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VIA E-MAIL

Town of Johnstown
c/o Carolyn Steffl, Special Counsel to Town
Dietze and Davis, P.C.
2060 Broadway, Suite 400
Boulder, CO 80302

Re: Amended and Restated Service Plan for Encore on 34 Metropolitan District Nos. 1-3 and Service Plan for Proposed Encore on 34 Metropolitan District Nos. 4-7

Dear Ms. Steffl:

Enclosed, please are the following versions of the proposed Amended and Restated Service Plan for Encore on 34 Metropolitan District Nos. 1-3 and Service Plan for Proposed Encore on 34 Metropolitan District Nos. 4-7 (together, the “**Districts**”): (1) PDF version with exhibits, (2) Word version with Intergovernmental Agreement and Disclosure Notice, and (3) Word version redlined against Town’s Model Service Plan. Additionally, we have enclosed the Joint Resolution of the Board of Directors of District Nos. 1-3 Authorizing Amendment of the Service Plan.

The Districts support and are proposed to support the planned 453-acre development, which is planned to include commercial, residential, and mixed-use property types. The project will also include several parks and open space detention areas. The project is anticipated to include around 900 residential units and 880,000 square feet of commercial space. For a project this size with a mix of property uses and the projected buildout timeline, organization of the proposed Districts is necessary to support the project. The additional Districts are needed to align with the different property types within the different phases of development within this large project.

Additionally, one of the Districts has been set aside as the Operations Overlay District. The Operations Overlay District is intended to encompass all of the residential property within the project to provide an early opportunity for residents to assume control of the key operations and administrative functions of the district structure, including covenant enforcement and maintenance consultant oversight. As soon as homeowners move into the Districts, they will not only be eligible to run for a seat on the board for financing district in which they live, but also for the Operations Overlay District. The Operations Overlay District also serves a vital role in the transition after

buildout, as key functions that may otherwise be managed by a Coordinating District run by developer representatives would already be handled by residents serving on the Board of the Operations Overlay District.

The Service Plan proposes 40 mills as the Maximum Residential Debt Mill Levy, 50 mills as the Maximum Commercial Debt Mill Levy, and 10 mills as the Maximum Operations and Maintenance Mill Levy. Each of these are in line with Service Plans recently approved by the Town.

As costs for development have increased exponentially in recent years, it is increasingly essential for a developer to share the costs of public infrastructure with builders and homeowners in order to construct, market, and sell homes to buyers at reasonable market prices. Without the Districts and their financing mechanisms, the cost of the homes planned for the community would be significantly more expensive, further exacerbating the housing affordability issues prevalent across Front Range communities and throughout Colorado.

The proposed Maximum Debt Authorization is \$125,000,000. This amount incorporates the District's plan to finance the construction of public infrastructure to serve the community, as well as to finance the costs of acquiring water resources to support the development. The proposed Maximum Debt Authorization is supported by the Financial Plan, which shows the District's ability to finance and repay this level of Debt.

One of the main hurdles to creating more housing in northern Colorado, especially reasonably priced housing, is the cost of the water resources required to support new households. By allowing for financing the acquisition of water through the District, the cost of water for the community and the cost per lot can be significantly lower than it would be if private financing was used. This is because the District has access to more advantageous financing terms through public financing structures.

We look forward to discussing this matter further with the Town. In the meantime, should you have any questions regarding this submittal, please do not hesitate to contact me.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON



Eve M. G. Velasco

Attorney