



Robert G. Rogers
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VIA E-MAIL

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Matt LeCerf, Town Manager
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Re: Supplemental Background Letter for Draft Intergovernmental Agreement Authorizing the Use of Special Improvement Districts by the Granary Metropolitan Districts

Dear Avi, Carolyn and Matt:

I am writing to provide additional background information in support of our previously submitted draft Intergovernmental Agreement (the “**Proposed IGA**”) between the Town of Johnstown and Granary Metropolitan District Nos. 1-9 (the “**Districts**”). The Districts were created in 2021 via a consolidated service plan (the “**Service Plan**”) to support a development known as Granary (“**Granary**” or the “**Project**”). At the time the Service Plan was approved by the Town it included an estimated public improvements budget of approximately \$66,000,000.

Since approval of the Service Plan, there have been two notable developments at Granary. First, the improvements package has been expanded to include a pool and locker rooms that were not envisioned when the Service Plan was approved. Second, since 2021, there has been a dramatic increase in construction costs across Colorado. For example, according to the Colorado Department of Transportation’s records, construction costs have increased between 11% and 15% annually in each of the three years since the Service Plan for Granary was approved. Even assuming only 11% growth, this means a \$66,000,000 construction project in 2021 could be expected to cost \$90,263,646 in 2024. As of now, Granary’s updated public improvements budget estimate is approximately \$84,000,000, however, this estimate includes many improvements that are not scheduled for construction until several years into the future, and, assuming current trends continue, we expect the budget estimate to continue to increase significantly between now and the completion of construction.

With these circumstances in mind, the Districts are proposing an IGA that would allow for the use of Special Improvement Districts (“SIDs”) and corresponding special assessment bonds as a short-term, bridge financing solution to offset borrowing costs incurred for public improvements during construction. Assuming approval of the Proposed IGA, the Districts would immediately market and attempt to issue bonds in the 4th quarter of 2024 to raise revenue to complete a large grouping of public improvements during the 2025 construction season. These public improvements include but are not limited to the following: financial contribution to the completion of the planned roundabout at the intersection of Roosevelt Parkway and CR 13 to alleviate existing safety concerns at that intersection, completion of CR 46 at the southern border of Granary from CR 13 to Telep, completion of the Roosevelt Parkway from CR 13 to Telep, completion of Telep along the eastern border of the Project, and the above-referenced pool and locker room facilities. The use of special assessment bonds has been prevalent in many states for decades, and as it becomes more common in Colorado we are appreciative of the Town’s willingness to consider authorizing the use of special assessment bonds at Granary.

As you know, while the Johnstown Model Service Plan contemplates special assessment financing, it conditions the use of the tool on an intergovernmental agreement with the Town. In order to protect the end users within the Districts, our Proposed IGA is modeled off the recently approved Ridge SID IGA, and the Proposed IGA includes the same express requirement that all assessments be paid by a developer or homebuilder prior to conveyance to any individual End User. Similarly, the Proposed IGA would specifically prohibit assessments on any properties owned by End Users.

We appreciate staff’s work on the proposed IGA to date, and we look forward to working with you to address any remaining staff concerns and presenting our proposal to the Town Council on October 7th.

Cordially,

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