



**Memorandum**

File No. 5501871

TO: Town of Johnstown

FROM: David S. O’Leary, Esq.

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

DATE: November 27, 2023

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 be include the single-family portion of the Ledge Rock Center project upon final development.

The reason for the request for an amendment are the following:

- Two-year delay in projected construction but a national builder is currently under contract and completing due diligence. The build out with the national builder is anticipated to accelerate absorption and provide for approximately 65 single family residences per year starting in 2024 if not sooner (absorption could be completed in less than 3 years as long as the infrastructure is complete, and the lots are permit ready).
- Updated capital costs, changes in construction costs and installation and development needs for the public improvements for the project.
- The original builder under contract for the land cancelled their contract due to concerns regarding COVID and market changes. Additionally, the Developer is now delivering permit ready lots rather than just infrastructure to pad sites, as a result, out of pocket costs to the Developer have increased significantly and require installation of all public improvements by the Developer rather than the builder for core backbone onsite and offsite public improvements. Additional infrastructure required for the Home Supply ditch relocation and additional highway, drainage and oil and gas company easements, setbacks and land use restrictions have changed the capital plan and development originally projected in 2021 and amended in 2022 to a much different capital construction model than the one currently in the Amended and Restated Service Plan approved in June of 2022
- Construction of the improvements have been expedited to both develop and attract end users, builders and businesses to the Ledge Rock Center development have resulted in a renewed and updated request for the Town to consider a debt limit increase for the Residential Metropolitan District No. 1 (multi-family units) and the Residential Metropolitan District No. 2 (single-family units) service plans.

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

- 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.



- Anticipated single-family residential development was originally 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. New modeling and the current contract with the national builder projects absorption occurring more quickly depending upon approval of development plans and construction of public improvements needed for the project. Current modeling projects 65 units per year beginning in 2024 provide all permit ready improvements are installed by the Developer, prior to the take down of each phase of the residential development.
- Assuming development occurs as projected the residential assessed valuation at full buildout for collection year 2028 is expected to increase from \$6,840,674 to approximately \$7,387,532 based upon initial drafts provided by DA Davidson. 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 were originally estimated to be \$14,657,820 for onsite and offsite public improvements, but significant costs to the Developer have been incurred and the Developer is now providing permit ready lots (it is constructing the core backbone public improvements) rather than providing land to be developed by the original builder. All construction must be in compliance with 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 updated financing plan projects the total par amount of bonds estimated for 2024 is projected to increase from \$3,597,000 to \$4,139,000, which is anticipated to generate and increase from \$2,282,090 to \$2,931,618 in net proceeds provided full buildout occurs as anticipated using a 30-year amortization schedule.
- Requested Debt Authorization of \$4,967,000 allows for approximately 120% coverage (based upon the financing plan run at \$4,139,000. Updated modeling provided by DA Davidson 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. Public improvement costs not financed through the District would be funded through developer advances, private contributions or other financing contributions.
- 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.
- No other changes to the service plan other than capital improvements or financing plans would be requested and no reduction in services are anticipated. Public improvement costs not financed through the District would be funded through developer advances, private contributions or other financing contributions.