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Financial Planners and Consultants

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MEMORANDUM

TO: Mr. George Roberts, Red Table Ventures, LLC
Mr. Tambi Katieb, Land Planning Collaborative, Inc.

FROM: Amy Greer

DATE: April 3, 2018

SUBJECT: Analysis of Potential Incremental Town of Gypsum Revenues Generated as a result of the Siena Lake PUD - Draft #3

In accordance with your request Stan Bernstein and Associates, Inc. has developed this **ANALYSIS OF POTENTIAL INCREMENTAL TOWN OF GYPSUM REVENUES GENERATED AS A RESULT OF THE SIENA LAKE PUD** (the "Fiscal Impact Analysis").

SIENA LAKE PUD

The Fiscal Impact Analysis is based upon the following proposed Siena Lake buildout:

	<i>Planned # of Units/Commercial Sq. Ft.</i>
<i>Residential</i>	
<i>Mountain Cottage</i>	227
<i>Lake Home</i>	176
<i>Condo</i>	156
<i>Live Work Condo</i>	32
<i>Commercial</i>	
<i>Retail Cottage</i>	7,425
<i>Live Work Retail</i>	37,800
<i>Live Work Office</i>	37,800
<i>Storage</i>	20,850
<i>Warehouse</i>	26,000
<i>Hotel (100 rooms)</i>	32,200
<i>Community Center (fitness, pool, meeting)</i>	9,000
<i>Clubhouse Restaurant</i>	2,000
<i>Clubhouse (fitness, common space)</i>	12,000

The fiscal impact analysis is based on a total of 591 residential units and 185,075 square feet of commercial space. It is expected that buildout will occur over a six year period beginning in 2019 and be complete by the end of 2024. Based on this schedule of buildout, the entire development will generate an aggregate non-inflated value of approximately \$259.6 million as set forth on Schedule 1. Based upon an average occupancy of 1.8 persons per home it is projected that Siena Lake will generate approximately 1,064 full-time equivalent incremental residents at full-buildout.

INCREMENTAL TOWN OF GYPSUM REVENUES BY INDIVIDUAL ACCOUNTING FUNDS

The following table summarize the forecasted non-inflated incremental Town of Gypsum revenues by individual accounting funds.

	<i>One Time</i>	<i>Annual @ Stabilization</i>
General Fund Revenues		\$656,821
Use Tax	\$3,129,345	
RETT Revenues; Initial Sales	\$2,299,700	
Comm Dev Revs; bldg, elec, mech, plumb permits	\$797,631	
Conservation Trust Fund		\$7,742
Water Fund		
Tap Fees	\$3,731,075	
User Fees		\$303,486
Sewer Fund		
Tap Fees	\$4,352,921	
User Fees		\$205,955
Sanitation Fund		
User Fees		\$190,137

APPROACH, METHODOLOGY AND UNDERLYING ASSUMPTIONS

Stan Bernstein and Associates, Inc. believes that the most understandable way to assess the Siena Lake revenue impacts to the Town of Gypsum is to identify the incremental revenue impacts to the General Fund, Conservation Trust Fund, Water Fund, Sewer Fund, and Sanitation Fund. Incremental Fire Impact Fee revenues have also been identified as well as projected tax revenues for overlapping taxing entities. The incremental revenue and expenditure impacts have been identified for the years ending December 31, 2017 through 2031.

Incremental Town of Gypsum Assessed Valuation

Incremental assessed valuation as a result of the Siena Lake PUD is projected to increase from approximately \$313,350 in 2017 to approximately \$25.15 million for tax collection year 2026 as set forth on Schedule 1. Assessed valuation is expected to increase as a result of the sale and platting of lots and from the completion of residential and commercial product. Assessed valuation forecasts do not include the impacts of inflation and assume that vacant platted lots will be assessed at 29% of 75% of market value and completed living units will be assessed at 7.2% of market value.

Incremental Town of Gypsum Property Tax Revenues

Incremental Town of Gypsum property tax revenues from the Siena Lake PUD are forecasted to increase from \$1,596 for tax collection year 2017 to \$128,132 by tax collection year 2026 as presented on Exhibit I. This assumes that the Town of Gypsum General Fund mill levy remains 5.094.

Incremental Town of Gypsum Sales and Use Tax Revenues

Non-inflated incremental Town of Gypsum 3% sales tax revenues from the Siena Lake PUD are forecasted to increase from \$42,676 for tax collection year 2020 to \$296,722 by tax collection year 2025 as presented on Schedule 2. The sales tax revenue forecasts assume that an average of 1.8 persons will occupy each completed living unit (per The Developer). It is assumed that 80% of residential living units will be occupied for a full-year, 17% of residential living units will be occupied for a half-year, and 3% will be occupied for an average of 30-days each year. It is assumed that each “full-year equivalent household” will generate incremental sales-taxable expenditures averaging \$18,857 annually. This level of expenditure was calculated by dividing the year 2017 budgeted taxable sales (\$158.33 million) by the number of Town of Gypsum households (2,519 per Town officials) which results in an average taxable expenditure per capita of \$62,856. This number is then factored by 30% to compensate for expenditures incurred by non-Gypsum related I-70 travelers.

Non-inflated 3% Town of Gypsum construction materials use tax revenues from the Siena Lake PUD are projected to generate approximately \$3.13 million during 2017 through 2024. The construction materials use tax revenue forecasts assume that the average non-inflated construction value of an average home is \$353,000 and that 50% of such costs will be for construction materials.

Incremental Town of Gypsum General Fund Other Revenues

Non-inflated incremental Town of Gypsum General Fund revenues (i.e., other than sales or property tax revenues) have been forecasted for each General Fund revenue source based upon a “revenue generation per household” approach. This approach assumes that each incremental household will generate the same amount of incremental revenues to the Town of Gypsum's General Fund that are currently being generated for each household within the boundaries of the Town of Gypsum. For financial planning

purposes it is assumed that there are approximately 2,519 households currently within the Town of Gypsum. These incremental forecasted General Fund revenues are presented on Exhibit I.

Community Development Revenues including building permit, electrical permit, mechanical permit, and plumbing permit fees have been calculated based on the Town's current fee schedule and 2017 Budget. Community Development Revenues are projected to generate approximately \$798,000 during the development period.

Incremental Town of Gypsum Water, Sewer, Sanitation Revenues

Incremental Water Tap Fee revenues of \$3.73 million have been forecasted based upon the current tap fee rate of \$6,000 per SFE (single family equivalent) and are uninflated. Water User Fee revenues are based upon the current average monthly water rate of \$40.67 per SFE and are forecast to generate approximately \$303,000 annually at full-buildout on a non-inflated basis.

Incremental Sewer Tap Fee revenues are based upon the current sewer tap fee rate of \$7,000 per SFE and are forecasted to generate a total of \$4.35 million (uninflated). Sewer User Fee revenues are based upon the current average monthly rate per SFE of \$27.60 and are forecasted to generate approximately \$206,000 annually at full-buildout on a non-inflated basis.

Incremental Sanitation User Fee revenues are based upon the current average monthly rate of \$18.83 and a reduced senior rate of \$7.98 and are forecasted to generate approximately \$190,000 annually at full-buildout on a non-inflated basis.

Incremental Fire Impact Fee Revenues

Incremental Fire Impact Fee revenues are based upon current one-time impact fee rates of \$1,094.90 per dwelling unit and \$547.45 per 1,000 square feet of commercial. Fire Impact Fee revenues are forecasted to total \$748,405 during the analysis period.

Incremental RETT Revenues. Based on a 1% RETT, approximately \$2.3 million in RETT revenue from initial sales is estimated during years 2019 -2024. RETT revenue from secondary sales are estimated at \$160,979 on an annual basis at stabilization (year 2028) with an assumed 7% average turnover per year.

LIMITING FACTORS

The assumptions disclosed in the Fiscal Impact Analysis are those of the Developer and have not been independently reviewed by Stan Bernstein and Associates, Inc. Those assumptions identified are believed to be the significant factors in determining financial feasibility; however, they are likely not to be all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be

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material. Key assumptions – like those relating to market values of real property improvements and the buildout schedule of such property – are particularly sensitive in terms of the timing necessary to create the tax base for the Financing Districts. A small variation in these variables, and to their timing, can have a large effect on the forecasted results. There is a high probability that the forecasted results will differ from realized future tax base factors.

Because Stan Bernstein and Associates, Inc. has not independently evaluated or reviewed the assumptions that the Fiscal Impact Analysis is based upon, we do not vouch for the achievability of the information presented on Exhibits I - V and on Schedules 1 - 4. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented on Exhibits I - V and on Schedules 1 - 7. Stan Bernstein and Associates, Inc. has no responsibility or obligation to update this information or this Fiscal Impact Analysis for events occurring after the date of this memorandum.

If you have any questions or comments regarding this analysis, please do not hesitate to contact me.

Very truly yours,

STAN BERNSTEIN AND ASSOCIATES, INC. (signed)

Stan Bernstein and Associates, Inc.