

SOUTHGLENN METROPOLITAN DISTRICT

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October 22, 2021

City of Centennial
Planning & Zoning Commission
13133 E. Arapahoe Rd.
Centennial, CO 80112
Att: Jill Hassman
Sent via email: jhassman@lawwj.com

To Whom it May Concern:

The Southglenn Metropolitan District (the "District") is in receipt of a proposed Major Amendment to the MDP (the "Amendment"), as set forth in Section 2.3 of the Master Development Agreement dated June 5, 2006, entered into by the City of Centennial, the Centennial Urban Renewal Authority, AW Southglenn, LLC and the District (as may be amended from time to time, the "Master Development Agreement").

The District has reviewed the "Southglenn MD Revenue Analysis" dated October 19, 2021, prepared by Piper Sandler, and has determined that the Amendment does not present the likelihood that the Project (as defined in the Master Development Agreement) will not meet the requirements of the Master Development Agreement or any financial obligations of the District concerning the Project.

Should you have any questions or need any additional information, please do not hesitate to contact the District's manager, Denise Denslow at 303-903-9760, or denise.denslow@claconnect.com.

Sincerely,



David Goldberg
Board President

Piper Sandler performed a comparison of the revenues available to repay the Southglenn Metropolitan District Special Revenue Refunding Bonds, Series 2016 Bonds (“the Bonds”) assuming (1) the Macy’s site goes dark, (2) assuming Macy’s is redeveloped per the development assumptions provided by Alberta and (3) the Sear’s site is redeveloped into Multifamily per the development assumptions also provided by Alberta. Based on the analysis it can be concluded that, if the development occurs in line with these assumptions, the District is likely to continue to meet debt service requirements.

Key Assumptions – Pledged Revenues

The Macy’s site is not in the Metropolitan District Boundaries, and as such only contributes revenues from the Centennial URA pledge to the Bonds. Thus, the Macy’s site contributes property and sales tax increment through 2030. Overall, the Bonds have current coverage of 1.1x during the Centennial URA (CURA) pledge years including the above described revenue from Macy’s during 2020. Given this coverage, bondholders have some protection from any outcome at Macy’s, but the analysis also demonstrates that the redevelopment of the site is likely to generate more revenues for bondholders.

The current overlapping increment levies are 101.640 mills, and the other properties are now valued approximately 2.0x in excess of the 2021 final base assessed value of \$17.2mm. Likewise, the sales from the development cover 1.2x in excess of the sales tax base of \$1.9mm. Because the rest of the development easily exceeds the base values, Piper Sandler assumed any changes to the assessed value or sales tax generation of the Macy’s site directly contributes to the projected bondholder revenues. For purposes of this analysis, Piper Sandler also held the current overlapping levy constant throughout the CURA term. Sales tax is estimated based on a 76% share of the 2.5% Centennial sales tax.

Key Assumptions – Macy’s Value

Piper Sandler obtained the current assessed value from the Arapahoe County Assessor, which was \$2,821,990 in assessed value (\$670,492 in building value and \$2,151,498 in land value). In order to project the future revenue if the Macy’s went dark, Piper Sandler estimated a land and vacant building valuation of \$2,821,990, which would equate to the same \$2,151,498 in land value plus \$670,492 value for the vacant building. It is assumed that the Macy’s would go dark in 2022. Therefore, sales tax would be generated only for a portion of 2022 (estimated at \$126,855 based on collecting for 76% of a year at \$40 per square foot) and then none thereafter. The assessed values reflect the 2-year lag between the year of the building assessment and collections. The 2022 collection year AV is based on Macy’s value as of 12/31/20, and certified final in 2021. Therefore, the first year the assessor’s valuation would reflect the post-vacant value is collection year 2023. Based on these assumptions, the site would generate an estimated \$242,584 per year based on property tax increment on the land value plus a small amount of value for the shell/vacant building.

Key Assumptions – Redevelopment

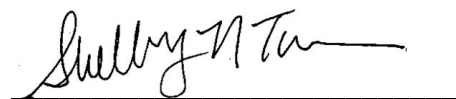
Alberta provided Piper Sandler with preliminary, conservative valuations for potential/proposed future development. For purposes of this analysis, Piper Sandler assumed that the site would be demolished in 2022, and substantially rebuilt in 2023. The redevelopment includes 815 apartments estimated to be valued at \$175,000 per unit and 258,905 total square feet of commercial valued at \$200 per square foot. Both of these values represent conservative estimates based on recent market studies. Likewise, it was estimated that 142,131 square feet of commercial would generate sales tax at an estimated, generic rate of \$300 per square foot. Sales tax generation can vary widely by use – from upwards of \$600 per square foot for a high-end restaurant to \$150 per square foot for some storefront retail. Given the preliminary nature of planning, \$300 per square foot was assumed but could even be assumed to be \$0 per square foot (an unlikely outcome) and still generate more for bondholders overall.

Conclusions

Based on this analysis it can be concluded that, if the development occurs in line with these assumptions, the District is likely to continue to make debt service. Although we do not envision an inability to make debt service under the current scenario (status quo) in the short term, redevelopment as authorized by the MDP would significantly improve the certainty of future revenues to the District and the ability to make debt service and ultimately pay off the bonds. Since the Macy's contribution to sales tax and property tax has been declining, and currently the site generates most of its revenue from the property tax on the vacant land, many scenarios and assumptions for the Macy's redevelopment would result in greater bondholder revenue.

Respectfully submitted,

Piper Sandler Companies



Shelby Noble
Senior Vice President

**Southglenn Metropolitan District
Revenue**

	As-Is	Redevelopment	Difference
2021	412,248	412,248	0
2022	285,393	285,393	0
2023	242,584	706,914	464,330
2024	242,584	861,897	619,313
2025	242,584	3,582,500	3,339,916
2026	242,584	3,645,550	3,402,966
2027	242,584	3,654,236	3,411,652
2028	242,584	3,718,548	3,475,964
2029	242,584	3,727,409	3,484,825
2030	242,584	3,793,008	3,550,424
Total	2,638,313	24,387,703	21,749,390

**Southglenn Metropolitan District
Development Summary**

Type	Macy's				Total
	Macy's	-	-	-	
Statutory Actual Value (2019)	\$59	-	-	-	
Sales per Unit	\$40	-	-	-	
2019	163,626	-	-	-	
2020	-	-	-	-	
2021	-	-	-	-	
2022	-	-	-	-	
2023	-	-	-	-	
2024	-	-	-	-	
2025	-	-	-	-	
2026	-	-	-	-	
2027	-	-	-	-	
2028	-	-	-	-	
2029	-	-	-	-	
2030	-	-	-	-	
Total Units	163,626	-	-	-	
Total Statutory Actual Value	\$9,731,000	-	-	-	
Annual Sales	\$6,545,040	-	-	-	

**Southglenn Metropolitan District
Assessed Value (As-Is Scenario)**

	Commercial				Total
	Commercial SF Delivered	Cumulative Statutory Actual Value	Adjustment	Assessed Value in Collection Year 2 Year Lag 29.00%	Assessed Value in Collection Year 2 Year Lag
2019	163,626	9,731,000			
2020	-	9,731,000			0
2021	-	8,271,350	(1,459,650)	2,821,990	2,821,990
2022	-	8,271,350		2,821,990	2,821,990
2023	-	8,271,350		2,398,692	2,398,692
2024	-	8,271,350		2,398,692	2,398,692
2025	-	8,271,350		2,398,692	2,398,692
2026	-	8,271,350		2,398,692	2,398,692
2027	-	8,271,350		2,398,692	2,398,692
2028	-	8,271,350		2,398,692	2,398,692
2029	-	8,271,350		2,398,692	2,398,692
2030	-	8,271,350		2,398,692	2,398,692
Total	163,626				

**Southglenn Metropolitan District
Revenue (As-Is Scenario)**

	Total	U.R.A. Mill Levy Revenue		Sales Tax Revenue			Total
	Assessed Value in Collection Year	U.R.A. Mill Levy 101.640 Mills	Debt Mill Levy Collections 99.50%	Taxable Retail Sales	City Sales Tax 2.50%	District Share of City Sales Tax 76%	Revenue Available for Debt Service
2021	2,821,990	101.640	285,393	6,676,595	166,915	126,855	412,248
2022	2,821,990	101.640	285,393	0	0	0	285,393
2023	2,398,692	101.640	242,584	0	0	0	242,584
2024	2,398,692	101.640	242,584	0	0	0	242,584
2025	2,398,692	101.640	242,584	0	0	0	242,584
2026	2,398,692	101.640	242,584	0	0	0	242,584
2027	2,398,692	101.640	242,584	0	0	0	242,584
2028	2,398,692	101.640	242,584	0	0	0	242,584
2029	2,398,692	101.640	242,584	0	0	0	242,584
2030	2,398,692	101.640	242,584	0	0	0	242,584
Total			2,511,458			126,855	2,638,313

1. Assumes Macy's goes dark 2022 (results in 15% decrease to assessed value and no sales tax revenue)

**Southglenn Metropolitan District
Development Summary**

Type	Redevelopment - Residential			Total	Redevelopment - Commercial			Total
	Apartments	S. Redevelopment Area	-		Commercial (with sales)	Commercial (no sales)	-	
Statutory Actual Value (2019)	\$175,000	\$175,000	-		\$200	\$200	-	
Sales per Unit	-	-	-		\$300	-	-	
2019	-	-	-	163,626	-	-	-	-
2020	-	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	240	575	-	815	142,131	116,774	-	258,905
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
Total Units	240	575	-	164,441	142,131	116,774	-	258,905
Total Statutory Actual Value	\$42,000,000	\$100,625,000	-	\$152,356,000	\$28,426,200	\$23,354,800	-	\$51,781,000
Annual Sales	-	-	-	\$6,545,040	\$42,639,300	-	-	\$42,639,300

**Southglenn Metropolitan District
Assessed Value (Redevelopment Scenario)**

	Residential				Commercial					Total
	Residential Units Delivered	Biennial Reassessment 2.00%	Cumulative Statutory Actual Value	Assessed Value in Collection Year 2 Year Lag 7.15%	Commercial SF Delivered	Biennial Reassessment 2.00%	Cumulative Statutory Actual Value	Adjustment	Assessed Value in Collection Year 2 Year Lag 29.00%	Assessed Value in Collection Year 2 Year Lag
2019	-	-	0		-	-	9,731,000	9,731,000		
2020	-	-	0	0	-	-	9,731,000			0
2021	-	-	0	0	-	-	9,731,000	0	2,821,990	2,821,990
2022	-	-	0	0	-	194,620	7,613,580	(2,312,040)	2,821,990	2,821,990
2023	815	-	148,387,050	0	258,905	-	56,244,040	(7,418,960)	2,821,990	2,821,990
2024	-	2,967,741	151,354,791	0	-	1,124,881	57,368,920		2,207,938	2,207,938
2025	-	-	151,354,791	10,609,674	-	-	57,368,920		16,310,772	26,920,446
2026	-	3,027,096	154,381,887	10,821,868	-	1,147,378	58,516,299		16,636,987	27,458,854
2027	-	-	154,381,887	10,821,868	-	-	58,516,299		16,636,987	27,458,854
2028	-	3,087,638	157,469,525	11,038,305	-	1,170,326	59,686,625		16,969,727	28,008,032
2029	-	-	157,469,525	11,038,305	-	-	59,686,625		16,969,727	28,008,032
2030	-	3,149,390	160,618,915	11,259,071	-	1,193,732	60,880,357		17,309,121	28,568,192
Total	815	67,784,862			258,905	25,887,526		-		

**Southglenn Metropolitan District
Revenue (Redevelopment Scenario)**

	Total	U.R.A. Mill Levy Revenue		Sales Tax Revenue			Total
	Assessed Value in Collection Year	U.R.A. Mill Levy 101.640 Mills	Debt Mill Levy Collections 99.50%	Taxable Retail Sales	City Sales Tax 2.50%	District Share of City Sales Tax 76%	Revenue Available for Debt Service
2021	2,821,990	101.640	285,393	6,676,595	166,915	126,855	412,248
2022	2,821,990	101.640	285,393	0	0	0	285,393
2023	2,821,990	101.640	285,393	22,185,313	554,633	421,521	706,914
2024	2,207,938	101.640	223,293	33,610,750	840,269	638,604	861,897
2025	26,920,446	101.640	2,722,513	45,262,476	1,131,562	859,987	3,582,500
2026	27,458,854	101.640	2,776,963	45,715,101	1,142,878	868,587	3,645,550
2027	27,458,854	101.640	2,776,963	46,172,252	1,154,306	877,273	3,654,236
2028	28,008,032	101.640	2,832,503	46,633,974	1,165,849	886,046	3,718,548
2029	28,008,032	101.640	2,832,503	47,100,314	1,177,508	894,906	3,727,409
2030	28,568,192	101.640	2,889,153	47,571,317	1,189,283	903,855	3,793,008
Total			17,910,069			6,477,634	24,387,703

1. Assumes Macy's goes dark 2022 (results in 15% decrease to assessed value and no sales tax revenue)