



Town of Johnstown

TOWN COUNCIL WORK SESSION

450 S. Parish, Johnstown, CO

Monday, August 30, 2021 at 6:00 PM

MISSION STATEMENT: Enhancing the quality of life of our residents, businesses, and visitors through community focused leadership.

AGENDA

CALL TO ORDER

AGENDA ITEMS

- [1.](#) Updated Economic Analysis RE: Johnstown Plaza
- [2.](#) Retail Marijuana Discussion

ADJOURN

AMERICANS WITH DISABILITIES ACT NOTICE

In accordance with the Americans with Disabilities Act, persons who need accommodation in order to attend or participate in this meeting should contact Town Hall at (970) 587-4664 within 48 hours prior to the meeting in order to request such assistance.



Town of Johnstown

TOWN COUNCIL WORK SESSION COMMUNICATIONS

AGENDA DATE: August 30, 2021

SUBJECT: Updated Economic Analysis RE: Johnstown Plaza

ACTION PROPOSED: Provide direction to move forward with Economic Analysis for Ledge Rock Center

ATTACHMENTS: EPS Report: Johnstown Plaza Economic Impact Analysis

PRESENTED BY: Matt LeCerf, Town Manager
Sarah Crosthwaite, Economic Development Manager
Dan Guimond, Tim Morzel, and Rachel Shindman, EPS Staff

AGENDA ITEM DESCRIPTION:

Enclosed for your review is EPS's report regarding updated fiscal and economic impacts of the Johnstown Plaza development. This analysis was required by the MOU executed in May 2021 between the Town of Johnstown and The Plaza of JC, LLC, which is the developer of Johnstown Plaza. The developer is currently exploring a new project called Ledge Rock Center, located at the southeast corner of Hwy 60 and I-25, that would consist of commercial, single family, and multi-family development.

The developer has indicated they would like to refinance the existing 2016 JPMD bonds and submit for additional reimbursement of expenses at Johnstown Plaza. The developer would like to utilize the costs savings from refinancing the bonds and funds of the additional expense reimbursements to fund public improvements at the proposed new project.

Part of the Town's due diligence in adding additional debt to Johnstown Plaza and determining the feasibility of the proposed new project is to first examine the economic impact of Johnstown Plaza on the Town and the sustainability of issuing new debt.

The EPS report took into account the existing economic analysis of Johnstown Plaza that was conducted in 2015 and updated costs and revenues to the Town from Johnstown Plaza. Additionally, EPS explored 3 scenarios regarding the existing 2016 JPMD bonds. The first scenario explored leaving the existing 2016 JPMD bonds as is without refinancing or adding additional debt. The second scenario explored refinancing the existing 2016 JPMD bonds with no new additional debt. The third scenario explored refinancing the existing 216 JPMD bonds and issuing an additional \$9.3 million in debt to cover eligible public improvement expenses.

Town Staff would like Council to consider the results of the EPS report and provide direction as to whether to move forward with a second analysis specific to Ledge Rock Center. The execution of the agreement to perform this phase can be handled administratively. Should the Town move forward with an economic analysis for Ledge Rock Center specific to the proposed commercial development the developer will need to provide a Project Summary which includes:

- Description of types of uses for the project

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- Proposed square footage of new retail use
- Estimated revenue generation
- Illustration of the project layout
- Estimate and general description of the public improvement costs required to support the project
- Timeline for the development
- Absorption of the uses proposed within the project
- Information regarding the organization of one or more new metro districts
- Financing plan for the new public debt
- Other critical path elements for the project.

With Council direction and a complete Project Summary, Town Staff will engage with EPS to begin the economic analysis for Ledge Rock Center which take approximately 60 days to complete. The analysis will include impact of Town services to the development, potential revenue, community impact, an evaluation of requested incentives including the town parcel (*currently owned by Kerr-McGee Oil & Gas Onshore LP, approximately 48.96 acres*) that is set to be conveyed to the developer, and assessment of the developer's proposed finance structure for the project.

The findings of the analysis will provide the Town direction on whether to proceed with the development of Ledge Rock Center.

Reviewed and Approved for Presentation,



Town Manager

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



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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

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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

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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)		
	Current Refunding of Series 2016A&B	Total Available PIF Revenue	Debt Service Coverage
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

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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)		
	Current Refunding of Series 2016A&B	Total Available PIF Revenue	Debt Service Coverage
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

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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.



Town of Johnstown

TOWN COUNCIL WORKSESSION COMMUNICATION

AGENDA DATE: August 30, 2021

SUBJECT: Retail Marijuana Discussion

ATTACHMENTS: Correspondence

PRESENTED BY: Matt LeCerf, Town Manager

WORKSESSION ITEM DESCRIPTION:

Town Staff has recently received two inquiries regarding permissions to establish retail marijuana locations within the Town. Currently, our code prohibits this use in the community. The specific language in the Johnstown Municipal Code which addresses this topic is as follows and was most recently adopted through ordinance 2016-143:

Sec. 16-26. - Recreational marijuana prohibitions.

(a) Intent, authority and applicability.

(1) *Intent.* The intent of this Section is to prohibit business uses related to recreational marijuana in the Town.

(2) *Authority.* The Town Council has authority to prohibit business uses related to recreational marijuana in the Town, deriving from, among other sources, Article XX, Section 6, of the Colorado Constitution, State statutes, including but not limited to C.R.S. § 31-15-401, and Article XVIII, Section 16, of the Colorado Constitution.

(3) *Applicability.* This Section shall apply to all property in the Town.

(b) Uses prohibited.

(1) It shall be unlawful for any person to operate, cause to be operated or permit to be operated a recreational marijuana establishment in the Town.

(2) It shall be unlawful for any person to operate, cause to be operated or permit to be operated a marijuana consumption establishment in the Town.

The Community That Cares

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Based on the inquiries, Town Staff requested that those parties who desire to make this request provide information to be included in a future work session. That information (which you may have already received) is included with this communication. While there is a current policy regarding recreational marijuana in place, the inquiry has been made several times. Accordingly, Town Staff felt it was necessary to present the item to Council to either reaffirm the current policy in place or direct that an adjustment to the current policy be made.

Reviewed and Approved for Presentation,



Town Manager



August 12, 2021

VIA ELECTRONIC MAIL

Mayor Gary Lebsack

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Council Member Jesse Molinar Jr.

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Council Member Amy Tallent

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Re: Marijuana Businesses in Johnstown
(Proposed Change to Town Code)

Dear Mayor and Council,

Please be advised that we represent Julia DeVries and John Van Hattem. Julia and John are mother-and-son dairy farmers in the Loveland area, but they also own and operate a marijuana store in Larimer County. Julia and John are interested in opening a store in Johnstown near I-25, but are currently unable to do so due to the prohibition in Section 16-25 and 16-26 of the Town Code.

As you may know, many of Johnstown's neighboring towns and cities already allow marijuana stores. Garden City, Milliken, Berthoud, and Fort Collins all contain marijuana stores, making access to marijuana common in the surrounding area, including Johnstown. Despite Johnstown residents already having easy access to marijuana products in neighboring jurisdictions, Johnstown is unable to benefit from the related tax revenue and is unable to shape the industry in-line with its values. Permitting limited marijuana licensing would allow Johnstown to realize the tax benefit of marijuana sales and would allow it to regulate such sales according to the Town's values.

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This was the reasoning cited by Milliken when they decided to allow limited marijuana stores in 2017. Milliken saw that Garden City received half of its annual revenue from marijuana taxes and realized that they could benefit from an increase in revenue as well. Garden City was able to spend an additional three-million dollars on infrastructure improvements as a result of marijuana taxes in 2017 and 2018. Milliken reported \$135,000 in additional tax revenue from its single marijuana store in 2020.

Regulating such businesses is made to be easy by the Colorado Department of Revenue Marijuana Enforcement Division (“MED”). The MED has a comprehensive 438-page set of rules for marijuana businesses, which every marijuana business in Colorado is required to follow. Those rules include a framework for tracking marijuana from seed-to-sale, security standards, and vetting of marijuana business owners to ensure that criminals and black-market operators are kept out of the industry. The MED also employs a large staff of compliance officers who regularly inspect the businesses for compliance and ensure that businesses never make sales to underage customers. The MED remits \$2,500.00 in application fees per application to the local jurisdiction to ensure that the local licensing authority is able to fund its staff to process such applications. MED’s regulations take most of the burden off of local jurisdictions so that the businesses are not a distraction from the Town’s current priorities.

We would like to meet with you to discuss this possible change to Johnstown’s Town Code and any concerns that you may have. If drafting a resolution or ordinance is a concern, our office would be happy to assist in the process. Julia and John are excited to meet you to discuss how they might fit into Johnstown. Please give me a call at 303-499-3040 or email at jeff@gardlawfirm.com so that we can schedule a time to meet.

Sincerely,

/s/Jeffrey S. Gard

Jeffrey S. Gard

Cc: Julia DeVries and John Van Hattem