

MEMORANDUM

To: Town of Johnstown

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

Subject: Ledge Rock Center Economic Impact Analysis; EPS #213088

Date: November 19, 2021

Introduction

This memorandum summarizes the findings and conclusions of Economic & Planning Systems (EPS) regarding the estimated fiscal and economic impacts of the Ledge Rock Center development (Project) on the Town of Johnstown (Town). EPS was contracted by the Town to provide an evaluation of the project in order to establish a basis for considering economic development incentives for the project.

The 237-acre mixed-use development has the potential to be a major fiscal generator for the Town in the form of additional sales and property taxes, as well as other economic development spinoffs. The project's developer, Carson Development, has requested an economic development incentive from the Town in the form of a credit public improvement fee (credit PIF), equivalent to 2.0 percent of the local sales taxes to pay for eligible public improvements and to provide a supplemental funding source for the Ledge Rock Commercial Metropolitan District. The Town is also proposing to contribute approximately 50 acres of land at the southeast corner of I-25 and Highway 60 to be part of the proposed 125-acre commercial portion of the project.

This memorandum summarizes EPS's analysis of the fiscal and economic impacts of the Town's proposed investment in the project and the need for and reasonableness of the requested financing assistance, including the following major tasks:

- Determination of supportable land and market values, associated property and sales tax values, and absorption estimates upon which the project financing plan is based.
- A fiscal impact analysis quantifies revenues expected to be received by the Town from property and sales taxes (net of the proposed incentive) compared to the estimated cost of providing Town services to the project.

The Economics of Land Use



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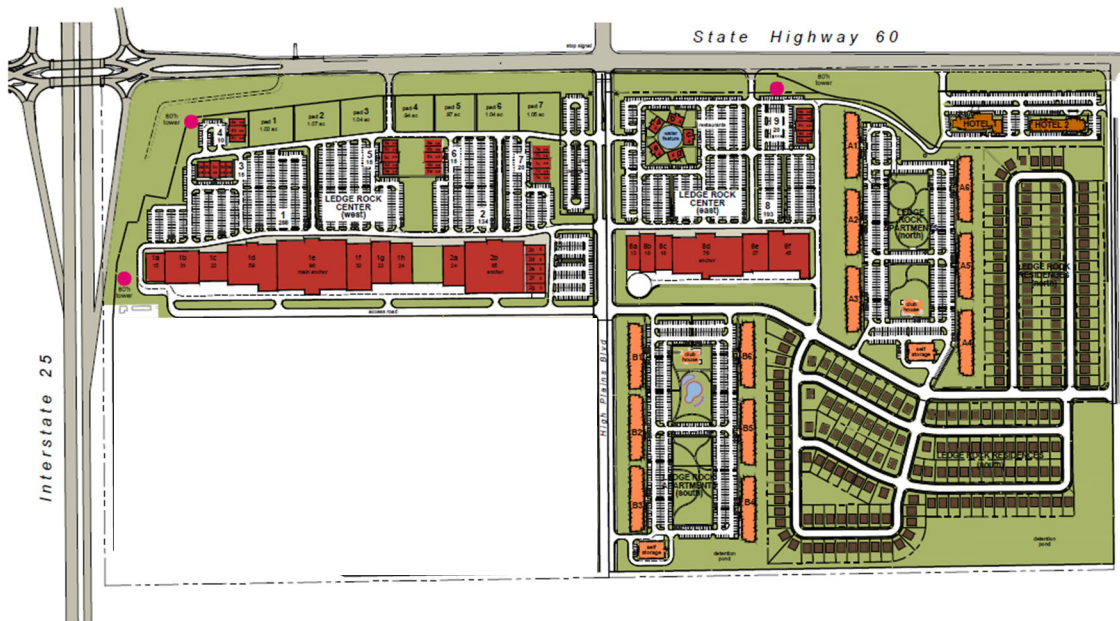
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- A forecast of PIF revenues generated by the project over the proposed 30-year revenue sharing time period based on the Developer's sales and absorption assumptions, and under a more conservative growth scenario.
- A comparison of the forecasted revenues available for debt service compared to the annual net debt service requirements for the proposed bond issue under both the baseline and conservative revenue forecast scenarios.

Development Program

The Ledge Rock Center development is located at the southeast corner of the I-25 and SH-60 interchange in Johnstown, Colorado as shown in **Figure 1**. The mixed-use project is planned for 750,000 square feet of retail and other commercial uses located in multiple buildings, 1,008 units of multifamily housing in 12 buildings, and 175 single family housing units.

Figure 1. Proposed Ledge Rock Development



The proposed development program is shown in greater detail in **Table 1**. There are a total of 115 acres planned for commercial development in two parcels located east and west of High Point Boulevard (with an additional 7 acres for a future hotel site on the northeast corner of the property). The 36-acre Retail East parcel is planned for a total of 234,000 square feet of space including 204,000 square feet of mid-box and ancillary retail space and 30,000 square feet of restaurant pads on the highway frontage. The 79-acre Retail West parcel includes a total of 522,000 square feet of commercial space including 480,000 square feet of retail buildings and five retail pads totaling 42,000 square feet.

Table 1. Proposed Ledge Rock Development

Description	Land Area	Total Space
Commercial		
Retail East	36 acres	234,000 sq. ft.
Retail West	<u>79 acres</u>	<u>522,000 sq. ft.</u>
Total Commercial	115 acres	750,000 sq. ft.
Residential		
Multifamily	51 acres	1,008 units
Single Family	<u>61 acres</u>	<u>175 units</u>
Total Residential	112 acres	1,183 units

Source: Economic & Planning Systems

The project includes two multifamily development districts - the North Apartment parcel has 25 acres and is planned for 504 units in six buildings, and the South Apartment parcel is of equal size with an additional 504 units in six buildings. A total of 61 acres in the southeast quadrant of the property is planned for 175 single family housing units.

Market Values and Assumptions

This section details assumptions on land and market values, associated property and sales tax values, and absorption as shown in **Table 2**. These values are shown for two scenarios: the Developer’s assumptions (Baseline) as well as a more conservative scenario based on EPS’s evaluation of market conditions as noted below.

Table 2. Ledge Rock Market Value Scenarios

Description	Baseline Scenario		Conservative Scenario	
	Factor	Value	Factor	Value
Commercial				
Size		750,000 sq. ft.		750,000 sq. ft.
Development Value	<i>\$200 per sq. ft.</i>	\$150,000,000	<i>\$175 per sq. ft.</i>	\$131,250,000
Annual Retail Sales	<i>\$300 per sq. ft.</i>	\$225,000,000	<i>\$255 per sq. ft.</i>	\$191,250,000
Residential				
Multifamily				
Units		1,008 units		1,008 units
Development Value	<i>\$300,000 per unit</i>	\$302,400,000	<i>\$250,000 per unit</i>	\$252,000,000
Single Family				
Units		175 units		175 units
Development Value	<i>\$450,000 per unit</i>	\$78,750,000	<i>\$450,000 per unit</i>	\$78,750,000

Source: Johnstown Plaza LLC; Economic & Planning Systems

- Commercial Property Value:** In the Baseline Scenario, commercial space is valued at \$200 per square foot for a total market value of \$150 million. Based on Larimer County Assessor data, the nearby Johnstown Plaza development has an average value of \$150 per square foot. Using this market condition as a base and assuming this newer development will have a higher value, EPS assumed a value of \$175 per square foot for commercial space, which reduces the total value by 12 percent to \$131.3 million as shown.
- Retail Sales Rates:** Annual retail sales per square foot are estimated at \$300 per square foot in the Developer’s program, which results in total annual sales of \$225 million at full stabilization. Taxable sales in the Johnstown Plaza development averaged \$255 per square foot in 2019, which accounts for an unknown percentage of space leased to non-retail service tenants that bring the overall average down what an individual tenant might generate. Therefore, EPS has assumed this same overall sales level of \$255 per square foot in the Conservative Scenario, which reduces annual retail sales to \$191.25 million.
- Retail Absorption Rate:** The Developer’s Baseline program assumes retail absorption at 125,000 square feet annually over six years, for a total of 750,000 square feet. As shown in **Table 3**, from 2015 through 2020 Johnstown saw an average of 124,000 square feet of retail deliveries annually; however, this includes the 250,000 square foot Scheels sporting goods superstore. Excluding Scheels, average deliveries in Johnstown were 82,365 square feet per year over the last six years. Johnstown has seen the highest retail delivery rate of similar communities, with Erie, Loveland, Windsor and Timnath all experiencing an average of under 40,000 square feet of new space annually. To account for this, EPS has assumed a slower absorption timeline of nine years in the Conservative Scenario, with an average of approximately 83,000 square feet per year.
- Multifamily Property Value:** The Baseline program show a market value for apartments at \$300,000 per unit. Based on comparable projects developed in the north I-25 corridor, EPS has reduced the average market value to \$250,000 per unit in the Conservative Scenario.

Table 3. Regional Retail Absorption 2015-2020

Description	2015	2016	2017	2018	2019	2020	Average
							2015-2020
Deliveries (Sq. Ft.)							
Johnstown (all development)	8,500	24,244	480,394	18,166	120,570	92,316	124,032
Johnstown (excluding Scheels)	8,500	24,244	230,394	18,166	120,570	92,316	82,365
Erie	7,725	125,000	0	22,150	7,308	13,634	29,303
Loveland	33,211	49,907	23,097	55,571	30,905	22,337	35,838
Windsor	0	0	2,200	5,600	0	48,481	9,380
Timnath	0	30,484	9,173	0	0	0	6,610

Source: CoStar, Economic & Planning Systems

Under the Conservative Scenario, the project's commercial space is estimated to have a total value of \$131.25 million. Along with residential value of \$252 million for the multifamily development and \$78.75 million for single family, the Ledge Rock Center is estimated to have a total value of \$462 million. Annual retail sales are assumed at \$255 per square foot, or \$191.25 million total. Based on an average factor of 500 square feet per employee, there are an estimated 1,500 jobs expected at Ledge Rock Center.

Fiscal Model Assumptions

This section describes the fiscal impact model used to evaluate the costs of providing Town services to the proposed project and the additional revenues generated by the project to pay for these services. The key model assumptions are described and calibrated.

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 4** and show a service demand split of approximately 80 percent residential, 20 percent commercial.

Table 4. Town of Johnstown Proportional Share Estimate

Description	Factor	Amount
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 Ledge Rock Center is shown in **Table 5**. As shown, the development’s 1,500 employees generate demand for 14,160 service hours, while the approximately 2,700 residents generate demand for nearly 52,500 service hours, a total of 66,650 service hours for the development overall.

Table 5. Ledge Rock Center Service Demand

Description	Ledge Rock Center Service Demand
Total Population	2,732
Total Jobs	1,500
Commercial Service Demand	
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
Commercial Service Hours	14,160
Residential Service Demand	
Non-Working Residents	52.1%
Hourly Demand	20.0
Working Residents	47.9%
Out-Commuting Residents	88.5%
Hourly Demand	14.0
Live/Work Residents	11.5%
Hourly Demand	14.0
Residential Service Hours	52,496
Total Service Hours	66,656

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 Ledge Rock Center.

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 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" that enables the model to account for the proportion of costs or revenues that are assumed to be variable (i.e., impacted by future development). Revenues are typically assumed to be 100 percent variable and expenditures are estimated to be 25 to 100 percent variable, depending on the type of service. 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 for the Johnstown Plaza development, EPS has also estimated a higher level of variability for the Police Department at 120 percent, which reflects the assumption that there is expected to be potential increase in costs associated with serving the Ledge Rock Center project.

General Fund

This section summarizes EPS’s estimates of the revenues to the Town’s General Fund from the Ledge Rock Center 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, Ledge Rock Center) are estimated based on a nexus to growth factor for each of the major revenue sources including property and sales taxes. The fiscal analysis is completed using the more conservative values in the Conservative Scenario described above. Major revenue sources are summarized in **Table 6** and include:

- **Sales Tax** – Annual sales tax revenues are based on the estimated annual net taxable rate of \$255 per square foot times all commercial property. Sales tax revenues are then calculated based on the 1.0 percent sales tax that would be retained by the Town.
- **Property Tax** – Annual property tax revenues are based on the estimated value of \$175 per square foot of commercial property, \$250,000 per unit of multifamily housing, and \$450,000 per unit of single family housing, the commercial and residential property assessment rates, 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 were determined 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 6. 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	\$230,700	1.4%	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 variability level based on the assumption that Ledge Rock Center would generate higher costs than existing commercial development elsewhere in the town. General Fund expenditures are summarized in **Table 7** below.

Table 7. 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	\$1,137,657	13.0%	\$85,270	\$1,052,387	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 directly related to growth of an individual project 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 8**.

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 8. 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 Impacts

This section summarizes the analysis of the Ledge Rock Center estimated costs and revenues on the Town of Johnstown budget. The analysis focuses 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.

Annual Revenue

The primary sources of revenue associated with Ledge Rock Center will be property and sales taxes. As noted previously, most other Town revenues are fixed and not expected to change related to the project's development. Additionally, revenues generated for the Street and Alley Fund were estimated.

Commercial Development

General Fund Revenues

General Fund revenues from commercial development include property taxes, sales taxes, and other revenues estimated on a service population basis, and are summarized in **Table 9**. Total revenues generated by commercial development are estimated at \$3.89 million annually.

Property Taxes – Property taxes are estimated based on the total development value of the Ledge Rock Center project. Based on the Conservative Growth Scenario, the commercial portion of the project is estimated to have an average market value of \$175 per square foot. This results in a commercial value of \$131.25 million. Applying the state's commercial assessment rate of 29.00 percent and the Town mill levy of 23.947, the commercial development at Ledge Rock Center is estimated to generate \$911,500 in annual property tax revenue.

Sales Taxes – Sales tax revenues are estimated based on total taxable sales at full buildout of Ledge Rock Center. Based on the Conservative Growth Scenario, the project is estimated to generate \$255 per square foot in net taxable retail sales, generating a total of \$191.25 million annually. Multiplied by the 1.0 percent sales tax rate retained by the Town (accounting for the total General Fund rate of 3.0 percent minus the credit PIF of 2.0 percent), Ledge Rock Center is expected to generate \$1.9 million annually in sales tax revenue.

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 Ledge Rock Center based on the service population methodology and a variability factor of 100 percent. Total Other Revenue sources generated by commercial development are estimated to equate to \$44,500 annually (based on approximately 14,160 service hours per year and revenue of \$3.15 per service hour).

Street and Alley Fund Revenues

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 Ledge Rock Center 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. The Street and Alley Fund has a dedicated 0.5 percent sales tax that is estimated to generate \$956,000 annually from Ledge Rock Center. Other Revenues are estimated to generate \$62,000 annually from commercial development (based on 14,160 service hours per year and revenue of \$4.36 per service hour).

Table 9. Ledge Rock Center – Annual Commercial Town Revenue

Description	Factor	Revenue
GENERAL FUND		
Property Tax		
Total Development		750,000 sq. ft.
Value per Square Foot		\$175 per sq. ft.
Total Development Value		\$131,250,000
Total Assessed Value	29% Commercial AV Rate	\$38,062,500
Total Commercial	23.947 Baseline Levy	\$911,483
Sales Tax		
Total Development		750,000 sq. ft.
Sales per Square Foot		\$255 per sq. ft.
Total Sales	100% taxable	\$191,250,000
Total	1.00% existing rate	\$1,912,500
Other Revenues		
Service Demand		14,160 hours
Revenue per Service Hour		\$3.15 per hour
Total		\$44,558
Total General Fund Revenues - Commercial		\$2,868,541
STREET AND ALLEY FUND		
Sales Tax		
Total Development		750,000 sq. ft.
Sales per Square Foot		\$255 per sq. ft.
Total Sales	100% taxable	\$191,250,000
Total	0.50% existing rate	\$956,250
Other Revenues		
Service Demand		14,160 hours
Revenue per Service Hour		\$4.36 per hour
Total		\$61,789
Total Street and Alley Fund Revenues - Commercial		\$1,018,039
TOTAL COMMERCIAL REVENUE		\$3,886,580

Source: Economic & Planning Systems

Residential Development

General Fund Revenues

General Fund revenues from residential development include property taxes and other revenues estimated on a service population basis as summarized in **Table 10**. Total revenues generated by residential development are estimated at \$960,600 annually.

Property Taxes – Property taxes are estimated based on the total development value of the Ledge Rock Center project. Based on the Conservative Growth Scenario, the residential development is estimated to have an average market value of \$250,000 per unit for multifamily and \$450,000 per unit for single family. This results in a total residential value of \$330.75 million - \$252 million multifamily, and \$78.75 million single family. Applying the state’s residential assessment rate of 7.15 percent and the Town mill levy of 23.947, the residential development at Ledge Rock Center is estimated to generate over \$566,000 in annual property tax revenue.

Other Revenues – Other General Fund revenues estimated in this analysis include fines and forfeitures, excise tax, and licenses and fees, estimated based on the service population methodology and a variability factor of 100 percent. Total Other Revenue sources generated by residential development are estimated to equate to nearly \$165,200 annually (based on approximately 52,500 service hours per year and revenue of \$3.15 per service hour).

Street and Alley Fund Revenues

For residential development, Charges for Services, Specific Ownership Tax, and Other Revenues to the Street and Alley Fund are estimated on a Service Population basis. These revenues are estimated at \$229,100 from residential development (based on 52,500 service hours per year and revenue of \$4.36 per service hour).

Table 10. Ledge Rock Center – Annual Residential Town Revenue

Description	Factor	Revenue
GENERAL FUND		
Property Tax		
Multifamily		
Total Development		1,008 units
Value per Unit		\$250,000 per unit
Total Development Value		\$252,000,000
Total Assessed Value	7.15% Residential AV Rate	\$18,018,000
Single Family		
Total Development		175 units
Value per Square Foot		\$450,000 per unit
Total Development Value		\$78,750,000
Total Assessed Value	7.15% Residential AV Rate	\$5,630,625
Total Residential	23.947 Baseline Levy	\$566,314
Other Revenues		
Service Demand		52,496 hours
Revenue per Service Hour		\$3.15 per hour
Total		\$165,193
Total General Fund Revenues - Residential		\$731,507
STREET AND ALLEY FUND		
Other Revenues		
Service Demand		52,496 hours
Revenue per Service Hour		\$4.36 per hour
Total		\$229,073
Total Street and Alley Fund Revenues - Residential		\$229,073
TOTAL RESIDENTIAL REVENUE		\$960,580

Source: Economic & Planning Systems

Total Revenues

Total revenues associated with Ledge Rock Center are estimated to reach \$4.85 million per year at full development, as summarized in **Table 11**. Most revenue from Ledge Rock Center is estimated to be generated by the commercial space. Annual revenue associated with commercial development at Ledge Rock Center is estimated to be \$3.89 million, accounting for 80 percent of revenue from the project. Annual revenue associated with residential development is estimated to be \$960,600, accounting for 20 percent of revenue associated with the project.

Table 11. Ledge Rock Center – Annual Total Town Revenue

Description	Factor	Revenue
GENERAL FUND		
Property Tax		
Commercial		\$911,483
Residential		\$566,314
Total Property Tax		\$1,477,796
Sales Tax	<i>1.00% existing rate</i>	\$1,912,500
Other Revenues		
Service Demand	66,656 hours	
Revenue per Service Hour	\$3.15 per hour	
Total		\$209,752
Total General Fund Revenues		\$3,600,048
STREET AND ALLEY FUND		
Sales Tax	<i>0.50% existing rate</i>	\$956,250
Other Revenues		
Service Demand	66,656 hours	
Revenue per Service Hour	\$4.36 per hour	
Total		\$290,862
Total Street and Alley Fund Revenues		\$1,247,112
<hr/>		
TOTAL REVENUES		\$4,847,160
Commercial		\$3,886,580
Residential		\$960,580

Source: Economic & Planning Systems

Annual Expenditures

Annual expenditures are estimated by type using a service population nexus factor. As shown in **Table 12**, the Ledge Rock Center development is estimated to generate total annual service cost of nearly \$1.4 million per year. Most of this cost, 79 percent, is generated by residential development, while 21 percent is attributed to commercial development.

Table 12. Ledge Rock Center – Annual Town Expenditures

Description	Expenditures
GENERAL FUND	
Commercial	
Service Demand	14,160 hours
Cost per Service Hour	\$19.96 per hour
Total Commercial Expenditures	\$282,605
Residential	
Service Demand	52,496 hours
Cost per Service Hour	\$19.96 per hour
Total Residential Expenditures	\$1,047,712
Total Annual Expenditures	\$1,330,317
STREETS AND ALLEY FUND	
Commercial	
Service Demand	14,160 hours
Cost per Service Hour	\$1.01 per hour
Total Commercial Expenditures	\$14,242
Residential	
Service Demand	52,496 hours
Cost per Service Hour	\$1.01 per hour
Total Residential Expenditures	\$52,801
Total Annual Expenditures	\$67,044
TOTAL EXPENDITURES	\$1,397,361
Commercial	\$296,847
Residential	\$1,100,514

Source: Economic & Planning Systems

Net Fiscal Impacts

The net fiscal impact of Ledge Rock Center on the Town’s General Fund and Street and Alley Fund is estimated at close to a positive \$3.5 million per year, as shown in **Table 13**. This is made up of the net fiscal impact of the project on the general fund of roughly \$2.3 million and the net fiscal impact on the Street and Alley Fund of approximately \$1.2 million.

Table 13. Ledge Rock Center – Net Fiscal Impact

Description	Amount
GENERAL FUND	
Revenue	
Property Tax	\$1,477,796
Sales Tax	\$1,912,500
Other Revenue	<u>\$209,752</u>
Total Revenue	\$3,600,048
Total Expenditures	\$1,330,317
Net Fiscal Impact	\$2,269,731
STREET AND ALLEY FUND	
Revenue	
Sales Tax	\$956,250
Other Revenue	<u>\$290,862</u>
Total Revenue	\$1,247,112
Total Expenditures	\$67,044
Net Fiscal Impact	\$1,180,068
COMBINED NET IMPACT	\$3,449,799

Source: Economic & Planning Systems

The net positive impact is attributed to the commercial development, while residential development generates a slight net negative fiscal impact, as shown in **Table 14**. Commercial development generates a significant amount of revenue and has relatively low associated expenditures, resulting in a net fiscal impact of positive \$3.6 million annually. Residential development has the opposite impact, with relatively low revenue generation and high associated expenditures, resulting in a net negative impact of \$139,934 annually. Averaged over the number of anticipated units, however, with 1,183 new units of housing this is a net negative impact of just over \$118 per unit, which is generally a net neutral impact.

Table 14. Ledge Rock Center – Commercial and Residential Net Impact

Description	Amount
Commercial	
Revenue	
General Fund	\$2,868,541
Street and Alley Fund	\$1,018,039
Total Revenue	\$3,886,580
Expenditures	
General Fund	\$282,605
Street and Alley Fund	\$14,242
Total Expenditures	\$296,847
Net Fiscal Impact	\$3,589,733
Residential	
Revenue	
General Fund	\$731,507
Street and Alley Fund	\$229,073
Total Revenue	\$960,580
Expenditures	
General Fund	\$1,047,712
Street and Alley Fund	\$52,801
Total Expenditures	\$1,100,514
Net Fiscal Impact	-\$139,934

Source: Economic & Planning Systems

Other Community Impacts

The Ledge Rock Center project will have other non-economic, more qualitative community impacts on the Town. Most significantly, the project is anticipated to expand the range of shopping, dining, and entertainment options available to Johnstown residents through development of 750,000 square feet of new retail and commercial space.

The negative impact of a larger scale retail center is additional traffic and congestion. However, the project is located at a major highway interchange and there are public improvements planned as part of the development to mitigate these impacts including traffic signalization and left and right turn lanes at the project primary entrance at High Plains Boulevard.

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 two years, there have been a total of over 22,000 stores that have closed their doors. Over the last five years there have been over 200 national chain bankruptcies.

Ledge Rock Center has some exposure and risk to these trends. The project is located at a premium commercial location on I-25 with a growing trade area population including Johnstown, Berthoud, Meade, and southwest Weld County's Frederick, Dacono, and Firestone that will generate demand for regional commercial uses. However, the recently completed Johnstown Plaza development has already captured a significant share of this demand. Given national retail conditions, Ledge Rock Center may not experience the same level of rapid development experienced at that location.

The time period of the proposed revenue agreement is also a risk. The credit PIF is proposed for 30 years until 2051. The retail development sector is likely to undergo additional shifts and viability of the anticipated mix of tenants may shift or decline over that time period. 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.

Land Valuation

The Town is intending to convey a roughly 50 acre parcel of land to the Developer for this project. As a component of the public assistance being provided, the Town has requested a valuation of this parcel.

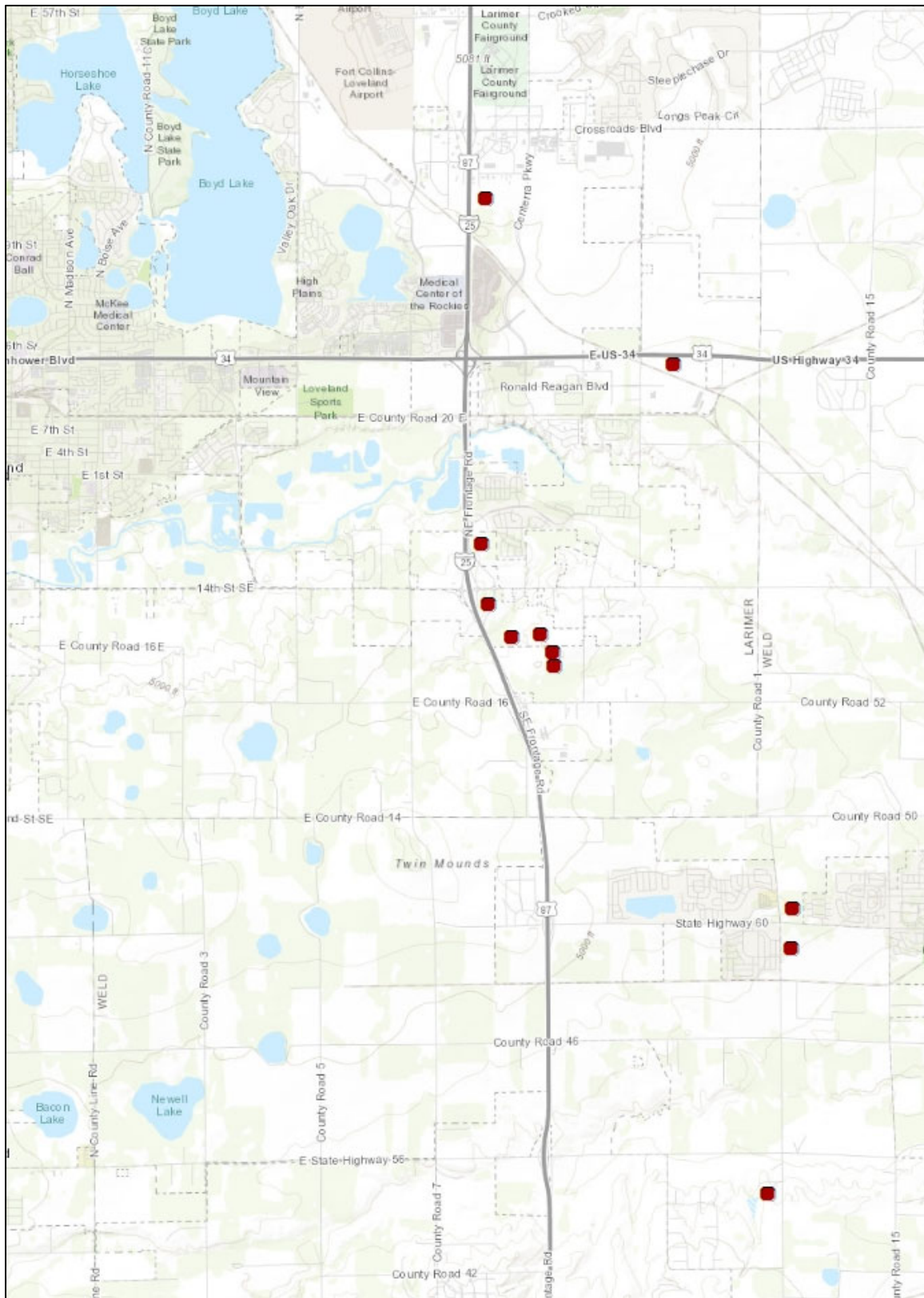
To determine this, EPS researched comparable properties in the region, drawing from 11 sales of raw (unimproved) land as shown in **Figure 2**. These properties range in size from 13.8 to 53.4 acres, with an average size of 32.2 acres, and are located on or near major roadways. Sale prices range from \$56,200 to \$191,200 per acre, with an average value of \$96,000 per acre, summarized in **Table 15**. Applying this average to the Town's property, at 50 acres the parcel is estimated to be worth approximately \$4.8 million.

Table 15. Comparable Land Sales

Address	City	County	Acreage	Sq.Ft.	Sale Year	Sale Value		
						Value	per Acre	per Sq.Ft.
Raw Land (Limited Development Potential/Unentitled)								
2279 S County Road 3E	Johnstown	Larimer	39.48	1,719,749	2021	\$3,188,491	\$80,762	\$1.85
South County Road	Johnstown	Larimer	39.85	1,735,866	2021	\$2,274,554	\$57,078	\$1.31
8466 US-34	Johnstown	Larimer	36.87	1,606,057	2020	\$5,100,000	\$138,324	\$3.18
South County Road	Johnstown	Larimer	15.69	683,456	2017	\$3,000,000	\$191,205	\$4.39
South County Road	Johnstown	Larimer	25.16	1,095,970	2017	\$3,000,000	\$119,237	\$2.74
Medowlark Dr	Johnstown	Weld	13.83	602,644	2019	\$879,800	\$63,593	\$1.46
6037 Hwy 60	Johnstown	Weld	33.03	1,438,743	2019	\$3,030,000	\$91,738	\$2.11
Hwy 44 & Colorado Blvd	Johnstown	Weld	35.88	1,563,081	2020	\$2,500,000	\$69,670	\$1.60
E County Rd 18/ SE Frontage	Johnstown	Larimer	53.41	2,326,540	2017	\$3,000,000	\$56,169	\$1.29
1016 SE Frontage Rd	Johnstown	Larimer	35.40	1,542,024	2020	\$4,300,000	\$121,469	\$2.79
Centerra Pkwy	Loveland	Larimer	25.78	1,122,977	2014	\$1,982,000	\$76,881	\$1.76
Average						\$2,932,259	\$96,921	\$2.22

Source: CoStar; Economic & Planning Systems

Figure 2. Comparable Land Sales



PIF Revenue Forecasts

The Developer has requested a credit PIF from the Town of 2.0 percent and an add-on PIF of 2.5 percent. At full buildout estimated in 2030, the planned development is estimated to generate approximately \$4.4 million per year from the credit PIF and \$5.5 million per year based on the add-on PIF, as shown in **Table 16**. Based on an annual escalation rate of 1.5 percent, total annual revenues are estimated to increase to a total of \$13.65 million in 2051 (\$6.1 million in credit PIF and \$7.6 million in add-on PIF).

Table 16. Ledge Rock Center – Total PIF Revenues

Description	Credit PIF (2.0%)	Add-On PIF (2.5%)	Total
Ann. Escalation	1.5%	1.5%	
2022	\$437,846	\$547,307	\$985,153
2023	\$888,827	\$1,111,033	\$1,999,860
2024	\$1,353,239	\$1,691,548	\$3,044,787
2025	\$1,831,383	\$2,289,229	\$4,120,611
2026	\$2,323,567	\$2,904,459	\$5,228,026
2027	\$2,830,105	\$3,537,631	\$6,367,735
2028	\$3,351,315	\$4,189,144	\$7,540,460
2029	\$3,887,526	\$4,859,407	\$8,746,933
2030	\$4,439,069	\$5,548,836	\$9,987,904
2031	\$4,505,655	\$5,632,068	\$10,137,723
2032	\$4,573,240	\$5,716,549	\$10,289,789
2033	\$4,641,838	\$5,802,298	\$10,444,136
2034	\$4,711,466	\$5,889,332	\$10,600,798
2035	\$4,782,138	\$5,977,672	\$10,759,810
2036	\$4,853,870	\$6,067,337	\$10,921,207
2037	\$4,926,678	\$6,158,347	\$11,085,025
2038	\$5,000,578	\$6,250,722	\$11,251,300
2039	\$5,075,587	\$6,344,483	\$11,420,070
2040	\$5,151,720	\$6,439,651	\$11,591,371
2041	\$5,228,996	\$6,536,245	\$11,765,241
2042	\$5,307,431	\$6,634,289	\$11,941,720
2043	\$5,387,043	\$6,733,803	\$12,120,846
2044	\$5,467,848	\$6,834,810	\$12,302,659
2045	\$5,549,866	\$6,937,332	\$12,487,198
2046	\$5,633,114	\$7,041,392	\$12,674,506
2047	\$5,717,611	\$7,147,013	\$12,864,624
2048	\$5,803,375	\$7,254,219	\$13,057,593
2049	\$5,890,425	\$7,363,032	\$13,253,457
2050	\$5,978,782	\$7,473,477	\$13,452,259
2051	\$6,068,464	\$7,585,579	\$13,654,043
Total	\$131,598,598	\$164,498,247	\$296,096,845

Source: Economic & Planning Systems

Project Debt Financing

The Ledge Rock Center Commercial Metropolitan District is planning to issue 30-year general obligation bonds to be serviced by the credit PIF, add-on PIF and a 5 mill property tax. Total debt service for the Series A bonds is estimated at \$253.8 million as shown in **Table 17**. Annual debt service requirements begin at \$3.4 million in 2024 and increase to \$10.7 million in 2051. Under the Developer's Baseline revenue assumptions, the Debt Service Coverage ratio (total debt service divided by available revenue) ranges from 135 to 150 percent (after 2025) which is above the bond requirements of 130 percent.

Under the Conservative Growth Scenario, shown in **Table 18**, the estimated Debt Service Coverage does not meet the bond requirements. The Debt Service Coverage is estimated at 90 percent in 2024, the first year of payments and increasing to a high of nearly 128 percent in the last year of payments in 2050.

Table 17. Bond Financing – Baseline Scenario

Year	Series A Bonds - Baseline Scenario		
	Net Debt Service	Total Available PIF Revenue	Debt Service Coverage
2022	\$0	\$1,738,505	--
2023	\$0	\$3,529,165	--
2024	\$3,401,475	\$5,373,153	158.0%
2025	\$6,802,950	\$7,271,667	106.9%
2026	\$6,802,950	\$9,225,928	135.6%
2027	\$7,347,950	\$11,237,180	152.9%
2028	\$8,144,338	\$11,405,737	140.0%
2029	\$8,602,413	\$11,576,824	134.6%
2030	\$8,692,663	\$11,750,476	135.2%
2031	\$8,777,938	\$11,926,733	135.9%
2032	\$8,867,975	\$12,105,634	136.5%
2033	\$8,951,988	\$12,287,218	137.3%
2034	\$9,044,713	\$12,471,527	137.9%
2035	\$9,135,100	\$12,658,600	138.6%
2036	\$9,227,625	\$12,848,479	139.2%
2037	\$9,316,500	\$13,041,206	140.0%
2038	\$9,416,200	\$13,236,824	140.6%
2039	\$9,505,413	\$13,435,376	141.3%
2040	\$9,603,875	\$13,636,907	142.0%
2041	\$9,695,275	\$13,841,461	142.8%
2042	\$9,799,088	\$14,049,082	143.4%
2043	\$9,893,738	\$14,259,819	144.1%
2044	\$9,993,700	\$14,473,716	144.8%
2045	\$10,092,663	\$14,690,822	145.6%
2046	\$10,194,575	\$14,911,184	146.3%
2047	\$10,293,125	\$15,134,852	147.0%
2048	\$10,397,263	\$15,361,875	147.7%
2049	\$10,500,413	\$15,592,303	148.5%
2050	\$10,606,263	\$15,826,187	149.2%
2051	\$10,710,238	\$16,063,580	150.0%
Total	\$253,818,400	\$364,962,017	

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

Table 18. Bond Financing – Conservative Scenario

Year	Series A Bonds - Conservative Scenario		
	Total Debt Service	Total Available PIF Revenue	Debt Service Coverage
2022	\$0	\$985,153	--
2023	\$0	\$1,999,860	--
2024	\$3,401,475	\$3,044,787	89.5%
2025	\$6,802,950	\$4,120,611	60.6%
2026	\$6,802,950	\$5,228,026	76.8%
2027	\$7,347,950	\$6,367,735	86.7%
2028	\$8,144,338	\$7,540,460	92.6%
2029	\$8,602,413	\$8,746,933	101.7%
2030	\$8,692,663	\$9,987,904	114.9%
2031	\$8,777,938	\$10,137,723	115.5%
2032	\$8,867,975	\$10,289,789	116.0%
2033	\$8,951,988	\$10,444,136	116.7%
2034	\$9,044,713	\$10,600,798	117.2%
2035	\$9,135,100	\$10,759,810	117.8%
2036	\$9,227,625	\$10,921,207	118.4%
2037	\$9,316,500	\$11,085,025	119.0%
2038	\$9,416,200	\$11,251,300	119.5%
2039	\$9,505,413	\$11,420,070	120.1%
2040	\$9,603,875	\$11,591,371	120.7%
2041	\$9,695,275	\$11,765,241	121.4%
2042	\$9,799,088	\$11,941,720	121.9%
2043	\$9,893,738	\$12,120,846	122.5%
2044	\$9,993,700	\$12,302,659	123.1%
2045	\$10,092,663	\$12,487,198	123.7%
2046	\$10,194,575	\$12,674,506	124.3%
2047	\$10,293,125	\$12,864,624	125.0%
2048	\$10,397,263	\$13,057,593	125.6%
2049	\$10,500,413	\$13,253,457	126.2%
2050	\$10,606,263	\$13,452,259	126.8%
2051	\$10,710,238	\$13,654,043	127.5%
Total	\$253,818,407	\$296,096,845	

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

Key Assumptions

It is important to summarize a number of important differences between the EPS forecast of available revenues (**Table 18**) and the forecast prepared by Piper Sandler & Co. (Piper) (**Table 17**).

- **Annual Sales Escalation Rate** – Piper has estimated a stabilized annual escalation in retail sales of 1.0 percent. EPS has applied a less 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 5.000 mills and a target mill levy of 5.000 mills. At stabilization, this is estimated to generate \$190,000 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 2 percent.
- **Absorption Rate** – The Baseline development program assumes retail absorption at 125,000 square feet annually over six years, for a total of 750,000 square feet. From 2015 through 2020, Johnstown (mostly Johnstown Plaza) saw an average of 124,000 square feet of retail deliveries annually; however, this includes the 250,000 square foot Scheels. Excluding Scheels, average deliveries in Johnstown have been 82,365 square feet annually. Johnstown has seen the highest retail delivery rate of similar communities, with Erie, Loveland, Windsor and Timnath all having an average of under 40,000 square feet of new space annually. To account for this, the Conservative Growth Scenario has assumed an extended delivery timeline of nine years, with an average of approximately 83,000 square feet per year.
- **Sales Factor** – Taxable retail sales are assumed at \$300 per square foot in the Baseline development program. Recent net taxable sales in the Johnstown Plaza development have averaged \$255 per square foot, and under the Conservative Scenario EPS has assumed this sales level will also be achieved by Ledge Rock Center.

Evaluation of Request for Public Assistance

Carson Development has requested an economic development incentive from the Town in the form of a credit public improvement fee (credit PIF), equivalent to 2.0 percent of the local sales taxes to pay for eligible public improvements and to provide a supplemental funding source for the Ledge Rock Commercial Metropolitan District. The Town is also proposing to contribute approximately 50 acres of land at the southeast corner of I-25 and Highway 60 to be part of the proposed 125-acre commercial portion of the project.

As detailed in this memorandum, the land to be conveyed by the Town is estimated to have a value of \$4.8 million. Over the 30 year financing period, the 2.0 percent credit PIF is estimated to generate \$162.2 million under the Baseline Scenario and \$131.6 million under the Conservative Scenario. This would result in a total public assistance package of \$167.0 million under the Baseline Scenario and \$136.4 million under the Conservative Scenario.

The total commercial public improvements costs (as estimated by Carson Development) are \$152.1 million, which is more than the value of the total public investment under the Conservative Scenario. Under the Developer’s Baseline assumptions, the public investment exceed the eligible public improvements and may need to be adjusted, as shown in **Table 19**.

Table 19. Public Assistance Summary

Description	Baseline Scenario	Conservative Scenario
Revenues/Incentives		
Parcel Conveyance	\$4,800,000	\$4,800,000
Credit PIF (2.0%)	<u>\$162,210,000</u>	<u>\$131,600,000</u>
Total	\$167,010,000	\$136,400,000
Costs		
Public Improvements (Commercial)	\$152,050,000	\$152,050,000
Total	\$152,050,000	\$152,050,000
Surplus/Deficit	\$14,960,000	(\$15,650,000)

Source: Economic & Planning Systems