



The Special District Group

JULY 2023

AC-REP DEVELOPMENT COUNCIL

PIPER | SANDLER

Special District Group

The Special District Group

.....

We work with the development community and local governments in **rapidly growing regions** to **structure and sell debt** for **public infrastructure** that creates more **attainable housing** and **economic opportunity**.

More Than Thirty Years of Special District Expertise

We wrote the book on special districts

1990s

2020



In the early 1990s, our team worked with our partners in the industry to reform statutes and local policies to provide—protections for homeowners within metro districts and ensure that only sophisticated investors were buying early stage debt. The Special District Group transitioned platforms during this time and found a new home for several years.



The Special District Group transitioned platforms to Piper Sandler in 2020, allowing for broader distribution of the billions of dollars of debt that is underwritten each year by the group and facilitating national expansion. At Piper Sandler, the team has grown to more than 30 individuals dedicated to tax increment and special district finance nationwide, with offices in Denver, CO and Salt Lake City, UT.



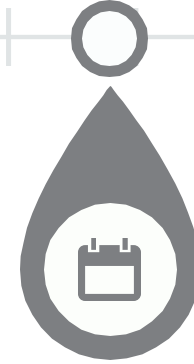
1980

From our team's first metro district financing in 1980, the special district market expanded along with the housing market in Colorado and grew from a niche industry into the mainstream as the decade progressed.



2000s

The industry expanded dramatically in the 2000s as the housing market continued to expand in Colorado and metro districts became a ubiquitous tool to meet regional infrastructure demands. Our team underwrote more debt than all others combined through this period and beyond.



A Proven Team on a Powerful Platform

26 special district professionals, No. 1 in special district finance in the nation*

BANKING TEAM



QUANTITATIVE TEAM



OPERATIONS TEAM



*Refinitiv: Principle amount and number of non-rated transactions, sole managed, 2 years or longer in maturity

Colorado Special District Banking Team

Ranked No. 1 in Colorado by principal amount and number of special district bonds issued



Zach Bishop
Managing Director
+1 303 405-0879
zach.bishop@psc.com



Jonathan Heroux
Managing Director
+1 303 405-0848
pjonathan.heroux@psc.com



Michael Lund
Senior Vice President
+1 303 405-0842
michael.lund@psc.com



Shelby Noble
Managing Director
+1 303 405-0878
shelby.noble@psc.com



Mike Sullivan
Managing Director
+1 303 405-0876
mike.sullivan@psc.com



Akio Ohtake-Gordon
Senior Associate
+1 303 405-0859
akio.ohtake-gordon@psc.com



Blaine Hawkins
Associate
+1 720 610-7577
blaine.hawkins@psc.com



Katie McVey
Senior Associate
+1 720 355-6702
katie.mcvey@psc.com

By the Numbers

Industry-leading expertise on a proven platform

No. 1

in the nation for special district bonds issued.¹

No. 1

in Utah for special district bonds issued.²

No. 1

in Colorado for special district bonds issued.³

\$4.1B

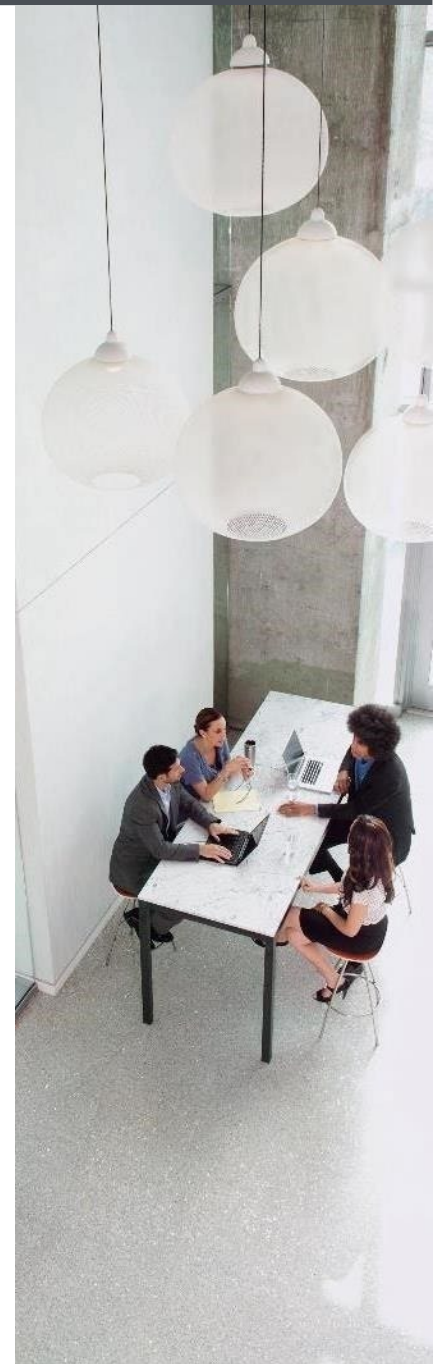
in special district debt underwritten nationally.¹

209

special district transactions nationally.

27

dedicated special district professionals.



¹Refinitiv: Principal amount non-rated transactions, sole managed, 2 years or longer in maturity, January 1, 2021 – December 31, 2022.

²Refinitiv: Principal amount of negotiated sales of PIDs and Development Authorities, January 1, 2021 – December 31, 2022.

³Refinitiv: Principal amount and number of negotiated sales of Metro Districts, GIDs, SIDs, and CABs, January 1, 2021 – December 31, 2022.

Metropolitan Districts 101

Metropolitan District Overview

- Metropolitan Districts (“Metro Districts”) are authorized by Colorado Revised Statutes
 - **Fund public improvements for a particular neighborhood or community**
 - **Metro Districts localize the cost of public improvements to fund new development rather than spreading those costs throughout the entire governing jurisdiction (i.e., City, Town, County)**
- 1000’s of Metro Districts throughout Colorado
 - **Metro Districts have become one of the primary financing tools for the construction of public improvements in the state.**
- Metro Districts have the ability to fund public improvements in a cost-effective way through tax-exempt financing
 - **Results in lower interest rates and is often much cheaper than privately financing public improvements.**
 - **Financing public improvements spreads the initial cost over decades and along with the tax-exempt nature of the bonds, results in more purchasing power for homeowners**

Purpose of a Metro District

- Cost effective financing of public improvements
- Construction of public improvements
- Provide on-going operations and maintenance for public areas, clubhouses, pools, parks, open space areas, trails
- Covenant enforcement

Powers of Metropolitan Districts

- Metro Districts can provide any two or more of the following services to a community and bond proceeds can be used to fund related infrastructure:
 - Street improvements
 - Water facilities, services and water rights acquisition
 - Sanitation facilities and services
 - Park and recreation facilities
 - Traffic-related safety protection improvements
 - Transportation facilities and services
 - Television relay and transmission facilities and services
 - Mosquito control facilities and services
 - Security services
 - Covenant enforcement services
- Power to levy taxes and assess fees, rates, tolls, charges and penalties
- Power to issue bonds and other forms of financial obligations
- May provide for the ongoing operation and maintenance of public improvements within the community
- Power of eminent domain (condemnation)

Advantages of Metro Districts

- Publicly accountable (public meetings, open records, elected Board)
- Ability to impose ad valorem property taxes to pay for public improvements
- Ability to finance public improvements over long period of time which presents a savings to residents who can pay for public improvements over time instead of upfront in the purchase price of their home
- Ability to issue tax-exempt bonds with a lower interest rate than private funding or taxable bonds
- Sophisticated insurance pool resulting in lower insurance costs, along with Governmental immunity
- As a local government, the Metro District is exempt from State sales and use tax when purchasing supplies and equipment resulting in lower construction costs
- Provision of public improvements and services to new and existing developments that the Town or the County may be unable or unwilling to provide
- Covenant enforcement services to preserve property values and ensure uniform aesthetics throughout the community
- As the cost of development in Colorado has increased Metro Districts have become a popular and statutorily authorized way to fund the necessary public improvements in a cost-effective way that results in savings for residents

Bond Financing

Bond Issuance Process

- Once the District's Service Plan has been approved, they may issue and incur debt.
- The Service Plan dictates the maximum amount of debt that may be issued by a District, the maximum repayment term and the maximum mill levies available to repay the debt.
- The maximum debt limitation in the Service Plan will typically be greater than the initial cost estimates for the infrastructure to accommodate (1) escalating cost of the improvements over time, (2) increases in market interest rates and (3) reserves required for bond issuances.
- The amount of debt to be issued by a District will be constrained by (1) the actual amount of "eligible and qualified" improvements to be funded and (2) the amount of debt that can be repaid based on build out AV (illustrated on next slides).
- The cost of qualified improvements typically exceeds the amount of District debt that can be raised in the debt market. The difference is funded by the Developer.

Bond Sizing / General

- **Metro District bonds are sized based on the following:**
 - Anticipated development absorption with the boundaries of the District (residential or commercial)
 - Anticipated average home price or price / SF
 - The maximum mill levy available to pay the debt (per to the Service Plan)
 - Prevailing interest rates at time of issuance
 - Term of the bonds (typically 30 years)
 - Debt service coverage requirements (if any)
 - Bond sizing can never exceed the District's debt limit (per the Service Plan)
- **Development absorptions are verified by an independent 3rd party market study provider**
 - Market study will determine whether annual absorption assumptions and values are justified based on market comps from other developments of similar size and scope
- **Qualified public infrastructure costs must be certified by an independent 3rd party engineer**
 - Bond proceeds are held by the bond trustee and only released upon certification from the engineer, ensuring that the improvements are completed
- **Metro District bonds are sold to institutional investors who must meet qualification and eligibility requirements**

Credit Considerations

- **Land Status**

- Who owns the land?
- What LOIs or Contracts are held by the horizontal owner?
- Who is the intended builder?
- Is it zoned/entitled for intended use?
- Has it been platted?

- **Length of Development**

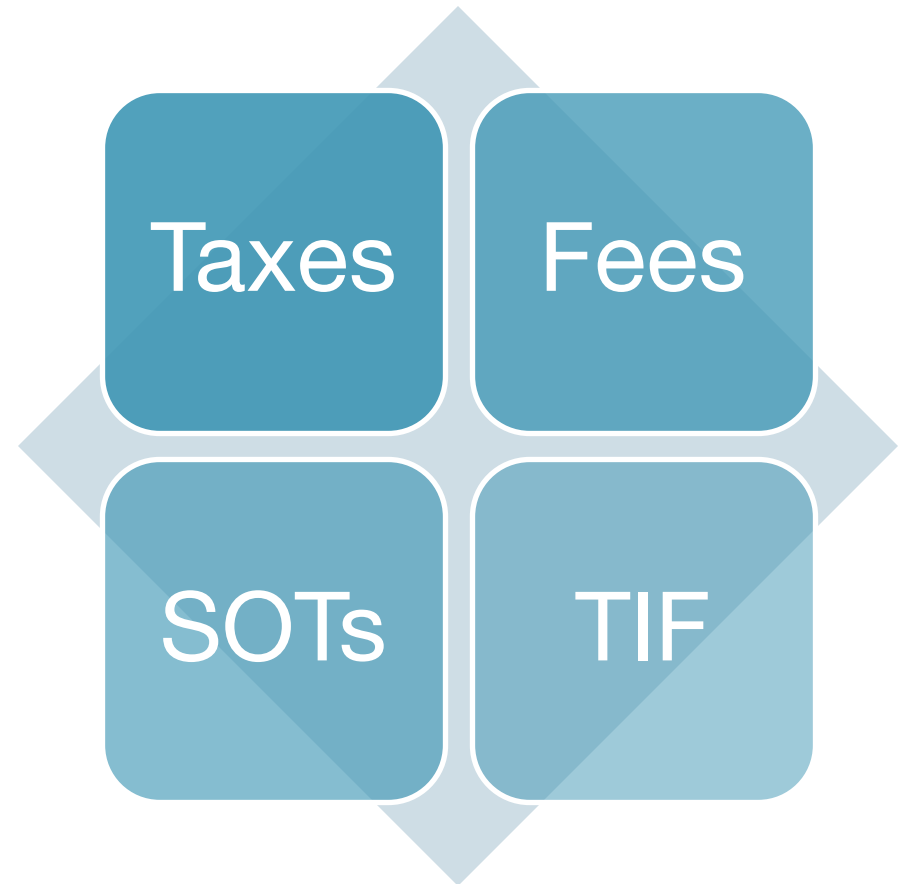
- Longer timeline = lower proceeds up front

- **Type of Development**

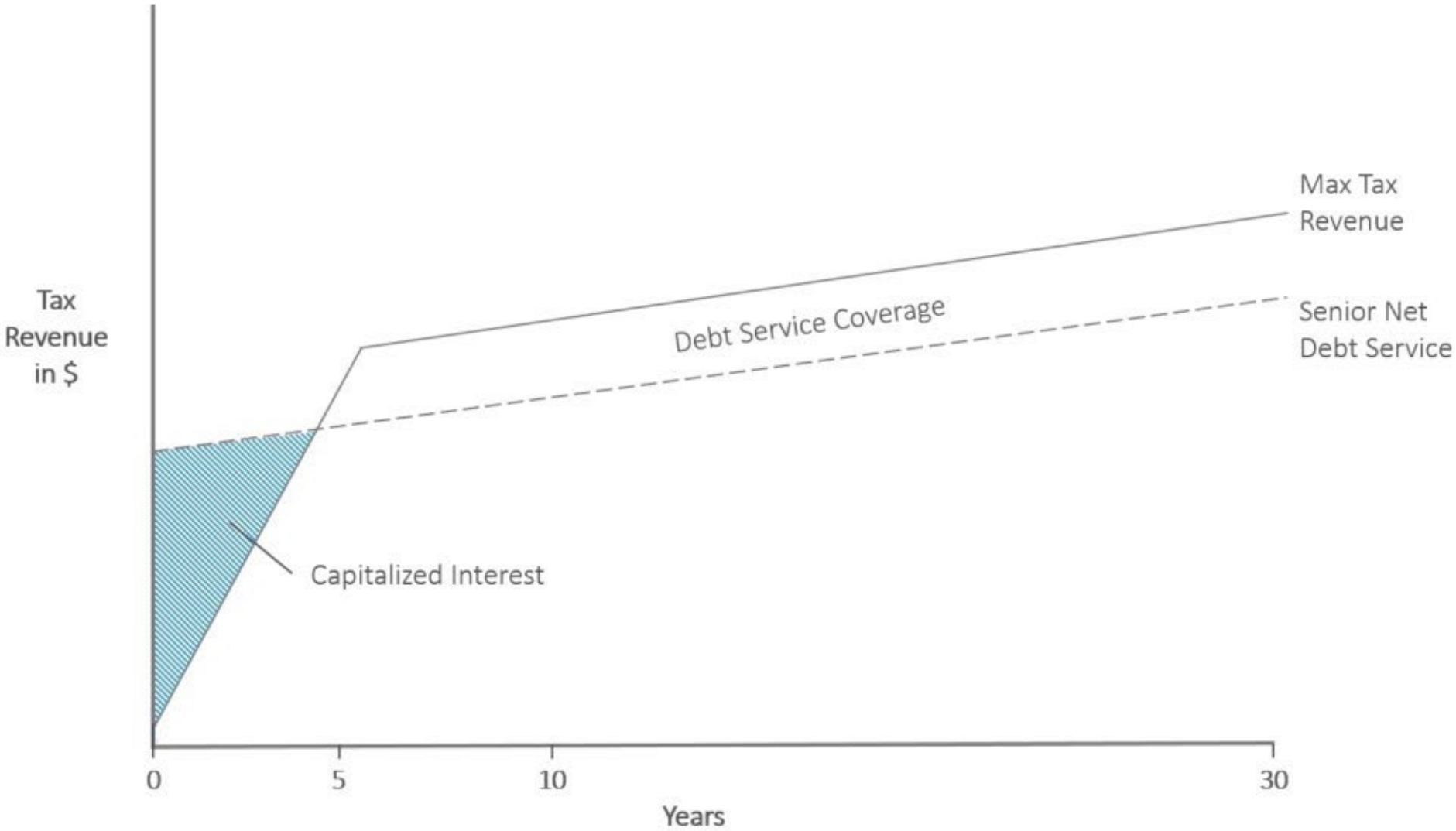
- Residential generally more favorable, however recent events (mortgage rates, builder status) have led to greater scrutiny
- Commercial status depends on type
- Office is generally less desirable, but it depends...
- Lease status
- Build to Suit or Spec?
- Merchant builder or long term holder

Sources of Revenue

- *Ad valorem* (property) taxes
- Public Improvement Fees (“PIF”)
 - Assessed against taxable sales
- Fees, Rates, Tolls, Penalties, and Charges
- Specific Ownership Taxes (“SOTs”)
- Special Assessments (through SID)
- Tax Increment Revenue (“TIF”)
 - Sales Tax revenues
 - Property Tax revenues



Limited Tax Bonds - Structure



Bond Structures

- **Bonds structures can take on several different forms**
 - Senior / Subordinate / Junior Subordinate (or all three stacked)
 - Current Interest Bonds / Capital Appreciation Bonds / Cash Flow Bonds
 - Rated vs Non-Rated Bonds
 - Inflation Assumption: 6% vs. 2% biennial reassessment
 - Cushion to discharge date of District's mill levy
- **Non-rated debt carries a higher interest rate than rated debt**
 - Not-Rated Senior Debt: Currently 6.50% - 7.50% (depending on structure)
 - Non-Rated Subordinate Debt: Currently 8.50% - 9.75%
 - Rated Debt: Currently 4.00% – 5.00% (depending on structure)

Case Studies

Longs Peak Metropolitan District

CASE STUDY

PROJECT DESCRIPTION

- Located in Wheat Ridge, Jefferson County, Colorado
- Planned to be a mixed-use development consisting of approximately 109 acres, marketed as Clear Creek Crossing.
- Anticipated to contain: 2 multifamily residential apartment complexes, 200 bed hospital, 130,000 SF medical office building, a 125 room Hampton Inn, 103,270 SF of additional retail and restaurant, 110,000 SF LifeTime Fitness Center, a three store office building containing a Foothills Credit Union, Dutch Bros. coffee shop and a Kum & Go convenience store and gas station (fully operational)
- At the time of issuance in November 2021, approximately 80% of the land is owned by 3rd parties, under contract for sale or subject to an LOI

BANKING TEAM

Sam Sharp

Managing Director
+1 303 908-1208
Sam.Sharp@psc.com

Shelby Noble

Managing Director
+1 720 936-6332
Shelby.Noble@psc.com

Katie McVey

Senior Associate
+1 (720) 355-6702
Katie.McVey@psc.com



TRANSACTION DETAILS



Par: \$54,660,000

Yield: 5.25%

Debt Structure:

Senior Cash Flow Bonds

Pledged Revenue:

Debt Service Mill Levy of 35 mills; Sales Tax Revenue including a 1.50% Credit PIF (not subject to Lifetime Property); 0.50% Add-on PIF (not subject to the Lifetime Property); 3.00% Service PIF and Lodging Tax Revenue including a 5.00% Credit PIF and 0.50% Add-On PIF

Use of Proceeds:

Finance Public Infrastructure improvements within the District

Fitzsimons Village Metropolitan District No. 3

CASE STUDY

PROJECT DESCRIPTION

- Part of the larger 31-acre Fitzsimons Village, located at Colfax Avenue and I-225, being developed by Corporex
- Anticipated to contain 680 dwelling units, 741,000 square feet of office and retail space, and 223 hotel rooms
- At the time of issuance, all future development not being completed by Corporex was sold to vertical builders
- 70% of the hotel development and 23% of the commercial space is complete, 54% of the residential is under construction
- Financing will be used to refund outstanding bonds and to build new infrastructure including a new parking garage and the Promenade Park, which will connect the entire development

BANKING TEAM

Sam Sharp

Managing Director
+1 303 908-1208
Sam.Sharp@psc.com

Shelby Noble

Managing Director
+1 720 936-6332
Shelby.Noble@psc.com

Katie McVey

Senior Associate
+1 (720) 355-6702
Katie.McVey@psc.com



TRANSACTION DETAILS

Series 2021 A-1

Par: \$40,040,000

Yield: 4.25% (2055 Term)

Debt Structure: Current Interest Refunding & Improvement Bonds

A-1 Pledged Revenue: District No. 3 PIF Revenues; and District Nos. 2 & 3 Capital Fees

Series 2021 A-2

Par: \$7,875,000

Yield: 7.19% (2041 Term)

Debt Structure: Taxable Current Interest Bonds

A-2 Pledged Revenue: District No. 2 PIF Revenues District No. 1 Parking Fees

Shared Pledged Revenue: 2008 PFRA Revenues (Incremental Property Taxes, Sales Tax, Lodging Tax and Use Tax from District No. 2; TCHA Payments (PILOT for Children's Hospital); District Nos. 2 & 3 Property Taxes; and District Nos. 2 & 3 Specific Ownership Taxes

Canyons Metropolitan District No. 3

CASE STUDY

PROJECT DESCRIPTION

- Located in Castle Pines, Douglas County, Colorado
- Planned to be a mixed-use development consisting of approximately 157 acres, marketed as part of the Canyons Master Planned Community
- Anticipated to contain: 325 apartment homes, 170 townhomes, 80 duplexes, as well of 310,000 SQF of commercial development including a medical office and a fitness facility
- At the time of issuance in November 2021, the multifamily was under construction, the 250 townhomes and duplex units were under a PSA, a PSA existed with LifeTime Fitness, and 40,000 SQF of the commercial was under a PSA.

BANKING TEAM

Sam Sharp

Managing Director
+1 303 908-1208
Sam.Sharp@psc.com

Shelby Noble

Managing Director
+1 720 936-6332
Shelby.Noble@psc.com

Katie McVey

Senior Associate
+1 (720) 355-6702
Katie.McVey@psc.com



TRANSACTION DETAILS



The Canyons™
CASTLE PINES

Par: \$31,270,000

Yield: 5.50%

Debt Structure:

Senior Cash Flow Bonds

Pledged Revenue:

Debt Service Mill Levy of 45 mills, SO Taxes, Facility Fees of \$2,000 per multi-family unit, Facility Fees of \$4,000 per townhome unit, Facility Fees of \$4,000 per duplex unit, 1.375% Credit PIF, 3.00% Add-On PIF for sales and fitness dues and PILOT Revenues of \$100,000 per year (inflating 1% annually) on the LifeTime Parcel

Use of Proceeds:

Refunding the 2021 Note and financing Public Infrastructure improvements within the District



Thank you

PIPER | SANDLER

Disclosure

Piper Sandler is providing the information contained herein for discussion purposes only in anticipation of being engaged to serve as underwriter or placement agent on a future transaction and not as a financial advisor or municipal advisor. In providing the information contained herein, Piper Sandler is not recommending an action to you and the information provided herein is not intended to be and should not be construed as a “recommendation” or “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. Piper Sandler is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act or under any state law to you with respect to the information and material contained in this communication. As an underwriter or placement agent, Piper Sandler’s primary role is to purchase or arrange for the placement of securities with a view to distribution in an arm’s-length commercial transaction, is acting for its own interests and has financial and other interests that differ from your interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

Piper Sandler Companies (NYSE: PIPR) is a leading investment bank driven to help clients Realize the Power of Partnership®. Securities brokerage and investment banking services are offered in the U.S. through Piper Sandler & Co., member [SIPC](#) and [FINRA](#); in Europe through Piper Sandler Ltd., authorized and regulated by the U.K. Financial Conduct Authority; and in Hong Kong through Piper Sandler Hong Kong Ltd., authorized and regulated by the Securities and Futures Commission. Private equity strategies and fixed income advisory services are offered through separately registered advisory affiliates.

© 2023 Piper Sandler & Co. 800 Nicollet Mall, Minneapolis, Minnesota 55402-7036