Hillside

April 27, 2016

Dear Sir or Ms.

The Town of Castle Rock limited the Hillside at Castle Rock project to a very specific buyer due to Castle Rock's desire to have a project benefit that does not exist in Castle Rock. The annexation process took almost nine years. The project was finally approved in 2010 at the very lowest point of the economic disaster and made no sense to build at that time. The market for age restricted homes is good enough to proceed, but it is late in the housing cycle and costs to develop have risen dramatically. The mandated 55+ buyers will be purchasing a home that should be the last home acquired in their life and their purchase must have costs controlled, both now and long term.

These buyers buy in a neighborhood like Hillside because they want to have a new lifestyle which includes the avoidance of maintenance and they wish to lock the doors and leave for months at a time without having to worry about the care of the yard and community. This buyer also is seeking to replace a larger home or "move down" from the big home. This buyer is weary of the big monthly cost of utilities and yard maintenance with no way to avoid the costs. WE ARE TRYING TO OFFER A PRODUCT DESIGNED FOR THE NEEDS AND BUDGET OF A CASTLE ROCK BUYER, NOT A HIGHLANDS RANCH OR DENVER RELOCATING BUYER.

This project needs the District in order to provide the lifestyle that must be offered to attract 55+ buyers. We need to meet the market for homes priced around $400,000, not $550,000 and up, which other similar age 55+ projects are priced at throughout Metro Denver. The Hillside site has dramatically high site development costs due to the topography, needed amenities, and extreme costs of improving Wolfensberger which have to be absorbed by a small number of homes that can be built on the site due to the large amount of undeveloped land on the hillside. These high development costs created the need for District financing for infrastructure and also for future maintenance of the walls needed to create the interior roads.

The number of residences in the project should have absolutely no bearing on the approval of the district. All that matters is whether we meet the statutory requirements of the state. This project cannot feasibly be constructed without the financing. The cost to build the 120 duplex and patio homes is in excess of $7,200,000 not including the garden amenities and the Gathering Hall. This basic infrastructure cost is $60,000 per unit which makes the lot cost in excess of $100,000. Industry standards would usually dictate a home with a base price of 5 times the lot cost. In other words, the lot costs typically are 20% of the home base price. This ratio assures availability of financing for land development costs and home construction financing. This would require home prices starting at $500,000 in order to absorb that cost. Without the district, the Castle Rock buyers at Hillside will be offered another typical half million and above housing community but a community without the amenities that provide the lifestyle envisioned by the town and our Castle Rock neighbors who want this community and its amenities at an affordable price. The District allows local Castle Rock buyers to find their affordable home for the next phase of their lives.

The Hillside project has an additional 50 units that is not now platted with currently unknown development costs. The District financing is the only way we can move forward with the project as planned to service a larger spectrum of active and non active 55+ buyers.

The Staff memo states:

The Special District Act specifically authorizes the Council to approve the Service Plan as submitted, to disapprove the Service Plan, or to conditionally approve the Service Plan subject to the receipt of additional information or modification.

The Act provides that the Council shall disapprove a service plan unless it finds that:

- there is sufficient projected need for the services the Districts will provided because existing services are inadequate (**Necessity**);
    1. Our submission demonstrates that we must create very large retaining walls in order to create the roads and homes for this senior buyer and the town will certainly not provide the funds necessary to carve the roads needed to allow the town approved density (2.6 units per acre) the patio and paired home community must have to be feasible.
    2. The existing amenities are inadequate to create the internal lifestyle needed to attract buyers to an "age restricted" community. The district is needed to help finance the amenities.
    3. We need an internal gathering hall and we need District managed gardens for the residents to garden in.
    4. We need internal walking trails
    5. We need internal security.
- the Districts are capable of providing sufficient and economical service (**Sufficiency**);
    1. We have demonstrated sufficient ability to service the amenities that the town will not service.
    2. We can service the maintenance of the grounds and the large retaining walls and the home exteriors which the town will not.
    3. Remember "lock and leave!"
    4. HOA's cannot provide the lock and leave security as efficiently and economically as a District.
    5. District funds are tax based and much more easily collected. HOA's have notorious difficulty collecting 100 % of dues for maintenance
    6. District taxes are deductable for the residents
- District debt can be retired on a reasonable basis (**Feasibility**).
    1. Our financial plan is reasonable and conservative
    2. The town staff may not be properly educated to refute the feasibility of the group that developed the financial analysis. D.A. Davidson is well know and respected in the bond world.

Service Plan

The staff memo states:

"The Service Plan anticipates that the developer will fully develop the project in phases with private financing, and then recover most, but not all, of the project development costs through issuance of limited tax obligation bonds ('Bonds") once the Project is completed. The Capital Plan (Exhibit D) details $5.5 million in project costs, including $1.2 million in a retaining wall and $667,000 in landscaping."

The Capital Plan was developed before the bidding for the infrastructure was completed and the costs including the amenities are $7,200,000 for infrastructure and another $600,000 for the amenities. It is obvious that I cannot keep the prices of the homes as low as possible without the district financing. Based on our most current costs the Metro District net financing will be 37.5% of the cost to install, ($3,000,000 / $8,000,000) certainly not "most" as stated above.

The staff memo also states:

The organizers project that the 170 units will be absorbed in the market over a three-year period commencing in 2017, allowing for issuance of the Bonds in 2019. The principal revenue sources available to retire the Bonds will be a 50 mill property tax, which is the maximum tax levy that may be imposed (subject to "Gallagher" adjustment). This property tax rate is within the range authorized to other metropolitan districts within the Town. The District may also impose a 10 mill operational mill levy resulting in a total capped mill levy of 60 mills, again not atypical of Castle Rock metropolitan districts.

We are within the range of other existing Metropolitan Districts in the town and we need the District to construct and maintain the project retaining walls and amenities. In a meeting on March 28th 2016 the Town Manager seemed to agree with the prudence of a District managing the retaining walls and grounds maintenance.

The staff memo also states:

"The organizers assert that the development challenges presented by the physical characteristics of the property justify utilization of public financing. The financial consequence of District formation to the 170 homeowners is that the purchase price of the home may be reduced by the portion of the site development cost that is financed by the District (approximately $21,000 per unit). The homeowner then pays the "saving" in purchase price through District property taxes."

This is an inaccurate statement as it refers to the price lot relationship. We will be able to reduce our home prices by a multiple of the infrastructure cost financed by the District. The industry standard for lot cost as a % of the total cost of the home is 20%. So a $500,000 home can afford a $100,000 dollar lot cost. By reducing the cost of a lot by $21,000 or from $100,000 to $79,000, I can feasibly sell a home for $395,000 and give comfort to land development lenders and home construction lenders that their financing will be supported by industry standards for the project. The multiple is dramatic. It allows base prices nearly 20% lower than without having Metro District. Having this District financing will enable us to sell more reasonably priced homes and to also absorb the lots much quicker.

Finally the staff memo also states:

"Arguably, the Service Plan makes the case for the feasibility of the financial plan and the ability of the District to provide economical service. Approval or disapproval of the Service Plan then turns on whether Town Council views that the District provides an essential or necessary role in development of the Project."

This is seemingly a negative statement by the staff for whatever reason. The introduction "Arguably" infers all kinds of demeaning thoughts. It is not arguable that we need the District and that we have made the case for the District. Please refer to the attached comparison between Cal Atlantic's project (formerly Ryland) in the Meadows and our proposed costs with the District in place. Bottom line, we are attempting to offer age restricted security and ***lower monthly HOA dues and real estate taxes*** to Castle Rock buyers of almost 100 dollars per month.

Respectfully submitted for your review.

Wolfensberger Property Group, LLC　　　　Miles Grant

March 15, 2016

Combined HOA and Mill Levy Cost of Living Comparison Calculations – Castle Rock Age Restricted Communities

The Meadows by Ryland Homes

Ryland Homes Patio Villa Duplexes

Avg. Duplex Home Size – 1,621 Fin SF
Avg. Base Price - $388,156
Avg. Base price per SF - $239.45

Annual Ryland Duplex Cost of Living Comparison

Castle Rock Assessed Value – (.0796) = $30,884
Meadows Metro 3 35 Mil Levy Tax - $1,081
Meadows Master Plan HOA Dues - $780
Ryland Duplex HOA Dues - $2,100

Annual Community Dues and Taxes - $3,961
Avg. Monthly Dues and Fees - $330

Ryland Homes Reflection SFD Patio Homes

Avg. SFD Patio Home Size – 2,010 Fin SF
Avg. Base Price - $466,790
Avg. Base Price per SF - $232.23

Annual Ryland Patio Home Cost of Living Comparison

Castle Rock Assessed Value – (.0796) = $37,156
Meadows Metro 3 35 Mil Levy Tax - $1,300
Meadows Master Plan HOA Dues - $780
Ryland Patio Home HOA Dues - $1,860

Annual Community Dues and Taxes - $3,940
Avg. Monthly Dues and Fees - $328

Hillside by Genesis Homes II

Genesis Homes Duplexes

Avg. Duplex Home Size – 2,045 Fin SF
Avg. Base Price - $385,000
Avg. Base Price per SF - $188.26

Annual Genesis Duplex Cost of Living Comparison

Castle Rock Assessed Value – (.0796) = $30,646
Hillside 50 Mil Levy Tax - $1,532
Hillside 10 Mil Levy OH Tax - $307
Hillside HOA Dues - $800

Hillside Community Dues and Taxes - $2,639
Avg. Monthly Dues and Fees - $220

Genesis Homes SFD Patio Homes

Avg. SFD Patio Home Size – 1,800 Fin SF Avg.
Avg. Base Price - $425,000
Avg. Base Price per SF - $236.00

Annual Genesis Patio Home Cost of Living Comparison

Castle Rock Assessed Value – (.0796) = $33,830
Hillside 50 Mil Levy Tax - $1,692
Hillside 10 Mil Levy OH Tax - $338
Hillside HOA Dues - $800

Annual Community Dues and Taxes - $2,830
Avg. Monthly Dues and Fees - $236