



AGENDA

- 1) **CALL TO ORDER**
 - Board Chair Barbara Bynum
- 2) **THE PLEDGE OF ALLEGIANCE**
- 3) **ROLL CALL**
 - Deputy City Clerk Briceida Ortega
- 4) **CHANGES TO THE AGENDA, INCLUDING ADDITIONS AND DELETIONS**
- 5) **CALL FOR PUBLIC COMMENT**

The “Call for Public Comment” agenda item is a time when concerned members of the community may publicly voice their concerns and discuss items of interest. Please note that no formal action will be taken on the matters raised during this time. Comments made during this time should be addressed to the MURA Board of Commissioners and pertain to matters of at least general importance to the Montrose Urban Renewal Authority and its operations. Please be aware that neither the MURA Board nor staff are expected to respond or engage in discussion or debate. Personal attacks and disagreements, personnel and employment matters, the use of profanity or ethnic, racial or gender-oriented slurs are prohibited, as is any “disorderly conduct” that violates state or local law and shall not be permitted.
- 6) **CONSIDERATION OF MINUTES**
 - Deputy City Clerk Briceida Ortega

Action: Consider making a motion to approve the minutes of the January 3, 2024 regular MURA Board meeting as presented.
- 7) **TIF EXPENDITURE UPDATE**
 - City Engineer Scott Murphy
- 8) **2ND HOTEL AT COLORADO OUTDOORS (HOME2SUITES BY HILTON OR SIMILAR BRAND)**
 - Jeff Lamont of Lamont Companies, Inc. and John Stueber of Summit Capital
- 9) **PROJECT REVIEW AND APPROVAL PROCESS DISCUSSION**
 - Executive Director William Bell
- 10) **FUTURE PROJECT FINANCING STRATEGIES PRESENTATION**
 - Kyle Thomas of D.A. Davidson & Co.
- 11) **ADJOURNMENT**

Montrose Urban Renewal Authority

January 03, 2024

A regular meeting of the Montrose Urban Renewal Authority (MURA) Board of Commissioners was held on Wednesday, January 03, 2024, at 2:00 p.m. in the City Council Chambers, located in Elks Civic Building at 107 S. Cascade Avenue. Said meeting was posted in accordance with the Sunshine Law.

PRESENT: Barbara Bynum, J. David Reed, Dave Frank, Doug Glaspell, Ed Ulibarri, Brad Hughes, Tad Rowan, Allison Howe, Stephen Bush, Executive Director William Bell

GUESTS: Graham Anderson, David Dragoo, Doug Dragoo, Gail Marvel, Briceida Ortega, Joel Evans

CALL TO ORDER

The meeting was called to order at 1:59 p.m. by Chairperson Barbara Bynum.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

ROLL CALL

Board members Barbara Bynum, J. David Reed, Dave Frank, Doug Glaspell, Ed Ulibarri, Brad Hughes, Tad Rowan, Allison Howe, Stephen Bush, and Executive Director William Bell were present.

CHANGES TO THE AGENDA, INCLUDING ADDITIONS AND DELETIONS

No changes were made to the agenda.

CALL FOR PUBLIC COMMENT

No comments.

CONSIDERATION OF MINUTES

The MURA Board considered the minutes of the September 20, 2023, regular MURA board meeting.

A motion was made by Dave Frank, seconded by Ed Ulibarri, to approve the minutes of the September 20, 2023, regular MURA Board meeting as presented. All voted yes. Motion passed.

J. David Reed joined the meeting at 2:07 p.m.

TIF EXPENDITURE UPDATE

City Engineer Scott Murphy provided an update on current TIF expenditures within the Colorado Outdoors development.

The Fairfield Inn has one payment remaining. They are working on staffing and opening. Base Camp project completed their site work and landscaping. The Shelter distilling project has \$163,986.56 remaining of \$700,000 allocated.

Expenses to date are \$13,869,080, grants revenues \$809,588, and \$13,005,153 in promissory notes. The URA is now direct funding since the promissory notes have been used up.

MURA FINANCIAL SESSION

Executive Director Bill Bell and Graham Anderson with Anderson Analytics presented a financial report that was created based of input from Finance Director Shani Wittenberg, County Assessor Brad Hughes, the City team, and the Dragoo's.

Mr. Bell highlighted the cumulative revenues that come into the MURA. The TIF is a 25-year project. Mr. Bell mentioned that the Fairfield by Marriott, Toasty – All Day Eatery, Shelter Distilling, and the Pediatric Center are the businesses that will provide sales, meals, lodging tax TIF to the MURA.

Mr. Bell highlighted the prospective projects. Project Green is mixed use development with residential upstairs and retail downstairs. This project hasn't come before the board for approval. Marriot - Lamont Companies are talking about two more hotel projects. The first project is a Hilton hotel, and the other project would be a boutique style hotel on the riverfront. Anthony Russo mentioned that they have been working on putting together a packet for the Hilton hotel project to present to the MURA board in February. The boutique style hotel project will likely not happen until another year or two. Dave Frank and Barbara Bynum would like for there to be a footnote added that would explain what each prospective is on the Cumulative TIF Revenues to MURA – Projected report (page 1 of the financial report).

Mr. Bell and Mr. Anderson provided an overview of the projected TIF revenues and repayment of MURA investments. Mr. Anderson explained the chart that was included as part of this presentation. Mr. Anderson highlighted the annual TIF revenues shown on the top part of the chart until 2042. The bottom half of the chart includes the accrued interest, promissory notes and outstanding TIF reimbursement. The MURA board had concerns about the chart. The board would like for there to be two different charts to separate the information. Dave Frank mentioned that one thing that the chart highlights is that the URA is doing a great job. Doug Glaspell stated that the life of the URA could be extended. Mr. Bell agreed that the life of the URA could be extended if it was suffering or if a recession were to happen, but the board doesn't need to worry about that at this point.

Mr. Bell gave an overview of page 4 of the financial report. Mr. Bell pointed out that the MURA board did not incentivize the Colorado Outdoors Medical Center project, but it will be generating a lot in property tax. Mr. Bell mentioned that the next hotel project that will be presented to the board will be in a different economic climate than when the first hotel project was presented. The cost of construction is higher now. Mr. Bell believes that they will be requesting a higher amount for this second hotel project. They anticipate that the hotel will have 90-120 hotel rooms.

Mr. Bell presented the board with the idea of creating general guidelines for the amount the MURA board would be willing to offer as an incentive. An example would be to include an up to percentage of the overall revenue to be generated by the project. These guidelines could then be included in the policy manual.

Brad Hughes presented the board with a table that includes dollar amounts on what has been provided to the projects that have come before the board. Mr. Hughes noticed that 40% is what historically the MURA board has been comfortable with. Mr. Hughes shared that he would like to have the baseline of 40% so developers are aware of the type of incentive available to them ahead of time. Mr. Hughes did not incorporate sales tax into his table because he believes they fluctuate more based on the economy and the property taxes are going to be paid annually. Mr. Hughes considers the sales tax as an additional revenue to the URA that could pay the outstanding debt in place. Barbara Bynum stated that she likes the idea of having bumpers to a number instead of having a black and white formula. She would like sales tax, excise tax, and paying jobs to be highlighted. Dave Frank would like a set metric and having a starting point so developers can have clear expectations. Mr. Frank agrees that not including the additional monies created by sales tax, excise tax and lodging tax would allow for more headroom in reinvestment. Mr. Hughes mentioned that 40% would be for horizontal site improvements and does not include incentives like City permits. Bill Bell expressed to the board that if the MURA board decides not to fund a project they could be charged with discrimination. Mr. Bell would like the board to consider including guidelines to why a project would not be funded.

Barbara Bynum mentioned the idea of creating a rubric that includes property tax, sales tax, jobs created, etc. Brad Hughes expressed community development and tax increment financing shouldn't be mixed. Mr. Hughes noted that the role of the board is to look at how a project will be developed and how much tax revenue the project will generate. Tad Rowan and Stephen Bush expressed their support for 40% as the maximum for contributions from the URA.

J. David Reed left the meeting at 3:02 p.m.

Tad Rowan mentioned that sales tax should be a bonus to the URA to pay off principal and interest. Doug Glaspell and Ed Ulibarri shared their support for having a rubric and establishing a 40% baseline. Allison Howe shared that she agrees with having a policy manual. Executive Director Bill Bell will present a draft rubric at the next MURA meeting.

The next MURA meeting is scheduled for February 14, 2024.

ADJOURNMENT

A motion was made by Doug Glaspell, seconded by Dave Frank, to adjourn the meeting at 3:35 p.m. with no further action taken. All voted yes. Motion passed.

ATTEST:

Barbara Bynum, Chairperson

William E. Bell, Executive Director

TABLE 1
Montrose Urban Renewal Authority
Summary of MURA Expenditures to Date
Rev. 2/5/2024

Work Element	Promissory Note Date	Promissory Note Amount	Contract or Expense Authorization Date	Contract or Expense Authorization	Consultant/ Contractor	Expenses to Date	Anticipated Outstanding Expenses	Grant Revenues (Where Applicable)	Total Anticipated Out of Pocket Expense ^(a)
Stantec/Black Mtn. Design Reimbursements	5/11/2017	\$353,759.55	5/11/2017	\$353,759.55	Black Mtn. Reimbursements	\$353,759.55	\$0.00		\$353,759.55
Phase I Civil Design	6/5/2017	\$552,570.00	6/5/2017	\$462,370.00	Del-Mont Consultants	\$462,118.83	\$0.00		\$462,118.83
Phase I Design Incidentals				\$90,200.00	P. Hayes et. al.	\$90,207.73	\$0.00		\$90,207.73
Uncompahgre River Improvements Design	7/24/2017	\$121,951.00	7/24/2017	\$146,881.00	Ecological Resource Consultants	\$146,881.00	\$0.00	\$25,000.00	\$121,881.00
Sewer Materials Direct Purchase	10/5/2017	\$6,750,000.00	11/16/2018	\$413,208.24	Winwater GJ Pipe	\$417,329.40	\$0.00		\$417,329.40
Phase I Civil Design Change Order			1/2/2018	\$95,250.00	Del-Mont Consultants	\$80,292.90	\$0.00		\$80,292.90
Phase I Design Incidentals Change Order				\$10,175.00	P. Hayes	\$10,175.00	\$0.00		\$10,175.00
Power Utilities				\$1,080,000.00	DMEA	\$676,916.84	\$0.00		\$676,916.84
Natural Gas Utilities				\$375,000.00	Black Hills Energy	\$371,016.09	\$0.00		\$371,016.09
SCADA and Hot Tap				\$43,115.00	Multiple	\$42,860.00	\$0.00		\$42,860.00
Survey and Const. Support				\$274,100.00	Del-Mont Consultants	\$172,327.95	\$0.00		\$172,327.95
Entrance Drives/Access Road Along Mayfly				\$204,459.60	Rundle Const. Ridgway Valley Ent.	\$188,747.02	\$0.00		\$188,747.02
Support/Planning Services				-	Multiple	\$148,704.73	\$0.00		\$148,704.73
Phase I Construction - Base Bid				\$4,254,692.00	Ridgway Valley Ent.	\$3,346,750.69	\$0.00		\$3,346,750.69
Phase I Construction - Bid Alternates	\$665,116.82			\$665,116.82	\$0.00		\$665,116.82		
Fairfield Hotel Horiz. Site Improvements	Savings		1/21/2020	\$600,000.00	LaMont Companies	\$600,000.00	\$0.00		\$600,000.00
Mayfly Site Horiz. Site Improvements	10/15/2018	\$805,937.09	10/15/2018	\$805,937.09	Black Mtn. Capital	\$653,078.89	\$0.00		\$653,078.89
Phase I River Construction	3/6/2019	\$1,100,000.00	2/3/2020	\$1,600,000.00	ERC/Naranjo	\$1,602,969.34	\$0.00	\$784,588.00	\$818,381.34
Phase II Infrastructure Civil Design	Savings		1/14/2020	\$111,300.00	Del-Mont Consultants	\$88,716.68	\$0.00		\$88,716.68
Colorado Yurt Horizontal Site Imp.	4/7/2021	\$853,935.00	4/7/2021	\$853,935.00	Alcorn Const.	\$853,935.00	\$0.00		\$853,935.00
Basecamp Apt. Horiz. Site Imp.	6/16/2021	\$1,367,000.00	6/16/2021	\$1,367,000.00	Misc.	\$1,363,011.60	\$3,988.40		\$1,367,000.00
Flex Buildings Horizontal Site Imp.	10/20/2021	\$1,100,000.00	10/20/2021	\$1,100,000.00	Black Mtn/Shaw	\$1,100,000.00	\$0.00		\$1,100,000.00
Shelter Distilling Horiz. Site Improvements	(b)	-	6/2/2022	\$700,000.00	Shaw	\$698,324.69	\$1,675.31		\$700,000.00
TOTAL		\$13,005,153				\$14,133,241	\$5,664	\$809,588	\$13,329,316

(a) Expenses to Date + Outstanding Expenses - Grant Revenues

(b) No promissory note utilized. Project to be paid using savings from previous promissory notes as available and MURA fund balance

(c) Total Anticipated Out of Pocket Expense - Total Promissory Notes

EXPENDITURE BALANCE (TO BE FUNDED BY MURA REVENUE)^(c) \$324,163.82

Completed lines shaded grey

General update on outstanding reimbursements:

Fairfield: Project essentially complete and in closeout phase

Basecamp: Project essentially complete and in closeout phase

Shelter: Building and site construction underway

SUMMIT CAPITAL

Summit Capital is a real estate finance and investment firm with a primary emphasis on hospitality assets throughout the United States. As a leading provider of capital market services to the industry, our expertise with innovative structuring solutions along with our depth of lending relationships enable us to deliver custom tailored results inclusive of debt and joint venture equity across the asset spectrum from acquisition and recapitalizations to ground-up construction projects. Our history is one of placing our clients' interests first while holding ourselves accountable to the highest moral and ethical standards, giving maximum effort towards every action and responsibility with which we are entrusted.

Over the years, Summit Capital has forged solid, long-lasting relationships with many of the hospitality industry's most engaged, experienced and respected hotel developers and operators. Beyond the origination of financing options for our clients, we also have an extensive background in the sourcing and development of sites as well as working with municipalities on challenging and complex entitlements for the construction of hospitality assets. In addition, we are active investment and shareholder partners on hotels across the nation.

PROPOSED 2nd HOTEL AT COLORADO OUTDOORS
MURA DATA SHEET

Project Vision:	<p>A key piece to the MURA plan of development includes the construction of a second high-end hotel. Studies show Montrose can sustain at least 90 new hotel rooms with current demand. Construction of this hotel will not only fill a highly sought after niche yet will also be a catalyst to other development within Colorado Outdoors. Lamont Companies has a shared vision with MURA for its Montrose property:</p> <ul style="list-style-type: none">• Providing new, exceptional lodging accommodations.• Expanding local employment base.• Extending the average night stay in Montrose.• Address the need for new product to capture leisure demand, as well as corporate demand.
Size & Location:	Assessor Parcels #3767-282-39-002 & #3767-282-39-003 (1.93 acres), @ Northern End of CO Outdoors Phase I.
Project Type:	90-room Home2 Suites by Hilton or similar brand.
Developers:	Jeff Lamont - Lamont Companies, Inc. John Stueber – Summit Capital
Financing:	Private Funds.
Current Land Status:	Existing lots developed in Phase I. Funds to purchase land shall be placed in escrow pending MURA commitments.
Estimated Cost of Construction:	~\$18.9MM.
Estimated Gross Revenue:	~\$4.3MM at stabilization.
Estimated TIF Revenues:	<u>Total by 2042:</u> <ul style="list-style-type: none">○ ~\$2.6MM Property Tax○ ~\$3.0MM Meals, Sales & Lodging Tax.
Implementation Timeline:	Estimated break-ground summer 2025.
Job Creation:	10 full-time, 20 part-time.
Estimated MURA Investment:	Amount to be determined for horizontal site improvements to include curb, gutter, sidewalks, paving, concrete slab / foundation, lighting, drainage and landscaping of parking lot areas. This includes initial sitework done on the property. This amount is not definitive and will be subject to change as incentives are approved by the MURA Board.
Investment To Date:	MURA. Construction of Phase I public improvements (streets, utilities, platting, etc.) completed in 2018.

Proposed 2nd Hotel at Colorado Outdoors - Montrose, Colorado

Site Improvements

Curb Work, Sewer & Gutter	\$	400,000
Sidewalks & Paving	\$	400,000
Grading	\$	375,000
Concrete Slab / Foundation	\$	650,000
Lighting	\$	150,000
Landscaping	\$	200,000
Monument Signage Infrastructure	\$	75,000
	\$	2,250,000



**Home2 Suites by Hilton - Las Vegas North*





CONSTRUCTION



DEVELOPMENT

MANAGEMENT



INVESTMENTS



REAL ESTATE



LAMONT COMPANIES

CONSTRUCTION | DEVELOPMENT | MANAGEMENT | INVESTMENTS | REAL ESTATE

www.lamontcompanies.com | 205 6th Ave SE, Suite 300 | Aberdeen, SD | Ph: 605-225-1712 | Fx: 605-225-0969

Here at Lamont Companies Inc, we are a full, turnkey real estate development, management, investment, construction, and procurement company catering to the hospitality and apartment industries.





THE BEGINNINGS

A HISTORY OF LAMONT COMPANIES, INC.

Founded by Jeffrey Lamont in 1998, Lamont Companies began with a hotel project, which we still own and operate today. From these unassuming beginnings, and with the help of a dedicated team, Mr. Lamont has aggressively developed hotels, convention centers, restaurants, retail malls, apartment developments, office buildings and casinos throughout the United States.

During this expansive growth, Mr. Lamont and our team mastered every facet of modern hospitality development, construction, and management, providing for the foundation and inception of what is now a first-rate, multi-unit hotel management, development, and construction company.

Currently, we continue to grow in the hospitality sector with a number of developments in various stages of construction. With a focus on new-build properties, LCI consistently develops quality products in every market it enters. Going beyond the requirements of each brand or tenant, we ensure our customers comfortable accommodations in inviting surroundings with gracious hospitality. We are a full, turnkey real estate development, management, investment, construction, and procurement company specializing in hotels.



Jeffrey Lamont, CEO



CONSTRUCTION

After many years of setting the standard for excellence in commercial construction, our team at LCI continues to bring the strength of our experience and vision to an award winning construction company. Having worked on numerous projects over the years, we have built a team with the creative and financial skills of a developer and the management and construction expertise of a general contractor.

With a strong sense of dedication and pride committed to every project, no matter how big or small, LCI manages every aspect of the process.

We assemble teams of reliable subcontractors, hold them to exceptionally high work and safety standard, and ensure a final project of extraordinary quality.

With LCI you are hiring a proud tradition of innovation and excellence.



Chris Lamont,
*Vice President
of Construction*



Todd Lamont,
*Vice President
of Design and
Procurement*

DEVELOPMENT

LCI Development & Construction has developed and built numerous hotels and other commercial construction projects ranging from retail malls to apartment developments all across the country. We are also poised to oversee any scale of remodel from exterior face lifts to complete new builds.

Because of our enviable track record and sterling reputation, LCI is sought after as a partner to undertake any type of development project. Potential partners are drawn to our established name, experienced management team and staff, and top-quality development products.



MANAGEMENT

Our executive staffs' thorough understanding of the interrelated processes that comprise hospitality, real estate, and retail operations to ensure that each type of property achieves the highest performance of top line sales, bottom line profit, and the proper balance between controlling expenses and delivering exceptional service.



Nate Kessler,
*Vice President
of Operations*



INVESTMENTS

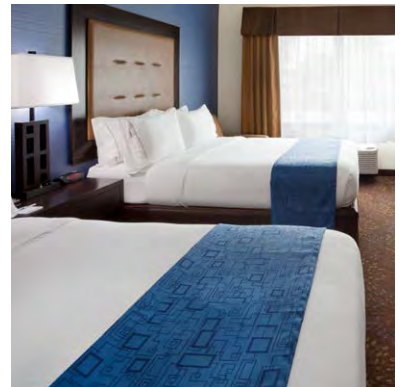
We have a successful track record in optimizing investor returns offering opportunities for joint venture partners in development projects as well as offering long term hospitality and retail investment opportunity.

LCI's Management Department is the manager of choice...

for any type of hospitality entity, with a long history of optimizing investment returns under all market conditions and exceeding industry benchmarks.



Kathy Onkka,
Controller/CFO





HISTORIC/
BOUTIQUE
PROJECT



REAL ESTATE

As an independent strategic force in real estate, LCI's corporate structure is designed to ensure that we remain agile in navigating market forces and have a proven track record in our ability to successfully develop and market commercial real estate across the country.

We currently own and manage several million square feet of commercial real estate throughout the Midwest.

Our applied vision, perspective and management is the key real estate solution for any opportunity private or public.





LAMONT COMPANIES

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MURA Purpose Statement and Project Application Review Process

INTRODUCTION OF MURA AND COLORADO OUTDOORS:

The Montrose Urban Renewal Authority (MURA) was established in 2017 through a collaborative effort among all Montrose taxing entities in an effort to provide a mechanism for the community to redevelop and revitalize various underutilized and/or blighted areas throughout Montrose over the 25-year life of the MURA. The MURA is governed by its 9-member Board of Directors made up of the following representatives: Montrose City Council Members (5), Montrose School District (1), Montrose County (1), Other Special Districts (1), and Community At-Large (1). The MURA's projects and activities are managed by a team of City Officials including the City Manager serving as the MURA Executive Director, the City Attorney, the City Engineer, the City Business Development Team and the City Finance Director.

Per Colorado Statute, urban renewal authorities have the ability to create business and infrastructure development strategies using a very structured financial tool called Tax Increment Financing (TIF). TIF allows most of the "new" property and sales tax revenue created through the taxable value of "new construction" to be deposited with the MURA and reinvested by the MURA Board of Directors into ongoing business and/or infrastructure development projects located within the MURA over its 25-year life. Urban renewal authorities also have the ability to finance development projects through more traditional processes such as public or private financing, bank lending, or bond issuance.

In 2017, a formal Plan of Development was established by MURA to create its first project area called Colorado Outdoors, which was set in the northwest portion of the City of Montrose between the Montrose County Justice Center and the Uncompahgre River. This MURA project area was created with the intent of redeveloping the underutilized and/or blighted properties along the river corridor into a vibrant and modernized hub of mixed-use development, with a major emphasis on high quality and aesthetically appealing development projects, that do not detract from the outdoor environment. In collaboration with private property owners, the City of Montrose and other public entities were able to develop the "Connect Trail" that provides public access to the river corridor for a variety of outdoor recreational uses. Projects to improve fish habitat and to stabilize the riverbank of the Uncompahgre River have also taken place since the creation of Colorado Outdoors.

PROJECT APPLICATION AND REVIEW PROCESS:

The typical project development process within the MURA includes several initial discussions and informational sessions with any potential business or developer looking to locate within Colorado Outdoors and to utilize the MURA's business incentive programs. These conversations are usually between the business owners, the private landowners within Colorado Outdoors, the MURA Executive Director, the City Engineer, and the City's Business Development team. Once a business has provided their business plan and financial information, as well as project scope, cost estimates, and construction timelines to the MURA Executive Director, an in-depth analysis is carried out by both the City team and financial consultant team of Anderson Analytics, to check numbers and business plan for accuracy and completeness. The MURA Executive Director also analyzes the project's details to ensure that it is a project that fits within the overall Colorado Outdoors Plan of Development and meets the goals and objectives of the MURA. Once all due diligence has been completed, an informational presentation is put together for the next available MURA Board meeting to bring the MURA Board up to speed with the proposed project and to allow the MURA Board to meet in person with the applicant to learn more about their business plans. The MURA Executive Director then presents the MURA Board with a list of potential incentive opportunities that are available based upon the case-by-case analysis and individualized needs of that applicant, as well as the overall projected revenues of all types to be generated over the life of the MURA. The MURA Board will then decide on the appropriate amount of MURA financial participation for that project based upon the information being presented. A typical applicant should expect to receive a MURA contribution of between 40-60% of their project's anticipated tax revenues to be generated through any combination of property, sales, meals and/or lodging taxes through the life of the MURA, as long as their development project meets the goals and objectives as generally described and outlined in the MURA's Colorado Outdoors Plan of Development.

Please Note: No two MURA projects are exactly the same, however, processes and policies stay consistent over time so each business applicant can know what to expect when working with the MURA. It is very important and necessary that the MURA Executive Director and the MURA Board of Directors retains the right and prerogative to treat each application as a new and stand-alone project based upon its own merits. No project decision under the purview of the MURA shall establish binding precedent for future applications made by other parties.

FINANCIAL INVESTMENT AND POLICY DISCUSSION:

The following is an excerpt from the 2017 approved plan of development for the Colorado Outdoors MURA project area showing the anticipated MURA investment necessary to make it successful over the 25-year life of the project:

Use of Tax Increment Revenues in the Finance of Qualifying Project Costs

With the estimated total cost of the infrastructure necessary to facilitate the development of the Colorado Outdoors project at \$83.3 million and total projected tax increment revenues subject to TIF at \$97.2 million, the casual observer would fallaciously assume the Project does not need the entire tax increment. However, the missing piece of information in that faulty logic is the cost of financing. By necessity, a portion, or all of the cost of the necessary infrastructure will have to be financed and there will be interest/carrying charges associated with that financing. The true cost of the infrastructure is much higher than the \$83.3 million estimated construction cost.

One common approach to financing necessary infrastructure in designated urban renewal areas is to issue tax exempt municipal bonds. A very preliminary analysis by D.A. Davidson & Co., a leading municipal finance firm in Colorado, shows that projected tax increment can support municipal bonds that will generate net proceeds of approximately \$40 million that could be used to help pay the cost of the infrastructure. If that were the sole financing approach, there would be a remaining unfunded infrastructure cost gap of about \$43 million that would still have to be filled using other approaches. However, as presented in Table 9, there are other ways that the tax increment revenues can be utilized to help finance the cost of the infrastructure.

Based upon past experience for similar projects, a combination of many or all of the approaches listed in Table 9 will be necessary to successfully finance all of the infrastructure costs for this Project.

Table 9 Showing Financing Options Available to MURA:

- *Tax Exempt Municipal Bonds**
- *Pay As You Go**
- *Developer Fronts Costs and Is Repaid Through TIF Revenues**
- *City Fronts Costs and Is Repaid Through TIF Revenues**
- *Private Financing**
- *Combination of Any of the Above**

As noted above, there has always been an expectation that a significant amount of MURA and public investment would be necessary to truly meet the overall business development goals for the Colorado Outdoors development.

Below is another excerpt from the Plan of Development showing the anticipated breakdown of MURA/Public Infrastructure Costs:

Table 5		
Colorado Outdoors Urban		
Estimate of Eligible Project Costs		
Project Element	Sub Total	% of Total
Parks/Public/Common Areas		25.3%
Lake Improvements	\$ 2,500,538	
River Edge Improvements	\$ 6,668,100	
Common Areas	\$ 11,238,975	
Pedestrian Bridges	\$ 717,000	
Transportation		18.1%
Onsite Roadways	\$ 11,788,376	
Offsite Trans Improvements	\$ 2,673,813	
Traffic Study and Improvements	\$ 597,500	
Landscaping/Signage/Public Art	\$ 8,755,786	10.5%
Drainage	\$ 4,305,585	5.2%
Utilities		15.2%
Water	\$ 2,103,439	
Sewer	\$ 1,698,932	
Lift Stations	\$ 2,390,000	
Gas	\$ 1,618,030	
Electric	\$ 2,427,045	
Telecomm/Fiber	\$ 2,427,045	
Site Prep	\$ 5,764,441	6.9%
Soft Costs	\$ 7,899,072	9.5%
Contingency/Escalation	\$ 7,769,256	9.3%
TOTAL PROJECT COST	\$ 83,342,932	100.0%

A detailed estimate of the likely cost of designing and constructing the infrastructure necessary to make the property within the Colorado Outdoors URA developable has been prepared. The

estimate was assembled by a combined team of engineers, planners, project managers, and construction estimators from Stantec and Bryan Construction, Inc. Under the Colorado Urban Renewal Act, all the estimated infrastructure costs are eligible for reimbursement from qualifying tax increment revenues generated by development and economic activity within the Colorado Outdoors URA.

Table 5 provides a summary of the infrastructure cost estimate. The total cost of the improvements necessary to facilitate the full buildout of the project is over \$83.3 million. Over 25% of that total is for river edge improvements, common areas and parks, and improvements to the onsite ponds. Necessary transportation improvements, both onsite and offsite, comprise the second largest element of cost at just over 18% of the total. The cost of bringing utilities to the Project comprise another 15% of the total with drainage improvements contributing another 5% to the cost total.

Soft costs are at 9.5% while contingency/escalation are estimated at just over 9%.

BOND FINANCING OVERVIEW

Prepared for the Montrose Urban
Renewal Authority

A scenic landscape featuring a sunset over a mountain range. The sun is low on the right side of the frame, casting a warm glow and creating a lens flare. The sky is a mix of blue and orange, with scattered white clouds. In the foreground, there is a field of green wildflowers with yellow and pink blossoms. The overall atmosphere is peaceful and natural.

SECTION 1

INTRODUCTION TO BOND FINANCING

HOW DO URBAN RENEWAL AUTHORITIES FUND IMPROVEMENTS?

- Main financing source is property and or/sales tax increment – both are being generated by the Montrose URA
- TIF provision lasts for 25 years (Montrose URA was formed in 2017 and will expire in 2042)

ELIGIBLE PROJECTS

- Acquisition and demolition of blighted property
- Construction of streets, utilities, parks, playground, and other improvements in accordance with the urban renewal plan
- Funding of other public improvements

FINANACING OPTIONS

- The URA can either borrow against a TIF revenue stream or use that revenue stream as a reimbursement. Options include:
 1. City completing upfront funding and URA reimbursing the City
 - **CURRENT SITUATION**
 2. Developer completing upfront improvements and the URA pledging a portion of the TIF to the developer
 - **NOT RELEVANT IN THIS CASE**
 3. URA issuing tax-exempt bonds and pledging TIF revenue as security for the bonds
 - **CURRENT OPTION**



FEATURES OF TAX-EXEMPT FINANCING ISSUED THROUGH AN URBAN RENEWAL AUTHORITY

- Interest rate, debt service coverage, capitalized interest, and reserves will vary by project and depend on capital market conditions
- Bondholders ultimately take the risk of the project being successful with their primary risk being an untimely absorption schedule

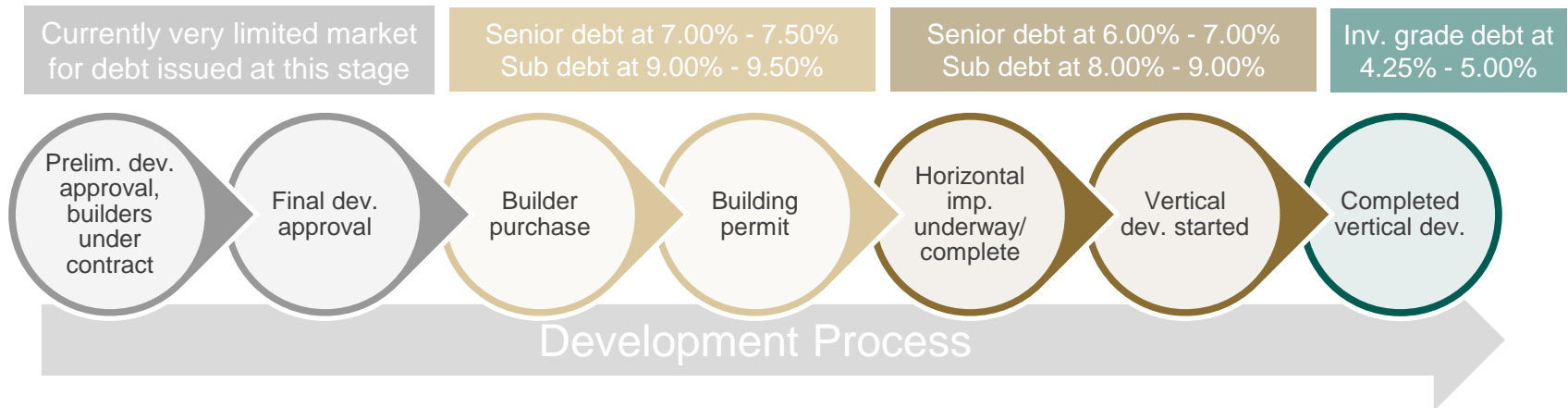
NON-RECOURSE TO URA OR DEVELOPER

- Payment for bonds is not secured by a deed of trust, mortgage or other lien on the property within the Development
- In the event the TIF revenues are insufficient to meet annual debt service as it comes due, bondholders have no statutory remedy to require additional taxes or fees of the URA, nor statutory recourse to the property or the property owner
- URA generally does not have a guarantee of payment from the URA or the city



DEVELOPMENT / CREDIT RISK CONTINUUM

- Credit quality improves as the development in the URA area moves from dirt to full buildout.
- The average project begins the debt life cycle with early-stage, high-yield non-rated bonds.
- Early-stage bonds are refinanced on or before the five-year call date, after some development is completed and the issuer can borrow at lower rates.
- Around the time of complete buildout, many issuers can borrow at investment grade yields to refinance all debt issued previously, resulting in lower mill levies for residents or businesses.
- An alternative to issuing investment grade bonds may be a private placement with a local or regional bank.



A scenic landscape featuring a sunset over a mountain range. The sun is low on the horizon, casting a warm glow across the sky and the foreground. The foreground is filled with a field of yellow and pink flowers, likely wildflowers, growing in a lush green field. The sky is a mix of blue and orange, with scattered white clouds. The overall mood is peaceful and natural.

SECTION 2

CASE STUDIES

CASE STUDY – ERIE URBAN RENEWAL AUTHORITY ERIE COMMONS TIF AREA

Project Overview:

- **Overview:** Final phase of Erie Commons within Erie's Old Town Area. Located southeast of the intersection of Erie Parkway and Briggs Street.
- **Developer:** Project being developed by Boulder Creek Neighborhoods.
- **Program:** Includes 151 single family units that were anticipated to be completed between 2023 and 2026.

Bond Summary:

- **Structure:** Single series of senior bonds with a maturity date that coincides with the termination of the TIF term (2038). Current interest bond with regularly scheduled payments of principal and interest. Sized on a DSCR of 1.20x.
- **Security:** Pledged property tax TIF generated by residential units.
- **Coupon:** 4.0%
- **Proceeds:** Generated \$2.95mm in project proceeds that were used to fund eligible improvement costs.



**ERIE URBAN RENEWAL AUTHORITY
ERIE COMMONS TIF AREA**

CASE STUDY – COLORADO SPRINGS URBAN RENEWAL AUTHORITY NORTH NEVADA URA

Project Overview:

- **Overview:** Located near the intersection of N. Nevada Ave and I-25. Plan area formed in 2005 with a TIF expiration date in 2030.
- **Developer:** Being developed by multiple private entities.
- **Program:** Mixed-use program that includes just under 300 residential units and roughly 1.4mm square feet of commercial space. Build-out anticipated to occur between 2012 and 2020.

Bond Summary:

- **Structure:** The Authority completed multiple issuances in 2008, 2016, and finally in 2020. Outstanding total debt of just over \$50mm. Financing strategies included publicly sold tax-exempt bonds and refunding transactions completed through a direct placement with local banks.
- **Security:** Pledged property tax TIF generated by residential and commercial development in the plan area boundaries.
- **Coupon:** Ranged from 7.0%/7.5% for the early-stage transaction to just over 2.0% in the most recent bank refunding.
- **Proceeds:** Generated \$40mm in project proceeds that were used to fund eligible improvement costs.



A scenic landscape featuring a sunset over a mountain range. The sun is low on the right side of the frame, casting a warm glow. The sky is filled with scattered, light-colored clouds. In the foreground, there is a field of green plants with yellow and red flowers. A dark grey rectangular box is overlaid on the center of the image, containing the text 'SECTION 3' and 'BASIC BOND STRUCTURES' in white, uppercase letters.

SECTION 3

BASIC BOND STRUCTURES



Current Interest Senior Bond

- Conventional bond structure requiring scheduled payments of principal and interest
- Typically structured over 30-year amortization period
- Rate is dependent on development status and credit quality
- Incorporates features that provide investors with additional security including:
 - Capitalized Interest Fund: Funded out of bond proceeds and sized to fund up to 3 years of capitalized interest.
 - Debt Service Reserve Fund: Also funded out of bond proceeds and used to provide investors with additional coverage in the event of a shortfall in available revenue.
 - Surplus Fund: Filled with surplus revenue that is available after the payment of debt service up to a maximum amount – typically 10% of par or MADS (maximum annual debt service).
 - Debt Service Coverage: Requirement that available revenue is greater than required debt service payments. Typically ranges from 1.30x to 1.50x, depending on market conditions and the development credit.

Subordinate Cash Flow Bond

- Sized off of surplus revenues after debt service payments on the senior bond
- No scheduled payment of principal and interest
- Allow for use of excess revenues after payment of senior debt service for buyers who desire greater yield and have an appetite for additional risk

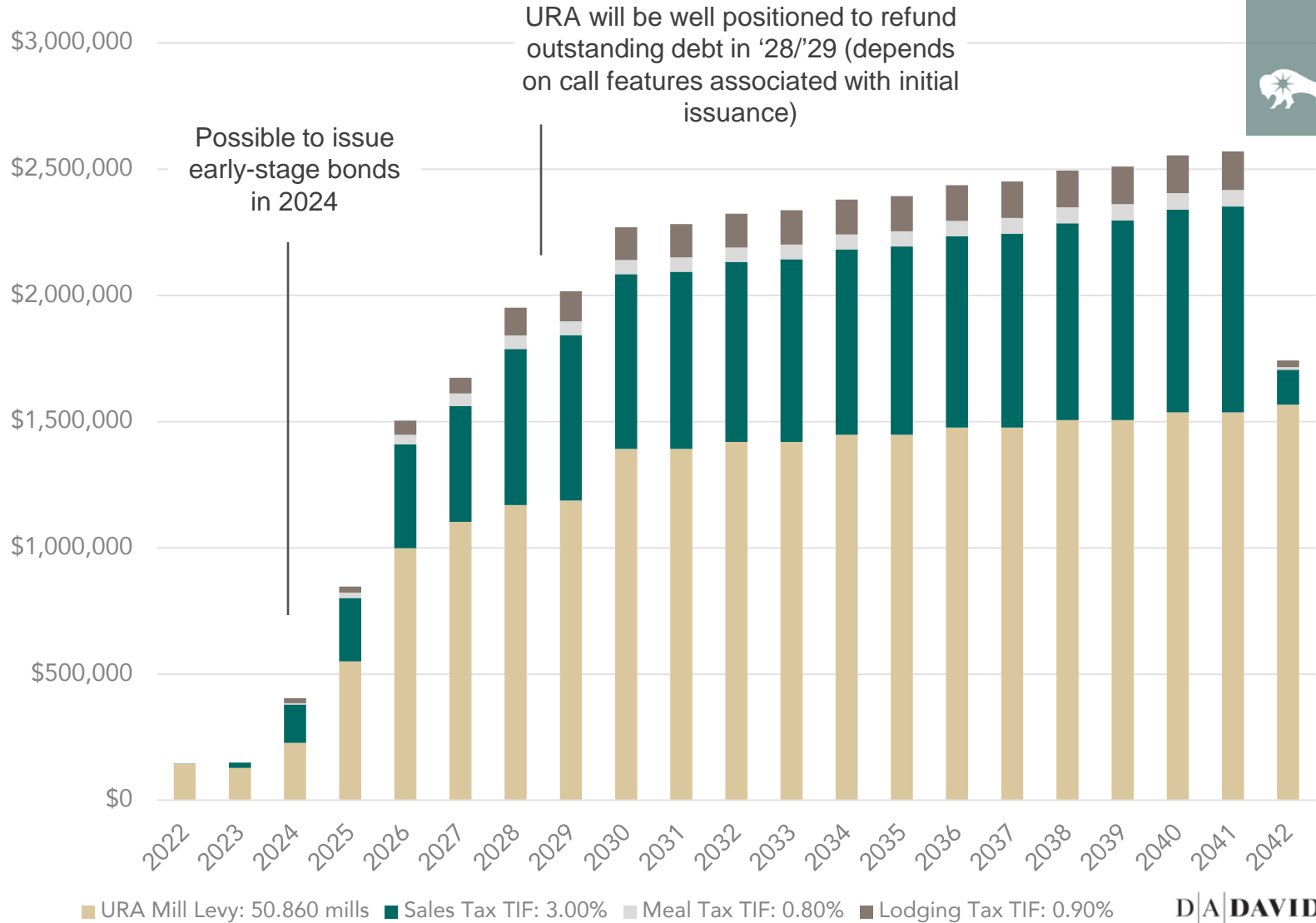


Investment Grade Bond

- Rating agencies (S&P and Moody's are most common) have detailed scorecards that determine the rating for a specific bond issuance. Typical parameters include overall market value, general fund operating history, anticipated debt to market value ratio, concentration risk, and others.
- Investment Grade (IG) bonds sized only on existing assessed value or sales at time of issuance
- Typically structured over 30-year amortization period
- Moody's Tax Increment Debt criteria requires the following in order to achieve an IG rating:
 - Incremental AV: Greater than \$120mm
 - Median Family Income as a % of US: Greater than 50%
 - Top Ten Taxpayer's AV as % of Incremental AV: Less than 20%
 - Ratio of Incremental AV to Total AV: Greater than 80%
- Based on these parameters, it will be a challenge for this project to secure an IG rating
- **An alternative strategy for refunding early-stage debt will likely focus a private placement with a local or regional bank who is familiar with the City and the project.**

Private Placement Bank Loan

- Each bank has their own credit requirements that typically account for the unique characteristics of each project.
- Similar to an IG bond, most banks will only size loans on existing assessed value or sales and will require a debt service coverage ranging from 1.15x to 1.30x.
- Loan terms and amortization periods can be tailored to the goals of individual issuers. Typical terms range from 5 to 20 years with amortization periods going out to 30 years.
- Typically, a more streamlined process than an IG bond issuance.





Projected Revenues					
Year	URA Mill Levy: 50.860 mills	Sales Tax TIF: 3.00%	Meal Tax TIF: 0.80%	Lodging Tax TIF: 0.90%	TOTAL REVENUE
2022	\$143,480	\$1,705	\$0	\$0	\$145,185
2023	\$128,268	\$20,694	\$0	\$0	\$148,962
2024	\$227,532	\$151,888	\$4,956	\$19,906	\$404,282
2025	\$549,989	\$251,681	\$20,392	\$24,246	\$846,307
2026	\$998,508	\$411,312	\$38,010	\$56,055	\$1,503,886
2027	\$1,102,784	\$459,702	\$49,380	\$62,446	\$1,674,313
2028	\$1,169,265	\$618,547	\$54,365	\$109,582	\$1,951,760
2029	\$1,187,478	\$654,909	\$55,180	\$119,461	\$2,017,028
2030	\$1,391,839	\$692,223	\$56,008	\$129,611	\$2,269,681
2031	\$1,391,839	\$702,606	\$56,848	\$131,555	\$2,282,849
2032	\$1,419,676	\$713,145	\$57,701	\$133,528	\$2,324,050
2033	\$1,419,676	\$723,843	\$58,567	\$135,531	\$2,337,616
2034	\$1,448,069	\$734,700	\$59,445	\$137,564	\$2,379,779
2035	\$1,448,069	\$745,721	\$60,337	\$139,628	\$2,393,754
2036	\$1,477,030	\$756,907	\$61,242	\$141,722	\$2,436,901
2037	\$1,477,030	\$768,260	\$62,160	\$143,848	\$2,451,299
2038	\$1,506,571	\$779,784	\$63,093	\$146,006	\$2,495,454
2039	\$1,506,571	\$791,481	\$64,039	\$148,196	\$2,510,287
2040	\$1,536,702	\$803,353	\$65,000	\$150,419	\$2,555,474
2041	\$1,536,702	\$815,403	\$65,975	\$152,675	\$2,570,756
2042	\$1,567,436	\$137,939	\$11,161	\$25,828	\$1,742,364
Total	\$24,634,516	\$11,735,805	\$963,859	\$2,107,808	\$39,441,987
% of Total	62%	30%	2%	5%	100%



SECTION 4

CURRENT MARKET CONDITIONS
February 2024



30-Year UST & 30-Year "AAA" MMD Yields (2014-2024)
As of February 2, 2024



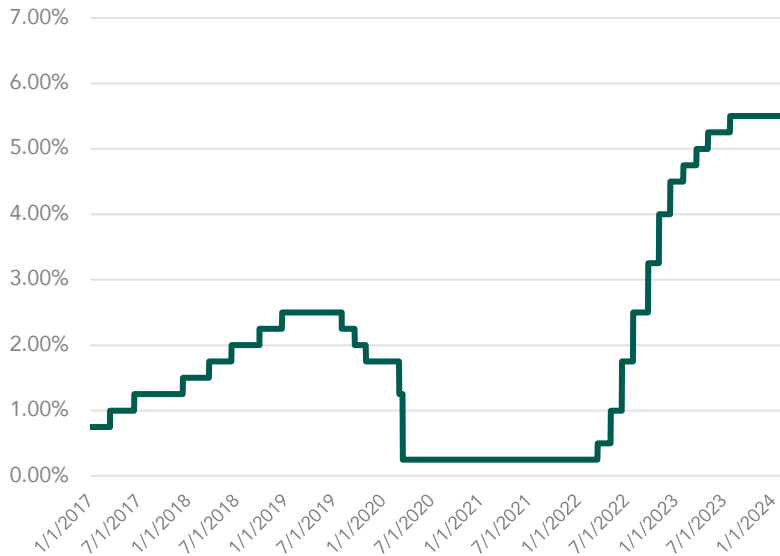


As of February 2, 2024

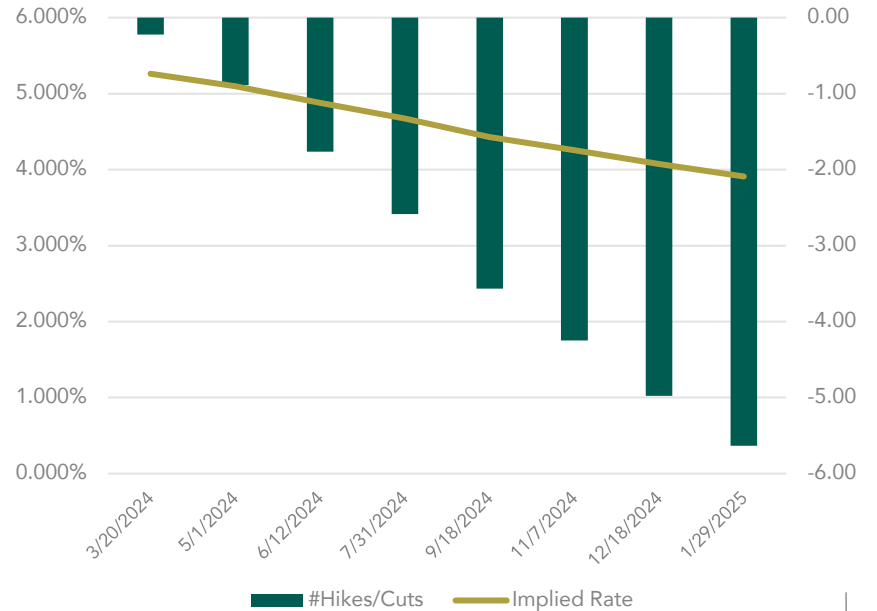
Federal Reserve Action

- At the January Federal Open Market Committee (FOMC) meeting, the Fed held rates steady for the fourth consecutive time at 5.25% - 5.50.
- As of Friday, February 2nd, market futures anticipate the possibility of as many as six rate cuts throughout 2024, with a benchmark implied rate of 3.910% by the end of 2024.
- The next FOMC rate decision is expected March 20th.

Federal Funds Rate (Jan. 2017 – Present)



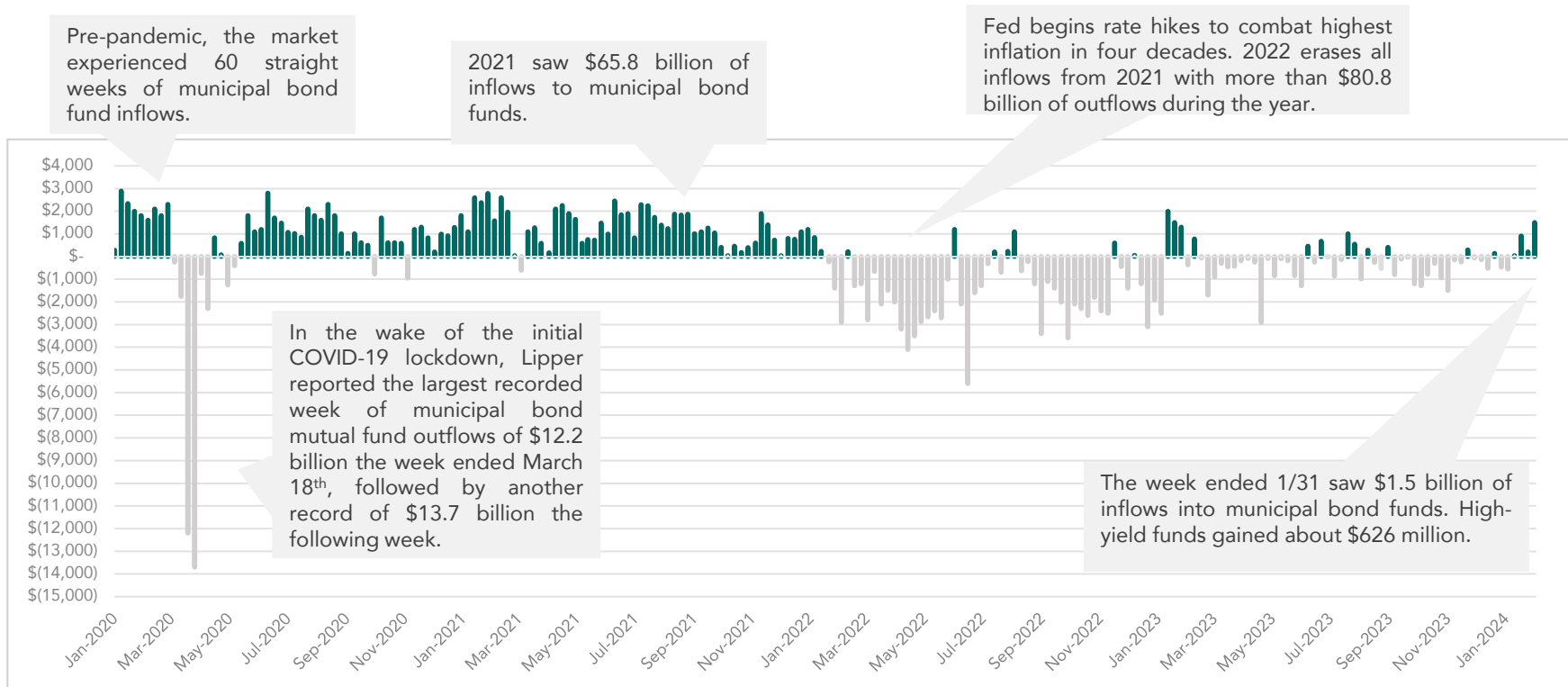
Implied Overnight Rate & Number of Rate Hikes (as of 2/2/2024)



Sources: TM3, Bloomberg, Lipper, U.S. Federal Reserve, and the BondBuyer



Municipal Fund Flow: January 2020 – January 2024



Aggregate Fund Flow Data

Fund Flows by Year	2021	2022	2023	2024
Municipal Fund Flows	\$65,882	(\$80,783)	(\$15,762)	\$2,090
High-Yield Fund Flows	\$9,926	(\$19,007)	\$714	\$1,281

Amounts in \$USD millions, approximation

Recent Weekly Fund Flow Data (8 Weeks Running)

Week Ending	12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31
Municipal Fund Flows	(\$524)	\$147	(\$464)	(\$558)	\$39	\$898	\$211	\$1,500
High-Yield Fund Flows	(\$58)	(\$64)	(\$9)	(\$165)	\$346	\$295	\$179	\$626

Amounts in \$USD millions, approximation