

MEMORANDUM

To: Town of Johnstown

From: Dan Guimond, Tim Morzel, and Rachel Shindman, Economic & Planning Systems

Subject: Johnstown Plaza Economic Impact Analysis; EPS #213088

Date: August 20, 2021

Introduction

This memorandum summarizes the findings and conclusions of Economic & Planning Systems (EPS) regarding the estimated fiscal and economic impacts of the Johnstown Plaza commercial development (Project) on the Town of Johnstown (Town). EPS was contracted by the Town to provide an update to the economic impact evaluation of the project that was completed in 2015 (prior to initial development) in order to establish a basis for considering economic development incentives for the project.

This economic impact analysis provides an updated estimate of costs and revenues to the Town from the project. The purpose for the update is the Project is seeking Public Improvement Fee (PIF) revenues, in excess of what has been pledged to date, to pay for additional project expenses. These revenues are proposed to be included in a refinancing of the current Series A and B revenue bonds issued for the project. The fiscal impact analysis quantifies current revenues received by the Town from the project and compares it to the costs of providing Town services. These revenues and costs are then forecasted over the remaining period of the bond issuance to 2046.

The analysis focuses on the project's impact on the Town's General Fund and Street and Alley Fund and provides an estimate of the net fiscal impact of the project on both. In addition, this analysis provides an estimated forecast of the ongoing PIF revenue generated by the project.

The Economics of Land Use



*Economic & Planning Systems, Inc.
730 17th Street, Suite 630
Denver, CO 80202-3511
303 623 3557 tel
303 623 9049 fax*

*Denver
Los Angeles
Oakland
Sacramento*

www.epsys.com

Model Inputs and Assumptions

Development Program

The Johnstown Plaza development, located at I-25 and US-34, has a total of 552,622 square feet of retail and other commercial uses located in multiple buildings. Existing tenants range in size from 1,000 square feet (Cinco Brothers Barbershop) to 250,000 square feet (Scheels sporting goods megastore). This analysis focuses on the current level of development that is assumed to constitute full buildout of the project. While there is one small parcel left, conversations with staff indicate that it is unlikely for this land to be developed.

Key assumptions and inputs for the development are summarized in **Table 1**. Based on Larimer County Assessor data, the project is estimated to have a total market value of \$82.9 million (\$150 per square foot average across all properties). Annual taxable retail sales in 2020 averaged \$255 per square foot, or \$140.9 million in total. Based on an average factor of 500 square feet per employee, there are an estimated 1,105 jobs at Johnstown Plaza.

Table 1. Johnstown Plaza Development Factors

| Description | Factor | Johnstown Plaza (2021) |
|---------------------|----------------------|------------------------|
| Size | | 552,622 sq. ft. |
| Development Value | \$150 per sq. ft. | \$82,893,300 |
| Annual Retail Sales | \$255 per sq. ft. | \$140,918,610 |
| Total Employment | 500 sq. ft. per emp. | 1,105 |

Source: Larimer County Assessor; Economic & Planning Systems

Demographic Factors

Demographic inputs are used to determine baseline Town service levels on a per resident or per employee basis. For many of the Town’s revenues and expenditures, this analysis utilizes a “Proportionate Share” methodology to estimate the cost of providing services to future development based on current expenditures. It also estimates current revenues in a similar manner. This methodology derives demand for Town services, proportional to Town residents and employees over a typical 24-hour period. It provides a basis in the model for computing the cost per service for a given population across a number of Town departments.

These factors are summarized in **Table 2**, and show a service demand split of approximately 80 percent residential, 20 percent commercial.

Table 2. Town of Johnstown Proportional Share Estimate

| Description | Factor | Amount |
|-------------------------------------|------------------|----------------|
| PROPORTIONATE SHARE ESTIMATE | | |
| Residential Conditions | | |
| Population | | 17,500 |
| Non-Working Residents | 52.1% | 9,125 |
| Working Residents | 47.9% | 8,375 |
| Out Commuter Residents | 88.5% | 7,412 |
| Work/Live Residents | 11.5% | 963 |
| Residential Service Demand | | |
| Non-Working Residents | 20 hours per day | 182,507 |
| Out Commuter Residents | 14 hours per day | 103,762 |
| Live/Work Residents | 14 hours per day | 13,483 |
| Residential Total | | 299,752 |
| Commercial Conditions | | |
| Total Jobs | | 4,310 |
| Less: Mult. Job Holders | 5.60% | 241 |
| Total Employment | | 4,069 |
| In-Commuting Employees | 91.80% | 3,735 |
| Live/Work Employees | 8.20% | 334 |
| Employment Service Demand | | |
| Non-Working Residents | 4 hours per day | 36,501 |
| In-Commuting Employees | 10 hours per day | 37,350 |
| Live/Work Employees | 10 hours per day | 3,336 |
| Commercial Total | | 77,188 |
| Total Service Demand | | 376,940 |
| Residential Service Demand | | 299,752 |
| % of Total | | 79.5% |
| Commercial Service Demand | | 77,188 |
| % of Total | | 20.5% |

Source: Economic & Planning Systems

An estimate of the service demand hours for Johnstown Plaza is shown in **Table 3**. As residential uses are not included in this analysis, only commercial service demand is calculated. As shown, the development’s 1,105 employees generate demand for nearly 10,434 service hours daily.

Table 3. Johnstown Plaza Service Demand

| Description | Johnstown Plaza Service Demand |
|----------------------------|--------------------------------|
| Total Population | 0 |
| Total Jobs | 1,105 |
| Non-Working Residents | 52.1% |
| Hourly Demand | 4.0 |
| Mult. Job Holders | 5.6% |
| In-Commuting Employees | 91.8% |
| Hourly Demand | 10.0 |
| Live/Work Employees | 8.2% |
| Hourly Demand | 10.0 |
| Total Service Hours | 10,434 |

Source: Economic & Planning Systems

Budget Summary and Nexus to Growth

This analysis is based on the Town of Johnstown’s 2021 adopted budget. Specific funds evaluated in this model include the Town’s General Fund and the Street and Alley Fund. This section provides an overview of the nexus factors and levels of variability applied to estimating the costs of providing services to Johnstown Plaza.

Nexus to Growth Factors

Specific revenues and expenditures are tied to future development through nexus to growth factors, which account for the relationship between the revenue/expenditure and the impacts of new development. Factors used in this model include:

- **Case Studies** – Indicate that a specific revenue or expenditure item was estimated using a tailored approach. Case studies used in this analysis include detailed estimates of property tax and sales tax revenues.
- **Service Population** – Reflects the service demand hours associated with residents and employees in the Town. The model shows roughly 80 percent of service demand is attributed to providing services to residential development and 20 percent of service demand is attributed to serving commercial development.

- **Fixed Revenues/Expenditures** – Indicates that a specific revenue or expenditure item does not have a nexus to growth and as a result is not tied to future development. For specific revenue items that are estimated to be fixed, expenditures are adjusted accordingly, thus both the revenues and expenditures are adjusted equally. Net expenditures for individual departments are calculated by subtracting department specific revenue items or the department’s pro rata share of fixed revenues from total department expenditures.

Variability Factors

In addition to nexus to growth factors, the model includes assumptions relating to fixed and variable revenues and expenditures. This is captured in a “Variability Factor,” which enables the model to account for the proportion of costs or revenues that are assumed to be variable (i.e., impacted by future development). Generally, revenues are typically assumed to be 100 percent variable and expenditures are estimated to be 25 to 100 percent variable, depending on the department. For example, Town administrative functions are relatively fixed and therefore have a lower variability. Existing staff have the ability to accommodate a substantial amount of growth without adding staff or other costs. By contrast, other functions, such as streets, have a high variability, reflecting a strong correlation between new growth and the need to expand services. Based on the 2015 BBC analysis, EPS has also estimated a higher level of variability for the Police Department at 120 percent, which reflects the assumption that there was expected to be potential increase in costs associated with serving the Johnson Plaza project.

General Fund

This section summarizes EPS’ estimates of the revenues to the Town’s General Fund from the Johnstown Plaza development compared to the costs of providing Town services to the development. The analysis is based on the Town’s adopted 2021 budget.

Revenues

The model accounts for the major revenue sources in the General Fund. Revenues generated by an individual project (in this case, Johnstown Plaza) are estimated based on a nexus to growth factor for each of the major revenue sources. Major revenue sources are summarized in **Table 4** and include:

- **Sales Tax** – Annual sales tax revenues are estimated on 2020 taxable retail sales, which is the last full year available and the highest level of sales achieved to date. Sales tax revenues are then calculated based on the 1.0 percent sales tax that has been retained by the Town
- **Property Tax** – Annual property tax revenues are estimated based on 2020 actual statutory values, the commercial property assessment rate, and the Town’s current General Fund mill levy.

- **Other Revenues** – These include Fines & Forfeitures, Excise Tax, Franchise Tax, Grants, Licenses & Fees, and Intergovernmental revenues. These revenue streams are estimated to have no direct nexus to this project and are assumed to be fixed revenue sources. Fixed revenues are netted from the overall estimated revenues for the project.

Table 4. General Fund Revenues

| Description | Adopted Budget 2021 | % of Total | Nexus Factor | Variability |
|----------------------|------------------------|---------------|--------------------|-------------|
| Revenues | | | | |
| Property Tax | \$8,255,602 | 50.9% | Case Study | N/A |
| Fines & Forfeitures | \$122,000 | 0.8% | Service Population | 100.0% |
| Excise Tax | \$172,000 | 1.1% | Service Population | 100.0% |
| Sales Tax | \$6,116,425 | 37.7% | Case Study | N/A |
| Franchise Tax | \$373,000 | 2.3% | Fixed | N/A |
| Grants | \$10,000 | 0.1% | Fixed | N/A |
| Licenses, Fees, Etc. | \$892,150 | 5.5% | Service Population | 100.0% |
| Intergovernmental | \$40,000 | 0.2% | Fixed | N/A |
| Other | <u>\$230,700</u> | <u>1.4%</u> | Fixed | N/A |
| TOTAL | \$16,211,877 | 100.0% | | |

Source: Town of Johnstown; Economic & Planning Systems

Expenditures

All departments funded through the Town’s General Fund are accounted for on a service population basis. Based on the anticipated level of future growth in the Town and the current staffing levels in these departments, the majority of department expenditures are estimated to have either 50 percent variable costs and 50 percent fixed costs or 100 percent variable costs. And as noted previously, Police Department costs are estimated at a higher 120 percent variable level based on the assumption that Johnstown Plaza would generate higher costs than existing commercial development elsewhere in the Town. General Fund expenditures are summarized in **Table 5** below.

Table 5. General Fund Expenditures

| Description | Adopted Budget 2021 | % of Total | Revenue Deduction | Adopted Budget Less Deduction | Nexus Factor | Variability |
|------------------------------|------------------------|---------------|----------------------|----------------------------------|--------------------|-------------|
| Expenditures | | | | | | |
| Legislative | \$451,200 | 5.2% | \$33,819 | \$417,381 | Service Population | 50.0% |
| Town Manager | \$772,480 | 8.9% | \$57,899 | \$714,581 | Service Population | 50.0% |
| Town Clerk | \$408,495 | 4.7% | \$30,618 | \$377,877 | Service Population | 50.0% |
| Finance | \$265,230 | 3.0% | \$19,880 | \$245,350 | Service Population | 50.0% |
| Planning | \$486,740 | 5.6% | \$36,482 | \$450,258 | Service Population | 50.0% |
| Bldg Inspections | \$259,350 | 3.0% | \$19,439 | \$239,911 | Service Population | 50.0% |
| Police - Personnel | \$2,985,553 | 34.2% | \$223,775 | \$2,761,778 | Service Population | 120.0% |
| Police - O&M | \$600,290 | 6.9% | \$44,993 | \$555,297 | Service Population | 120.0% |
| Police - Capital | \$77,850 | 0.9% | \$5,835 | \$72,015 | Service Population | 120.0% |
| Public Works | \$214,375 | 2.5% | \$16,068 | \$198,307 | Service Population | 100.0% |
| Buildings | \$312,300 | 3.6% | \$23,408 | \$288,892 | Service Population | 100.0% |
| Transfers Out - Rec Ctr Fund | \$750,000 | 8.6% | \$56,214 | \$693,786 | Service Population | 100.0% |
| Transfers Out - Library | <u>\$1,137,657</u> | <u>13.0%</u> | <u>\$85,270</u> | <u>\$1,052,387</u> | Service Population | 100.0% |
| TOTAL | \$8,721,520 | 100.0% | \$653,700 | \$8,067,820 | | |

Source: Town of Johnstown; Economic & Planning Systems

Street and Alley Fund

Revenues

Revenues for the Street and Alley Fund are primarily attributable to sales taxes and grants. For the purposes of this analysis, EPS has assumed that grant funding is a specific revenue source not related to growth and therefore is not estimated in this analysis. Sales tax revenues that will flow to the Street and Alley Fund are estimated through a fund specific case study, as shown in **Table 6**.

Expenditures

Street and Alley Fund expenditures are estimated based on the Town's service population and all expenditure line items are estimated based on a variability factor of 100 percent.

Table 6. Street and Alley Fund Revenues and Expenditures

| Description | Adopted Budget 2021 | % of Total | Revenue Deduction | Nexus Factor | Variability |
|------------------------------|------------------------|---------------|----------------------|--------------------|-------------|
| STREET AND ALLEY FUND | | | | | |
| Revenues | | | | | |
| Road and Bridge Tax | \$141,000 | 2.7% | \$141,000 | Fixed | N/A |
| HUTF Funds | \$463,100 | 8.9% | \$463,100 | Fixed | N/A |
| Grants | \$1,066,666 | 20.5% | \$1,066,666 | Fixed | N/A |
| Sales Tax - Auto | \$724,500 | 13.9% | \$724,500 | N/A | N/A |
| Charges for Services | \$715,477 | 13.7% | \$0 | Service Population | 100.0% |
| Specific Ownership Tax | \$440,000 | 8.4% | \$0 | Service Population | 100.0% |
| 0.5% Sales Tax | \$1,170,000 | 22.5% | \$0 | Case Study | N/A |
| Other | <u>\$489,350</u> | <u>9.4%</u> | <u>\$0</u> | Service Population | 100.0% |
| TOTAL | \$5,210,093 | 100.0% | \$2,395,266 | | |
| Expenditures | | | | | |
| Personnel | \$411,760 | 14.8% | \$355,491 | Service Population | 100.0% |
| O&M | \$1,418,740 | 51.1% | \$1,224,863 | Service Population | 100.0% |
| Trash | \$724,900 | 26.1% | \$625,839 | Service Population | 100.0% |
| Capital | <u>\$219,000</u> | <u>7.9%</u> | <u>\$189,073</u> | Service Population | 100.0% |
| TOTAL | \$2,774,400 | 100.0% | \$2,395,266 | | |

Source: Town of Johnstown; Economic & Planning Systems

Fiscal Impact

Annual Revenue

As noted previously, many Town revenues are fixed and not related to the Johnstown Plaza development. Two revenue sources – sales tax and property tax – were estimated for this project. Additionally, revenues generated for the Street and Alley Fund were estimated. Annual revenue associated with the Johnstown Plaza project is estimated to be \$2.77 million, as shown in **Table 7** and summarized below.

General Fund Property Tax Revenues – Property taxes are estimated based on the total development value of the Johnstown Plaza project. Based on recent Larimer County Assessor data, the project has an average market value of \$150 per square foot, and an overall value of \$82.9 million. Applying the state’s commercial assessment rate of 29.00 percent, and the Town mill levy of 23.947, Johnstown Plaza is estimated to generate nearly \$575,700 in annual property tax revenue.

General Fund Sales Tax Revenues – Sales tax revenues are estimated based on total 2020 taxable sales at Johnstown Plaza. Based on recent sales tax receipts, the project is estimated to generate \$255 per square foot in retail sales, a total of \$140.9 million annually. Multiplied by the 1.0 percent sales tax rate retained by the Town (accounts for the total General Fund rate of 3.0 percent minus the credit PIF of 2.0 percent), Johnstown Plaza generates \$1.4 million annually in sales tax revenue.

General Fund Other Revenues – Other General Fund revenues estimated in this analysis include fines and forfeitures, excise tax, and licenses and fees. For these revenue types, EPS has estimated future revenue generated by Johnstown Plaza based on the service population methodology and a variability factor of 100 percent. Total Other Revenue sources generated by this project are estimated to equate to roughly \$32,800 annually (based on approximately 10,434 service hours per year and revenue of \$3.15 per service hour).

Street and Alley Fund Revenue – Revenues to the Street and Alley Fund come from eight sources. Three revenue sources, Road and Bridge Tax, HUTF Funds, and Grants, are assumed to be fixed and have no direct relation to the Johnstown Plaza development. Auto Sales Tax is also assumed to have no relation to the project. Charges for Services, Specific Ownership Tax, and Other Revenues are estimated on a Service Population basis, while Sales Tax is estimated using a Case Study. As shown in **Table 7**, the Street and Alley Fund has a dedicated 0.5 percent sales tax that generates an estimated \$705,000 annually from Johnstown Plaza. Other Revenues are estimated to generate \$45,500 annually (based on approximately 10,434 service hours per year and revenue of \$4.36 per service hour).

Table 7. Johnstown Plaza – Annual Town Revenue

| Description | Factor | Revenue |
|---|------------------------|--------------------|
| GENERAL FUND | | |
| Property Tax | | |
| Total Development | | 552,622 sq. ft. |
| Value per Square Foot | | \$150 per sq. ft. |
| Total Development Value | | \$82,893,300 |
| Total Assessed Value | 29% Commercial AV Rate | \$24,039,057 |
| Total | 23.947 Baseline Levy | \$575,663 |
| Sales Tax | | |
| Total Development | | 552,622 sq. ft. |
| Sales per Square Foot | | \$255 per sq. ft. |
| Total Sales | 100% taxable | \$140,918,610 |
| Total | 1.00% existing rate | \$1,409,186 |
| Other Revenues | | |
| Service Demand | | 10,434 hours |
| Revenue per Service Hour | | \$3.15 per hour |
| Total | | \$32,832 |
| Total General Fund Revenues | | \$2,017,681 |
| STREET AND ALLEY FUND | | |
| Sales Tax | | |
| Total Development | | 552,622 sq. ft. |
| Sales per Square Foot | | \$255 per sq. ft. |
| Total Sales | 100% taxable | \$140,918,610 |
| Total | 0.50% existing rate | \$704,593 |
| Other Revenues | | |
| Service Demand | | 10,434 hours |
| Revenue per Service Hour | | \$4.36 per hour |
| Total | | \$45,528 |
| Total Street and Alley Fund Revenues | | \$750,121 |
| TOTAL REVENUES | | \$2,767,802 |
| Per Sq. Ft. | | \$5.01 |
| Per Employee | | \$2,504 |

Source: Economic & Planning Systems

Annual Expenditures

Annual expenditures are estimated by type and are estimated using a service population nexus factor. As shown in **Table 8**, the Johnstown Plaza development is estimated to generate total annual service cost totaling nearly \$220,000 per year, which is comprised of \$208,200 from the General Fund services and \$10,500 from the Street and Alley Fund services.

Table 8. Johnstown Plaza – Annual Town Expenditures

| Description | Expenditures |
|----------------------------------|------------------|
| GENERAL FUND | |
| Service Demand | 10,434 hours |
| Cost per Service Hour | \$19.96 per hour |
| Total Annual Expenditures | \$208,232 |
| STREETS AND ALLEY FUND | |
| Service Demand | 10,434 hours |
| Cost per Service Hour | \$1.01 per hour |
| Total Annual Expenditures | \$10,494 |
| TOTAL EXPENDITURES | \$218,726 |
| Per Sq. Ft. | \$0.40 |
| Per Employee | \$198 |

Source: Economic & Planning Systems

Fiscal Impact Summary

The net fiscal impact of Johnstown Plaza on the Town’s General Fund and Street and Alley Fund is estimated at just over a positive \$2.5 million per year, as shown in **Table 9**. This is made up of the net fiscal impact of the project on the general fund of roughly \$1.8 million and the net fiscal impact on the Street and Alley Fund of approximately \$740,000.

Table 9. Johnstown Plaza – Net Fiscal Impact

| Description | Amount |
|------------------------------|--------------------|
| GENERAL FUND | |
| Revenue | |
| Property Tax | \$575,663 |
| Sales Tax | \$1,409,186 |
| Other Revenue | <u>\$32,832</u> |
| Total Revenue | \$2,017,681 |
| Total Expenditures | \$208,232 |
| Net Fiscal Impact | \$1,809,450 |
| STREET AND ALLEY FUND | |
| Revenue | |
| Sales Tax | \$704,593 |
| Other Revenue | <u>\$45,528</u> |
| Total Revenue | \$750,121 |
| Total Expenditures | \$10,494 |
| Net Fiscal Impact | \$739,627 |
| COMBINED NET IMPACT | \$2,549,077 |

Source: Economic & Planning Systems

Other Community Impacts

The Johnstown Plaza project has other non-economic more qualitative community impacts on the Town. Most significantly, the Project has developed over 550,000 square feet of retail and commercial space that has greatly expanded the range of shopping, dining, and entertainment options available to Johnstown residents. The range of businesses in one location, including a variety of restaurants, specialty foods, and personal and medical services greatly improves the convenience of accessing these goods and services. Additionally, few communities the size of Johnstown have larger regional scale stores like Scheels and Hobby Lobby in close proximity.

The negative impact of larger scale retail centers is that they generate additional traffic and congestion. However, the Project is located on the periphery of the Town and on a major four-lane state highway, and therefore has sufficient capacity to accommodate the increase in travel demand.

Project Viability and Risks

The retail industry has shifted greatly over the last 20 years, impacted by the growth of internet sales, declining brick and mortar store sales, retail chain consolidations, and demographic shifts and preferences. Collectively, these trends are impacting store sizes and reducing the overall demand for new retail space locally and nationally. These trends have hit national big box stores the hardest, particularly general merchandise, apparel, home furnishings, and sporting goods chains. Over the past 2 years, there have been a total of over 22,000 stores that have closed their doors. Over the last 5 years there have been over 200 national chain bankruptcies.

Johnstown Plaza has some exposure and risk to these trends. Nearly 80 percent of the total retail space in the Project is in the center's four largest big box stores, Scheels, Burlington Coat Factory, At Home, and Hobby Lobby. The agreement to share 2.0 percent of the Town's sales tax through a credit PIF extends for an additional 25 years until 2045. The retail development sector is likely to undergo additional shifts over that time period and one or more of these larger stores could close as a result. The Town's fiscal exposure however is relatively low, given the large surplus of revenues over expenses estimated in the above economic analysis.

There will also be new markets created over the next 25 years that could potentially be located in the Project. While it is difficult to predict what they might be, we do know, short term, that current commercial demand is increasing for restaurants and entertainment uses, fitness, and active recreation. The overall tenant mix is likely to shift in the near term to include more of these uses.

PIF Summary

The project currently has a credit PIF from the Town of 2.0 percent and an add-on PIF of 2.5 percent. The existing development is estimated to generate approximately \$3.5 million per year based on the add-on PIF and \$2.8 million per year from the credit PIF, as shown in **Table 10**. Total annual revenues are currently estimated at \$6.3 million. Based on an estimated annual escalation rate of 1.5 percent, total existing program revenues are estimated to increase to \$9.3 million in 2046.

Table 10. Johnstown Plaza – Total PIF Revenues

| Description | Credit PIF (2.0%) | Add-On PIF (2.5%) | Total |
|-----------------|---------------------|----------------------|----------------------|
| Ann. Escalation | 1.5% | 1.5% | |
| 2020 | \$2,810,957 | \$3,513,696 | \$6,324,653 |
| 2021 | \$2,860,648 | \$3,575,810 | \$6,436,458 |
| 2022 | \$2,903,557 | \$3,629,447 | \$6,533,004 |
| 2023 | \$2,947,111 | \$3,683,889 | \$6,630,999 |
| 2024 | \$2,991,318 | \$3,739,147 | \$6,730,464 |
| 2025 | \$3,036,187 | \$3,795,234 | \$6,831,421 |
| 2026 | \$3,081,730 | \$3,852,163 | \$6,933,893 |
| 2027 | \$3,127,956 | \$3,909,945 | \$7,037,901 |
| 2028 | \$3,174,875 | \$3,968,594 | \$7,143,470 |
| 2029 | \$3,222,499 | \$4,028,123 | \$7,250,622 |
| 2030 | \$3,270,836 | \$4,088,545 | \$7,359,381 |
| 2031 | \$3,319,899 | \$4,149,873 | \$7,469,772 |
| 2032 | \$3,369,697 | \$4,212,121 | \$7,581,818 |
| 2033 | \$3,420,242 | \$4,275,303 | \$7,695,546 |
| 2034 | \$3,471,546 | \$4,339,433 | \$7,810,979 |
| 2035 | \$3,523,619 | \$4,404,524 | \$7,928,143 |
| 2036 | \$3,576,474 | \$4,470,592 | \$8,047,066 |
| 2037 | \$3,630,121 | \$4,537,651 | \$8,167,772 |
| 2038 | \$3,684,573 | \$4,605,716 | \$8,290,288 |
| 2039 | \$3,739,841 | \$4,674,801 | \$8,414,642 |
| 2040 | \$3,795,939 | \$4,744,923 | \$8,540,862 |
| 2041 | \$3,852,878 | \$4,816,097 | \$8,668,975 |
| 2042 | \$3,910,671 | \$4,888,339 | \$8,799,010 |
| 2043 | \$3,969,331 | \$4,961,664 | \$8,930,995 |
| 2044 | \$4,028,871 | \$5,036,089 | \$9,064,960 |
| 2045 | \$4,089,304 | \$5,111,630 | \$9,200,934 |
| 2046 | \$4,150,644 | \$5,188,305 | \$9,338,948 |
| Total | \$92,961,322 | \$116,201,653 | \$209,162,975 |

Source: Economic & Planning Systems

\\EgnyteDrive\epsys\Shared\Projects\DEN\213088-Johnstown Plaza Economic Impact Analysis\Models\213088-MODEL-Johnstown I

Project Debt Financing

Existing Bonds

Johnstown Plaza currently has two existing bonds that are being serviced by the credit PIF and the add-on PIF (Series A and Series B). Total debt service for Series A and Series B is projected at \$5.5 million in 2021 and forecast to increase to \$8.2 million in 2045 before the final year in which a balloon payment of \$16.5 million is due, as shown in **Table 11**. Based on the forecasted PIF revenue, the existing debt service is estimated to have a debt service coverage ratio (total debt service divided by available revenue) of 115 percent in 2021, which is estimated to drop to 109 percent in 2045, prior to the final year balloon payment. This is below a more typical range of 120 to 125 percent that provides additional coverage and helps to reduce the risk of the coverage ratio falling below 100 percent.

Table 11. Existing Bond Debt Service (Series A and Series B)

| Description | Existing Bonds | | | Total Available PIF Revenue | Debt Service Coverage |
|--------------|----------------------|---------------------|----------------------|-----------------------------|-----------------------|
| | Series A | Series B | Total | | |
| 2021 | \$4,881,000 | \$632,250 | \$5,513,250 | \$6,324,653 | 114.7% |
| 2022 | \$4,965,888 | \$632,250 | \$5,598,138 | \$6,436,458 | 115.0% |
| 2023 | \$5,050,138 | \$632,250 | \$5,682,388 | \$6,533,004 | 115.0% |
| 2024 | \$5,138,494 | \$632,250 | \$5,770,744 | \$6,630,999 | 114.9% |
| 2025 | \$5,225,444 | \$642,250 | \$5,867,694 | \$6,730,464 | 114.7% |
| 2026 | \$5,320,731 | \$656,350 | \$5,977,081 | \$6,831,421 | 114.3% |
| 2027 | \$5,413,588 | \$664,100 | \$6,077,688 | \$6,933,893 | 114.1% |
| 2028 | \$5,503,756 | \$675,950 | \$6,179,706 | \$7,037,901 | 113.9% |
| 2029 | \$5,600,981 | \$691,450 | \$6,292,431 | \$7,143,470 | 113.5% |
| 2030 | \$5,699,494 | \$700,150 | \$6,399,644 | \$7,250,622 | 113.3% |
| 2031 | \$5,798,781 | \$712,500 | \$6,511,281 | \$7,359,381 | 113.0% |
| 2032 | \$5,898,331 | \$728,050 | \$6,626,381 | \$7,469,772 | 112.7% |
| 2033 | \$5,999,931 | \$741,350 | \$6,741,281 | \$7,581,818 | 112.5% |
| 2034 | \$6,105,244 | \$752,400 | \$6,857,644 | \$7,695,546 | 112.2% |
| 2035 | \$6,213,481 | \$766,200 | \$6,979,681 | \$7,810,979 | 111.9% |
| 2036 | \$6,323,856 | \$777,300 | \$7,101,156 | \$7,928,143 | 111.6% |
| 2037 | \$6,430,581 | \$790,700 | \$7,221,281 | \$8,047,066 | 111.4% |
| 2038 | \$6,543,906 | \$805,950 | \$7,349,856 | \$8,167,772 | 111.1% |
| 2039 | \$6,656,375 | \$817,600 | \$7,473,975 | \$8,290,288 | 110.9% |
| 2040 | \$6,772,181 | \$835,650 | \$7,607,831 | \$8,414,642 | 110.6% |
| 2041 | \$6,890,250 | \$849,200 | \$7,739,450 | \$8,540,862 | 110.4% |
| 2042 | \$7,014,506 | \$863,250 | \$7,877,756 | \$8,668,975 | 110.0% |
| 2043 | \$7,133,606 | \$877,350 | \$8,010,956 | \$8,799,010 | 109.8% |
| 2044 | \$7,256,744 | \$896,050 | \$8,152,794 | \$8,930,995 | 109.5% |
| 2045 | \$7,382,575 | \$908,450 | \$8,291,025 | \$9,064,960 | 109.3% |
| 2046 | \$14,894,756 | \$1,629,550 | \$16,524,306 | \$9,200,934 | 55.7% |
| Total | \$166,114,619 | \$20,310,800 | \$186,425,419 | \$199,824,027 | |

Source: Economic & Planning Systems

\\EgnyteDrive\epsys\Shared\Projects\DEN\213088-Johnstown Plaza Economic Impact Analysis\Models\213088-MODEL-Johnstown Plaza-08-11-2

Debt Refunding (No New Money)

The first refunding scenario contemplates issuing \$105.6 million in refinanced debt, of which \$94.8 million would be used to refund the existing escrow balance. Under this scenario, which is estimated to have an average coupon of 4.22 percent, annual total debt service payments are estimated to increase from \$4.9 million in 2022 to \$8.0 million in 2046. During this period (excluding 2021) the debt service coverage is estimated to range from just under 130 percent to roughly 115 percent in the final year of payment, as shown in **Table 12**.

Table 12. Refunded Bond Scenario (No New Money, Series A & B)

| Description | Refunding (No New Money) | | Debt Service Coverage |
|--------------|-------------------------------------|-----------------------------|-----------------------|
| | Current Refunding of Series 2016A&B | Total Available PIF Revenue | |
| 2021 | \$2,199,558 | \$6,324,653 | 287.5% |
| 2022 | \$4,971,825 | \$6,436,458 | 129.5% |
| 2023 | \$5,242,125 | \$6,533,004 | 124.6% |
| 2024 | \$5,340,050 | \$6,630,999 | 124.2% |
| 2025 | \$5,442,200 | \$6,730,464 | 123.7% |
| 2026 | \$5,543,163 | \$6,831,421 | 123.2% |
| 2027 | \$5,647,731 | \$6,933,893 | 122.8% |
| 2028 | \$5,750,494 | \$7,037,901 | 122.4% |
| 2029 | \$5,856,244 | \$7,143,470 | 122.0% |
| 2030 | \$5,969,569 | \$7,250,622 | 121.5% |
| 2031 | \$6,079,850 | \$7,359,381 | 121.0% |
| 2032 | \$6,191,881 | \$7,469,772 | 120.6% |
| 2033 | \$6,305,250 | \$7,581,818 | 120.2% |
| 2034 | \$6,424,544 | \$7,695,546 | 119.8% |
| 2035 | \$6,544,144 | \$7,810,979 | 119.4% |
| 2036 | \$6,668,638 | \$7,928,143 | 118.9% |
| 2037 | \$6,792,406 | \$8,047,066 | 118.5% |
| 2038 | \$6,920,500 | \$8,167,772 | 118.0% |
| 2039 | \$7,050,688 | \$8,290,288 | 117.6% |
| 2040 | \$7,182,313 | \$8,414,642 | 117.2% |
| 2041 | \$7,314,719 | \$8,540,862 | 116.8% |
| 2042 | \$7,452,250 | \$8,668,975 | 116.3% |
| 2043 | \$7,595,000 | \$8,799,010 | 115.9% |
| 2044 | \$7,737,000 | \$8,930,995 | 115.4% |
| 2045 | \$7,882,250 | \$9,064,960 | 115.0% |
| 2046 | \$8,030,793 | \$9,200,934 | 114.6% |
| Total | \$164,135,182 | \$199,824,027 | |

Source: Piper Sandler & Co.; Economic & Planning Systems

\\EgnyteDrive\epsys\Shared\Projects\DEN\213088-Johnstown Plaza Economic Impact Analysis\Models\213088-MODE

Debt Refunding (New Money)

An additional refunding scenario includes the initial escrow repayment of \$94.8 million and an additional \$9.3 million that could be used to reimburse the developer for prior eligible expenses. The total bond amount under this scenario is estimated at \$116 million, which results in annual debt service payments increasing from \$5.5 million in 2022 to \$8.9 million in 2046. During this period the annual debt service coverage ratio drops from 117 percent in 2022 to 104 percent in 2046, representing additional risk associated with the debt service payments on these bonds under this scenario.

Table 13. Refunded Bond Scenario (New Money, Series A & B)

| Description | Refunding (New Money) | | Debt Service Coverage |
|--------------|-------------------------------------|-----------------------------|-----------------------|
| | Current Refunding of Series 2016A&B | Total Available PIF Revenue | |
| 2021 | \$2,696,442 | \$6,324,653 | 234.6% |
| 2022 | \$5,498,688 | \$6,436,458 | 117.1% |
| 2023 | \$5,800,894 | \$6,533,004 | 112.6% |
| 2024 | \$5,909,281 | \$6,630,999 | 112.2% |
| 2025 | \$6,021,275 | \$6,730,464 | 111.8% |
| 2026 | \$6,131,463 | \$6,831,421 | 111.4% |
| 2027 | \$6,244,638 | \$6,933,893 | 111.0% |
| 2028 | \$6,360,388 | \$7,037,901 | 110.7% |
| 2029 | \$6,478,300 | \$7,143,470 | 110.3% |
| 2030 | \$6,602,963 | \$7,250,622 | 109.8% |
| 2031 | \$6,723,756 | \$7,359,381 | 109.5% |
| 2032 | \$6,850,475 | \$7,469,772 | 109.0% |
| 2033 | \$6,977,500 | \$7,581,818 | 108.7% |
| 2034 | \$7,109,419 | \$7,695,546 | 108.2% |
| 2035 | \$7,240,613 | \$7,810,979 | 107.9% |
| 2036 | \$7,375,669 | \$7,928,143 | 107.5% |
| 2037 | \$7,513,969 | \$8,047,066 | 107.1% |
| 2038 | \$7,654,344 | \$8,167,772 | 106.7% |
| 2039 | \$7,795,500 | \$8,290,288 | 106.3% |
| 2040 | \$7,946,781 | \$8,414,642 | 105.9% |
| 2041 | \$8,092,094 | \$8,540,862 | 105.5% |
| 2042 | \$8,246,000 | \$8,668,975 | 105.1% |
| 2043 | \$8,399,750 | \$8,799,010 | 104.8% |
| 2044 | \$8,560,750 | \$8,930,995 | 104.3% |
| 2045 | \$8,717,500 | \$9,064,960 | 104.0% |
| 2046 | \$8,883,582 | \$9,200,934 | 103.6% |
| Total | \$181,832,030 | \$199,824,027 | |

Source: Piper Sandler & Co.; Economic & Planning Systems

\\EgnyteDrive\epsys\Shared\Projects\DEN\213088-Johnstown Plaza Economic Impact Analysis\Models\213088-MODEL-Johnstown Plaza

Key Assumptions

It is important to summarize a number of important differences between the EPS forecast of available revenues and the forecast prepared by Piper Sandler & Co. (Piper) summarized in the refunding scenarios.

- **Annual Sales Escalation Rate** – Piper has estimated a stabilized annual escalation in retail sales of 2.0 percent. In addition, the escalation rate in 2022 and 2023 is estimated at roughly 5.5 percent per year. EPS has applied a more conservative rate of 1.5 percent to annual sales for the entirety of the forecast period.
- **Dedicated Metro District Mill Levy** – Piper has included a dedicated ad valorem metro district property tax mill levy in their forecast of revenues. They have estimated a maximum mill levy of 15.000 mills and a target mill levy of 5.0000 mills. At stabilization, this is estimated to generate \$110,000 to \$120,000 per year in additional revenue that could be used to service the bonds. However, at the projected rate, the additional metro district revenues would increase the debt service coverage ratio by less than one percent.