

From: [Brandon Cohen](#)
To: [Jessica Lake](#)
Cc: [rick](#); [Scott Schlosser](#)
Subject: Re: Staff Memo - Metro Ceiling Debt
Date: Friday, September 30, 2022 8:37:23 AM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.png](#)
[Haymeadow - Public Infrastructure Backup \(1\) \(1\).pdf](#)

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Hi Jessica,

Thanks for sending this over. If possible, I'd like to provide you with whatever information you need to resolve this comment before the 11th: "However, we cannot be certain that construction costs have increased to the extent outlined by the Metro District without additional information."

To help clarify the assumptions we made, I'm attaching a spreadsheet with the *actual* unit costs we paid for Filing 1 work in 2019 and the *actual* unit costs we're paying now in RMF-1, compared to the unit costs used in the \$87 million estimate. I think that's what Staff is looking for to be certain that our cost estimates are reasonable. You can see that the unit cost assumptions in the \$87 million estimate are actually lower than the unit costs we are actually paying in RMF-1. We tried to be conservative at the time we made that estimate, and didn't yet have the RMF-1 bids.

Furthermore, the estimate the Metro Districts provided is based on cost estimates in 2022. Given the anticipated build-out of 10-15 years, any current cost estimate is certain to be outdated by the time the public infrastructure is completed. Even if we were assuming that inflation were to return to historical levels of 2% annually.

More importantly, the debt service mill levy can only be used to pay for the actual cost of completed public infrastructure. So in the highly unlikely scenario where it turns out the Metro Districts have overestimated the cost of infrastructure, the \$87 million debt limit would simply not be used. There's no harm to homeowners in overestimating.

Also, regarding the comment, "important to note that the high tax burden could be viewed as contrary to the goal of creating affordable housing," it's important to understand that this request does *not* increase the Metro Districts' mill levies *at all*. The mill levy caps in the Service Plan remain fully intact. Rather, the Metro Districts are merely asking for the Town to allow for the Debt limit to be offset to reflect the realities that both the expected public infrastructure costs and the expected tax base have drastically increased in the eight years since Council approved the Service Plan.

Ultimately the future homeowners will have to absorb all of the costs of the public infrastructure or it simply won't make sense to build those homes. So in the event the debt limit is not approved and those homes do get built, yes the Metro Districts' debt burden will be lower, but the costs of homes

and mortgage burden (and down payment) will be higher as a result of the higher upfront cost of lots needed to pay for the infrastructure. This request isn't about *whether* the homeowners pay for their infrastructure, it's about *how* they pay for it most efficiently. And it is more equitable to future residents and more efficient to pay for public infrastructure through tax-exempt Metro District bonds than for homeowners to finance those costs individually. To put it differently, if the Town's concern is making the housing more affordable, the best way to ensure that is to enable the Metro Districts to finance all of the public improvement costs over time, rather than to require those costs to be added to the price of lots.

Also, as explained to the Town in 2014, tax exempt Bonds helps ensure that the public improvements are financed over decades by every homeowner in the development – proportionately to the amount of time they own their homes – rather than financed up front by the first homeowner who is unlikely to be able to recoup that cost from subsequent owners.

We believe we've already provided an apples to apples comparison of the 2014 financial plan by updating the two elements of that plan: (1) a revenue projection that includes current home value estimates and (2) an infrastructure cost estimate based on actual observed costs in Filing 1 and RMF-1. On (2) I don't think any consultant could come up with a better estimate than actual unit costs we're currently paying. And on (1) an expert could come up with slightly different assumed home values than we did, but I think the Town Council is as qualified as any expert to know if the home values we're assuming are reasonable. And ultimately, bond markets will only issue debt to the Metro Districts if they believe based on market studies at the time of any issuance the Metro Districts can afford to pay off the loans. So if home values crash 50% the day after this debt limit increase is approved, it won't matter that the Metro Districts have an \$87 million debt limit, the bond markets will only lend the Metro Districts what they can afford based on those lower home values.

Essentially, this debt limit increase only gives the Metro District the ability to raise up to \$87 million IF that amount is actually spent on public infrastructure and IF the bond markets believe they can pay that back.

If you think the Council needs expert advice, I don't think hiring someone to do an apples to apples comparison is really what they would need. I think it would be more helpful and additive to what we've already provided if a metro district consultant or attorney (not a financial planning company) reviewed the information we've already provided for completeness and accuracy.

Please let me know if you would like to discuss further.

Best,
Brandon

On Mon, Sep 26, 2022 at 1:57 PM Jessica Lake <jessica.lake@townofeagle.org> wrote:

Brandon, Rick and Scott,

Attached is the staff memo for the Metro District Discussion on October 11th.

This has been reviewed by Public Works and Finance, but let me know if you feel that we have included any incorrect information.

Let me know if you want to discuss this at all!

Best,

Jessica Lake

Planner I

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