Plan for the Ledge Rock Center Commercial Metropolitan District (the “District”) encompasses the land generally located south of Highway 60/County Road 48 and east of Interstate I-25. The proposed updated service area includes approximately 46.646 acres of commercial land in its initial boundaries and approximately 79.870 acres of additional commercial development that is anticipated to be included into the Commercial District from the future inclusion area properties (for a total of 126.516 acres of commercial property within the Ledge Rock Center Commercial Metropolitan District Service Area).

The service area is anticipated to include potential public infrastructure, improvements and amenities/uses upon acquisition and development including, but not limited to requested location of 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 Plans 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 Commercial Metropolitan District Service Plan is proposed to contain the commercial development within the Ledge Rock Center development. All property within the proposed initial and future inclusion area 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 the current schedule of development for phase I and initial bond issuance for financing of the Phase I public improvements on or around June 2022.

I. Major Service Plan Points for the Ledge Rock Commercial Metropolitan District.

- 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:

- 126.516 total acres of service area: initial boundaries are anticipated to include approximately 46.646 acres of commercial property, with 79.870 acres of future inclusion area property. 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 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 development of approximately 770,000 square feet of retail space, with approximately 125,000 square feet of retail space being developed annually from 2022 through 2027 with pricing inflated as the development occurs. Additionally, the commercial area is currently anticipated to include two hotels and a conference center containing approximately 35,000 square feet of hotel and conference center property, with 90 units estimated to be valued at \$7,200,000 in value as well within the initial boundaries of the District.
- An economic analysis and impact study will be done by the Town to discuss the use of a Town parcel, and for an incentive package where current sales tax revenue is proposed to be shared between the Town and the District for the purposes of financing the commercial public improvements and acquisition of land for public purposes.
- A future inclusion area adjacent to I-25 and Hwy 60 (future inclusion area 1 – Town Parcel) of approximately 58.360 acres is anticipated to be acquired by the Developer and included within the Commercial Metropolitan District upon closing of the issuance of the first set of Commercial District bonds and transferred to the Developer for the purposes of financing and constructing commercial



public improvements and common areas for parking and retail areas. A future inclusion area for the proposed park and ride containing 90 potential spaces (future inclusion area 2) consists of approximately 2.479 acres. An additional future inclusion area (future inclusion area 3) of approximately 19.031 acres (the additional Oxy Lot) is anticipated to be acquired directly from the Oil and Gas Company or its affiliates south of the Town parcel and included within the Commercial District.

- Assuming development occurs as projected the commercial assessed valuation at full buildout for collection year 2034 is expected to be \$42,438,401 for the District. 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 and addition of the future inclusion areas and potential additional public improvement costs and expenses as well as additional assessed valuation possible from that real property contained within the commercial development and future inclusion area.
- Additional revenue has been projected for Credit PIF and Ad-On PIF revenue for retail sales within the District of \$57,750,000 per year beginning in 2023 corresponding with each year's absorption of 165,000 sf in 2023, 130,000 sf in 2024, 125,000 sf in 2025, and 50,000 sf per year for years 2026-2032 (for a total of 770,000 sf) of retail commercial space (totaling upon full build out, approximately \$119,350,000 in actual property value and \$42,438,401 in assessed value in 2034. The estimated retail sales of approximately \$26,950,000 per year has been projected for each year beginning in 2023 following absorption, totaling \$269,500,000 in annual sales for the ten years of buildout and absorption).
- The estimated cost of the public improvements needed for the commercial property portion of the Ledge Rock Center project is currently estimated to be \$173,820,831 for onsite and offsite public improvements based upon current plans. Additional public improvements may be needed for future inclusion areas depending upon approved development plans which must be approved by the Town prior to construction and development of the commercial property.
- The proposed financing plan provides for an aggregate mill levy cap of 25 mills for both debt and operations purposes. Initially, the commercial financing plan estimates provide for 5 mills for debt and 5 mills for operations within the Commercial District and the primary source of revenue being credit PIF and add on PIF revenue generated from retail sales taxes on commercial property. The additional mill levies may be used in the future depending upon needs of the project with all intergovernmental agreements of the Commercial District requiring Town review and approval.
- Additionally, a Credit PIF of 2.0% and an Add-On PIF of up to 2.5% is anticipated to be assessed and collected against retail sales within projected 770,000 sf of space within the commercial/retail district as well as the property containing 35,000 sf of hotel/conference center commercial property within property formerly referred to as the Rogers Parcel (hotel site).
- 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 each District. The total par amount of bonds estimated in 2022 is approximately \$100,605,000, which is anticipated to generate approximately \$76,541,238 in net proceeds provided buildout occurs as anticipated for the first phase of the project. Additionally, a second set of bonds currently estimated to be issued in 2025 is in the total par amount of approximately \$70,140,000, which is anticipated to generate approximately



\$51,472,950 in additional net proceeds provided buildout occurs as anticipated for the additional phases of the project. Each bond issuance is anticipated using a 30 year amortization schedule. Additional financing or adjustments may be needed for the future inclusion area parcels depending upon the construction and completion of the 90 park and ride spaces and related facilities and the final development plans approved by the Town for the project.

- 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.
- One or more hotels have approached the developer regarding the potential construction of a hotel/conference center within the future inclusion/commercial areas of the District. A financial pro forma demonstrating the additional value and revenue generated from the hotel/conference center with 90 rooms, running at 75% capacity is estimated to generate an additional \$2,874,375 in revenue beginning in 2024, with increases annually of revenue based upon that a similar Credit PIF and Add-On PIF structure, depending upon successful completion and construction of the hotels and conference center and potentially increases the debt capacity and revenue of the Commercial District upon completion.
- Requested Debt Authorization of \$204,894,000 allows for approximately 120% coverage (based upon the financing plan run at \$170,745,000 in capacity with Credit PIF, Add-On PIF, revenue from the proposed hotel, and limited mill levies and operations and maintenance costs included) which 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 2022 bond issuance is initially estimated to be \$76,541,238 and the net proceeds of the 2025 proposed bond issuance is initially estimated to be \$51,472,950 (for a total of both bond issuances to be approximately \$128,014,188). Current modeling has not been projected to provide any additional revenue other than property tax for the hotel/commercial site initially. Additionally capacity may be available based upon what is ultimately constructed in the project based upon approved development plans. 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 12%, 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 an intergovernmental agreement with the Town of Johnstown.

- Ledge Rock Center Commercial Metropolitan District 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 multi-family and hotel/conference center property and park and recreation improvements for the residential property.

The Ledge Rock Center Commercial Metropolitan District 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, 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.