Special Districts

Opinion: Special districts role in sustaining our communities

It's no secret that Colorado is facing a housing supply shortage. According to the Colorado Association of Realtors, there were fewer than 1,500 single-family houses and only 452 townhome/condo active listings at the end of February. That's down 50% and 71.6%, respectively, from February of last year. Statewide, the numbers don't look much better. Across Colorado, single-family active listings have decreased 41% and townhome/condo listings are down by 63%.

As Denver, in particular, continues to attract new residents across all income levels, there is a critical need to create more affordable and attainable housing options. The recent 2022 Axios-Generation Lab report ranked Denver as the No. 1 desired post-college destination for those who make less than $26,000 a year and landed at No. 14 for those who make more than $80,000 a year.

While there are multiple solutions to help address Colorado's growing pains, special districts continue to be a critical tool to fund the public infrastructure required to allow housing supply to keep up with demand for new homes. With more than 2,700 special districts in the state, the use of this financing tool to support the growth of our communities has become ubiquitous across Colorado. All top 20 selling master planned communities in the state today currently fund their public infrastructure through special districts.

Zach Bishop
Managing director, Special District Group, Piper Sandler

The impact these districts have made is exponential as we continue to face housing affordability and homelessness challenges. From increasing the housing supply to generating economic activity to facilitating early stage development, special districts cannot be overlooked when it comes to sustaining Colorado's growth.

■ **Special districts increase Colorado's housing supply.** In 2021, our firm's special district group financed public infrastructure that ultimately will add 50,000 new homes in Colorado upon full build-out. Our team anticipates closing more than 100 transactions in Colorado through the end of 2022, which will add more master planned communities across the state and ultimately continue to increase the number of homes available.

According to 2020 census data, Colorado's population grew by more than 14% from 2010 to 2020, adding more than 770,000 people. And that growth shows no signs of slowing.

The use of special district financing is a vital asset we have at our disposal to address issues that naturally come with this level of growth. By using special districts to develop master planned communities across the state, more homes are added to the housing supply without burdening the existing residents of cities and counties with the cost of building the required infrastructure.

For example, the highly anticipated Loretto Heights redevelopment in Southwest Denver will add 1,157 residential units focused on affordable housing. In Jefferson County, the Red Rocks Ranch Metropolitan District is expected to add more than 950 homes. In Longmont, the Mountain Brook Metropolitan District is adding 110 single-family detached homes, 149 townhomes and 200 condominiums. At the time financing for the Mountain Brook district was issued, all 149 townhomes and 200 condos were under contract along with 92 of the single-family homes – demonstrating just how quickly demand is outpacing supply.

■ **Special districts inject billions into the state's economy.** The benefits of special districts are not limited to housing. They're also a mechanism to bring additional capital into Colorado's economy. In the past five years alone, special districts brought $15 billion of capital into our state to fund public infrastructure and services. That $15 billion went directly into shovel-ready projects that have resulted in thousands of jobs for construction workers and related industries.

The economic impact doesn't stop at the construction site. Many of the master planned mixed-use communities that special districts pave the way to build include land development for commercial and industrial use. The Loretto Heights redevelopment, for example, includes 98,000 square feet of retail space that will include a new grocery store and theater, and an additional 78,000 sf of office space.

Without being able to finance public infrastructure through special districts, this capital would otherwise remain outside of Colorado or come at significantly higher cost, further hindering efforts to build the roads, sidewalks, parks, open space, water and wastewater structures that sustain economic growth.

■ **Special districts facilitate early stage development.** Special districts pave the way for growth in a way that allows the development community to execute on projects that would otherwise take much longer to secure the necessary capital to build. For example, by establishing a special improvement district, developers can access early stage construction lending without recourse. Unlike other forms of construction lending, SIDs allow local homebuilders to develop additional types of communities, including ones that include non-production lots.

The Canyon Pines Metro District in Jefferson County, for example, is the first master planned community in Colorado to establish an SID for public infrastructure construction lending. Across 181 acres in Arvada, Canyon Pines will include 90 single-family detached lots for custom homes. In addition to the general obligation debt issuance, the metro district established an SID within its boundaries as a way to issue assessment lien bonds. These special assessments are applied to each lot based on a benefit analysis of the improvements the SID provides that lot. They do not levy property taxes, and the lien is paid off as the lots are sold. This financing solution allows local homebuilders to tap into capital that typically is only accessible to the nation's largest homebuilders.

The bottom line: Special districts help build stronger communities that are well equipped to maintain sustainable growth, while playing a vital role in helping to cover the cost of building and maintaining essential roads, sidewalks, parks, open space, water and wastewater structures that cities and counties often can't afford to build up front. The use of these tools leads to economic opportunity, streamlines land development and increases new housing stock across the state – something that cannot be overlooked as people continue to flock to Colorado to enjoy everything it has to offer. ▲

Carmel

Continued from Page 16

five-story mixed-use development.

Carmel Partners could not be reached for comment regarding the land sale or future development. Hodge declined to comment on the buyer's specific plans.

■ WESTMINSTER – **Pinnacle Real Estate Advisors** announced the sale of the 36-unit multifamily property at 3076 W. 71st Way in Westminster. According to Pinnacle Real Estate Advisors, a buyer in a 1031 exchange acquired the property, offering all two-bedroom apartments, for $6.95 million, or $193,055 per unit. **Andrew Monette** of Pinnacle represented the buyer in the transaction. The Adams County assessor lists the previous owner as **Bottom Line Investing Group LLC.** However, the transaction had not yet been recorded with the clerk's office by press time.

"We were thrilled to help our client successfully satisfy its 1031 exchange requirement by trading out of a multitenant retail portfolio into a multifamily asset," Monette commented on the transaction. "The buyer will be able to increase its cash flow position drastically while also setting itself up for future value-add at the property."

Andrew Monette

According to Monette, the buyer sold the retail property at 9012 W. Ken Caryl Ave. in Littleton and traded into 3076 W. 71st, which fits perfectly into its portfolio of workforce housing investments across the Front Range. The buyer has no immediate renovation plans for the multifamily property and plans to enjoy the steady cash flow it provides, Monette added.

■ LAKEWOOD – Andi Lynn Flats, the 16-unit multifamily property at 213-233 S. Ingalls St. in Lakewood, traded hands. According to public records, buyer **Ingalls St Partners LLC** acquired the 1960s asset from **IH Holdings Four LLC** for $3.43 million, or $214,063 per unit. **Josh Newell** of **Pinnacle Real Estate Advisors,** who brokered the transaction on behalf of the seller, commented on the marketing process, saying, "Andi Lynn Flats had a 60% loan-to-value loan assumption requirement, which definitely shrank the buyer pool. However, we knew that there was enough capital chasing quality suburban assets that we'd be able to execute this disposition."

The property, offering two-bedroom units, ultimately sold for 97% of the list price.

Newell also assisted in the recent sale of the seven-unit property at 1690 Yarrow St. in Lakewood. The 1950s asset traded between two undisclosed investors for $1.5 million, or $214,286 per unit. **Connor Knutson** and **Jake Waxter** of Pinnacle Real Estate Advisors worked alongside Newell to represent the buyer in the transaction.

■ GREELEY – The 10-unit multifamily property at 2130 28th Ave. in Greeley sold. According to public records, buyer **Stapleton Children's Dentistry Properties LLC** purchased the asset from **Michael A. Carmichael** for $2.37 million. The value-add property, built in 1985, features six two-bedroom and four three-bedroom townhome-style apartments with individual garages.

Mark Knowlton and **Jim Knowlton** of **Pinnacle Real Estate Advisors** represented the 1031 exchange buyer in the off-market transaction, while **Quentin Shore** and **Chris Knowlton,** also of Pinnacle Real Estate Advisors, represented the seller.

■ AVON – **Lot 3 Vista Mountain LLC** purchased one of the last undeveloped parcels at the base of Beaver Creek Resort in Avon. The buyer acquired the 1.09-acre site from **Marriott Vacations Worldwide** for $3.1 million. **Erich Schmidt** and **Steven Sendor** of **Fortius Capital Investment Services** brokered the transaction.

According to Schmidt, the property garnered significant interest from developers nationwide and received several offers. He attributed the interest to the site's favorable Town Center zoning, which allows for residential, hospitality or commercial development. The site's central location within walking distance of various ski lifts, coupled with the scarcity of available developable land in Avon, also made the land attractive, Schmidt noted.

Erich Schmidt

The buyer is still evaluating plans for the site.

■ COMMERCE CITY – **Kearney 1 LLC** purchased the 2.48-acre development site at 6320 Kearney St. in Commerce City from seller **Kearney Development Partners LLC.** The land traded for $1.13 million. **Tanner Digby** of **Digby Commercial Advisors** brokered the transaction.

According to Digby, the buyer plans to develop a 44-unit apartment building on the site. The property will rise three stories and feature units ranging from 1,425 to 1,800 sf. ▲