



SpencerFane

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July 16, 2024

El Paso County
Planning and Community Development
Attn: Kari Parsons
2880 International Circle
Colorado Springs, CO 80910

Re: Letter of Intent in Support of Formation of Proposed Prairie Ridge Metropolitan District Nos. 1 – 3

Dear Ms. Parsons:

The proposed formation of Prairie Ridge Metropolitan District Nos. 1-3 (collectively, the “Districts”) encompasses approximately 142 acres of land generally located southwest of the intersection of Poco Road and Vollmer Road in El Paso County, Colorado (Schedule Numbers 5228000024 and 5228000025) (the “Property”). The development within the boundaries of District No. 2 is anticipated to consist of approximately 98 attached single-family homes with a value of \$375,000 and 122 attached single-family homes with a value of \$600,000, in year 2024 dollars. The development within the boundaries of District No. 3 is anticipated to consist of approximately 39 single-family homes with a value of \$650,000; 7 single-family homes with a value of \$950,000; 155 single-family homes with a value of \$725,000; 3 single-family homes with a value of \$950,000; 7 single-family homes with a value of \$1,100,000; and 6 single-family homes with a value of \$1,250,000, all in year 2024 dollars. District No. 1 is anticipated to include 30,000 square feet of commercial space. The number of anticipated homes and the amount of commercial development remain estimates and may be altered depending on the final outcome of the development approval process. We respectfully request consideration of the Districts at the next possible public hearing of the Board of County Commissioners (the “Board”) of the County of El Paso (the “County”).

A. Purpose of the Districts

The primary purposes of the Districts are to provide for the construction, installation, completion, financing and possible ownership, operation and maintenance of public improvements including, but not limited to, water and sanitary sewer infrastructure; street and road improvements; storm drainage and detention facilities; park and recreation improvements, including significant open space, trails, and parks; mosquito control improvements, television relay and translation improvements and services and powers, including covenant enforcement and design review services, provided for metropolitan

districts authorized by the Special District Act, pursuant to Title 32, C.R.S. and provided within similar districts within the County.

As stated above, the Service Plan authorizes the Districts to provide covenant enforcement and design review services. However, it is anticipated that a homeowner's association will actually provide these services in lieu of the Districts. If the Districts do engage in covenant enforcement, it is anticipated that District No. 1 would be responsible for such services, and that it would not engage in covenant enforcement in the County ROW. Further, it is not anticipated that additional fees will be charged for covenant enforcement or design review services. There is no need to add a Maximum Special Purpose Mill Levy to the Service Plan.

It is anticipated that District No. 1 will function as the operating district in order to coordinate the financing and construction of the public improvements for the project and that District Nos. 2 and 3, in coordination with District No. 1, will finance the construction of the public improvements. The creation of the Districts will ensure the costs of the public improvements are shared by the property owners and taxpayers directly benefitting from such public improvements.

Furthermore, the creation of the Districts is necessary to serve the Property because there are currently no other governmental entities, including the County, located in the immediate vicinity of the Districts that consider it desirable, feasible, or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements needed to serve the Property. Although the Sterling Ranch Metropolitan District Nos. 1-5 ("Sterling Ranch Districts") are near the Districts, the Sterling Ranch Districts are not able or willing to finance or construct the public improvements necessary for the Property. The Sterling Ranch Districts are not in a position to fund the improvements in the areas proposed for the Districts. Development in Sterling Ranch Metropolitan District No. 2 is almost complete. The other Sterling Ranch Districts are still in the process of developing and have experienced slowdowns, changes in development projections, and increases in construction costs. The formation of the Districts avoids burdening the property owners and residents in the Sterling Ranch Districts from financing the public infrastructure within the new project and allows the Sterling Ranch Districts to exist on their own while the new project develops. Further, if the Sterling Ranch Districts were to fund the improvements of the Districts, it would likely extend developer control of the Sterling Ranch Districts.

At this time, the Developer anticipates that Black Forest Fire Protection District will provide fire protection services and that Falcon Area Water and Wastewater Authority ("FAWWA") will provide water and sanitary sewer services to the Property following the construction and installation of the necessary infrastructure, including, but not limited to, water improvements, sewer improvements, and fire hydrants. FAWWA has provided a letter stating that it is willing to provide water and sanitary sewer services to the Property. A copy of the letter is enclosed herewith. The Districts are anticipated to enter into an IGA with FAWWA regarding payment for water rights and for the provision of such services. We have also enclosed a fire service commitment letter from the Black Forest Fire Protection District.

To the extent any of the authorized facilities and improvements are dedicated to and accepted by the County, FAWWA, Black Forest Fire Protection District, or other entities having jurisdiction, such entities shall own, operate, and maintain such accepted facilities and related improvements. The Districts shall be authorized to own, operate and maintain any facilities and improvements not

otherwise dedicated to and accepted by any applicable public entity acting as a Provider Jurisdiction (as defined in the proposed Service Plan), subject to any County rules and regulations.

It is anticipated that the Boards of Directors of the Districts will initially consist of developer representatives who are qualified to serve as directors under Purchase and Sale Agreements. Once the terms of the board members who are developer representatives have been completed and there are residents and/or owners who are “eligible electors” under Colorado law who desire to serve on a board, such eligible electors may be elected through the election process.

B. Justification and Information Regarding Multiple District Structure

The Districts will serve a project with significant infrastructure that will be developed over multiple years. The build-out schedule represented in the financial plan attached to the service plan is consistent with the Preliminary Plan submitted to the County for approval, subject to market conditions and demand. A multi-district structure is being utilized to allow the development to occur in phases and to differentiate the residential portions of the project from the commercial portions. It is currently estimated that units will be added to District No. 2 as follows: 36 units in 2026, 128 units in 2027, and 56 units in 2028. As further noted in the Financial Plan, it is currently estimated that units will be added to District No. 3 as follows: 30 units in 2026, 96 units in 2027; and 91 units in 2028. The Financial Plan indicates that 10,000 square feet of commercial space will be added to District No. 1, the commercial district, each year between years 2028 through 2030. The multi-district structure set forth in the Service Plan, with District No. 1 anticipated to function as the operating district, will accommodate any delays in development and will provide a coordinated approach to infrastructure financing by segregating the bonds to completed portions of the development instead of a district being forced to issue bonds early in the project and burdening early phases of the development with the costs of the public improvements for the entire project. Use of District No. 1 as the operations district to facilitate the long-term construction, financing, and operation of the public improvements will guarantee the areas within the Property are responsible for funding their fair and equitable share of the costs of capital improvements and operations. Although District No. 1 is anticipated to function as the operating district, District No. 1 is also anticipated to include commercial development within its boundaries. The Districts will enter into an inter-district agreement further governing their relationship, if necessary.

We have included a table below which summarizes acreage, maximum debt limitation, and mill levy limits for each of the Districts.

District	Type	Acreage	Maximum Debt Limitation	Mill Levy Limits
District No. 1	Commercial/Operating District	5.427 acres	\$50,000,000 (combined for all Districts)	60 mills, inclusive of debt (50 mills) and operations and maintenance (10 mills)
District No. 2	Residential	27.8 acres	\$50,000,000 (combined for all Districts)	60 mills, inclusive of debt (50 mills) and operations and maintenance (10 mills)
District No. 3	Residential	108.895 acres	\$50,000,000 (combined for all Districts)	60 mills, inclusive of debt (50 mills) and operations and maintenance (10 mills)

C. Development and Financial Plans

The Developer of the Property is Classic SRJ Land, LLC. Classic Consulting Engineers & Surveyors, LLC generated the cost estimates for the proposed public improvements. It should be noted that such cost estimates are preliminary in nature and the ultimate costs may increase or decrease depending on numerous factors, many of which are out of the Developer’s control. In particular, the initial cost estimates only include the public improvement portion of costs and the total project improvement costs may be significantly higher. To demonstrate the Districts’ ability to finance the public improvement portion of costs of the project, a financial plan is attached to the Service Plan as Exhibit D. This financial plan and the cost estimates provided in Exhibit C to the Service Plan are meant to show the capacity of the Districts to issue debt. Any debt the Districts issue will be within the limitations of the text of the Service Plan.

As indicated in the financial plan, the Developer of the Property anticipates the imposition of a Public Improvement Fee (“PIF”) on all taxable sales transactions within the Districts, with resulting PIF revenue pledged to the repayment of the Bonds. It is also anticipated that facility fees will be imposed in the following amounts, which are to be collected at the time a building permit is issued, and which revenue will be pledged to the bonds: \$1.00 per square foot for commercial development, \$2,500 per single-family unit, and \$1,500 for each multi-family unit, however, these fee amounts may change based on development and operational needs. The chart below shows that the proposed PIF and facilities fees are consistent with others in the area.

Facility Fee Comps

District	SFD	SFA	MF
Reagan Ranch MDs	\$3,500	\$2,500	\$500
Sterling Ranch MDs	\$2,800	\$2,800	
Woodman Heights MDs	\$2,000		
Willow Springs Ranch MD	\$2,000		
Retreat MDs	\$1,500-\$2,500		
Prairie Ridge MD Nos. 1-3	\$2,500	\$1,500	

Add-On PIF Comps

District	Add-On PIF
Interquest South MD	1.50%
Pinon Pines MD No. 3	1.50%
Interquest North MD	1.25%
Colorado Crossing MD	1.00%
Copper Ridge MD	1.00%
Monument Junction MD	1.00%
Prairie Ridge MD Nos. 1-3	1.00%

The Developer and the Districts intend to work with applicable service providers, including FAWWA and Black Forest Fire Protection District, to obtain the necessary consents and/or approvals for the provision of necessary public services to the Districts including, but not limited to, water, sanitary sewer, and fire protection services. Additionally, the Developer and the Districts intend to coordinate the completion of the necessary public improvements in compliance with any approved development plans obtained by, or for the benefit of, the Districts.

D. Compliance with County Master Plans

The Districts will provide the needed facilities and services to the Property, along with representation and the flexibility to respond to the unique needs of the Property. The Developer is requesting to form three metropolitan districts to allow for phasing of infrastructure construction and financing during the initial and later phases of development and to differentiate the residential portions of the project from the commercial portions.

1. Compliance with Your EPC Master Plan

The Districts are being formed to construct and provide public services in compliance with Your EPC Master Plan as discussed further below.

- A. Core Principle: Land Use & Development. The County’s Master Plan categorizes the future land use placetype for the Property as “Suburban Residential.” This categorization provides a collection of land uses that include mainly single-family detached homes, but also includes single-family attached, multifamily, commercial retail, commercial service, parks and open space and institutional uses. The Preliminary Plan for the Property accommodates the densities that are consistent with the Suburban Residential placetype land uses and characteristics. The Preliminary Plan area for the Property is identified as a “New Development” area, which will be significantly transformed as new development takes place. These areas are often on undeveloped or agricultural areas and are expected to be complimentary to adjacent development. The proposed development within the Districts will bring about the transformation of this area as anticipated by the Master Plan, will be

- complimentary to the adjacent build-out area of Sterling Ranch, and will provide a gradual transition from Sterling Ranch to the more rural residential development to the north and west. The formation of the Districts will allow “development to pay for itself,” as the properties within the Districts’ boundaries will contribute to the financing of the public infrastructure serving such properties.
- B. Core Principle: Housing & Communities. The future land use placetype for the Property is “Suburban Residential.” The residential units that are proposed consist of a variety of single-family residential units at different price points.
 - C. Core Principle: Economic Development. The creation of approximately 437 additional residential units upon the formation of the Districts will help support economic development in the area.
 - D. Core Principle: Transportation & Mobility. The Districts will finance, construct, and install extensions of roads and corridors, bicycle routes, and trails. This transportation network will help reduce traffic congestion, promote safe and efficient travel, and promote walkability and bikeability. The public financing tools available to the Districts will provide a cost-efficient method of funding transportation infrastructure and maintenance.
 - E. Core Principle: Community Facilities & Infrastructure: The Districts will coordinate the provision of services with surrounding entities, including FAWWA and Black Forest Fire Protection District to provide high-quality community facilities, services, and infrastructure to enhance the quality of life for the community. The Districts will also ensure adequate utilities are provided to manage growth and development and will coordinate the financing of such utilities and infrastructure.
 - F. Core Principle: Recreation & Tourism. The Districts will support high-quality, sustainable outdoor recreation through the construction and installation of parks, open space, trails, and bicycle routes.
 - G. Core Principle: Environment & Natural Resources. The environmental impacts from development of the Property will be considered and best practices with regard to development and infrastructure will be promoted.

2. Compliance with Water Master Plan

The Preliminary Plan for Filings Nos. 1-3 references El Paso County’s Water Master Plan goals and implementation strategies to incorporate efficiency and conservation. The area that the Prairie Ridge community will be located is within Region 3 of the El Paso County Master Plan. Although Region 3 is projected to experience significant growth, Region 3 has sufficient supply and existing infrastructure to serve the development.

Compliance with the following Goals and Policies of the Water Master Plan are explained below:

Goal 1.1 – Ensure an adequate water supply in terms of quantity, dependability and quality for existing and future development.

Goal 4.2- Support the efficient use of water supplies.

Policy 4.3.6 – Encourage well monitoring throughout the County, with an emphasis on the Denver Basin aquifer fringe areas.

Policy 4.1.2 – Encourage more systematic monitoring and reporting of water quality in individual wells.

Goal 6.0 – Require adequate water availability for proposed development.

It is anticipated that in the future FAWWA will become the overall service entity for the Sterling Ranch Metropolitan Districts, The Retreat Metropolitan Districts, The Ranch Metropolitan Districts, and Prairie Ridge Metropolitan District Nos. 1-3. As stated previously, FAWWA has provided a letter stating that it is willing to provide water and sanitary sewer services to the Property.

Water rights adjudications for FAWWA have been decreed by the State of Colorado, Water Division 2 District Court, Water Division 1 District Court, and the Colorado Groundwater Commission. The comprehensive rights for the FAWWA service area include both decrees and determinations. The most recent water rights are the following three acquisitions: McCune Ranch 391.33 AC for 300 YRs, Bar-X Ranch 592.78 AF for 300 YRs, and Shamrock West 220.10 AF for 300 YRs.

The foregoing acquisitions leave 893.27AF for 300 years net excess of currently available water, and therefore there is more than sufficient water supply to meet the needs of Prairie Ridge Metropolitan District Nos. 1-3. A Water Resources Report, prepared by Respec in December of 2023, was included with the Preliminary Plan Submittal for Prairie Ridge Filings Nos. 1-3. The 217 lots in the PrairieRidge Filing 1-3 Preliminary Plan include six 2.5-acre lots that will be served by individual wells. Five of the lots will be served with new wells and one existing lot will continue to be provided service through its existing well (Permit No 285607). The resulting water demand on the central water system is 75.33 acre-feet, but 77.41 annual acre-feet is being set aside to include the 2.08 annual acre-feet of augmentation for the five new individual wells. The total 300-year water supply for FAWWA totals 1930.03 annual acre- feet, of which 1036.76 acre-feet has been committed through December 4, 2023. This leaves a net excess of currently available water of 893.27 annual acre-feet. Accordingly, there is sufficient water supply to meet the 77.41 annual acre-feet needs of Prairie Ridge Filings No. 1-3 Preliminary Plan on the 300-year basis.

The FAWWA water system has only been in operation for a little over three years, so little-to-no usable historic information would be reliable for unique, long-term planning. However, substantial nearby data from the Falcon area is available for use. As of the end of 2022, the system had approximately only 350 active users. Therefore, initial projections have been based on area-wide water user characteristics and a linear buildout rate. This rate is considered to be an average annual rate that might be reasonably maintainable over a 10-year period. The average growth rate is projected as 180 units added per year.

- 2040 Scenario: Based on the above factors, the FAWWA system might conservatively anticipate serving 3,710 SFEs in the year 2040.

- 2060 Scenario: Based on the same factors, the system might be expected to serve 7,310 SFEs within its expanded service area, which includes the Retreat and The Ranch. The annual acre-foot requirement might be 679 annual AF, but supply would include water from The Ranch which has not yet been added to inventory. In addition to adding off-site sources, potential, additional supplies include renewable resources and/or regional projects bringing new water to the area. FAWWA's main supply source is centralized at a point that both Cherokee Metropolitan District and Woodmen Hills Metropolitan District have adjacent major storage and delivery facilities, which opens up the possibility in the future to have interconnections and to possibly share supply.

More detailed information and studies regarding quality, source water monitoring, potential MOU's within future neighboring development interconnects, strategies regarding regional planning goals and dependability/redundancy were provided with the Preliminary Plan.

3. Compliance with EPC Major Transportation Corridor Plan

The EPC Major Transportation Corridor Plan identifies the extension of Briargate Parkway as a 4-Lane Principal Arterial between Black Forest Road and Meridian Road by 2040. No additional change of classification or widening is identified on the 2060 Corridor Preservation Map. Briargate Parkway is anticipated to be constructed through the Districts' boundaries with future development.

4. Compliance with EPC Parks Master Plan

The Preliminary Plan for the Property complies with the EPC Parks Master Plan. The development meets the requirements defined in the EPC Parks Master Plan by maintaining the natural landscape alongside the development. Prairie Ridge will provide parks, trails, and open space that are equitably distributed within the community.

According to the previously submitted and reviewed sketch and preliminary plans, four neighborhood pocket parks, accessed by an interconnected network of trails, sidewalks, and open space/landscape corridors, will provide recreational facilities for the residents and, particularly within the residential areas included in the Districts' service area. Additionally, the intersection of Briargate Parkway and Vollmer Road will be signalized in the future which will provide a safe pedestrian crossing facility for residents within the Preliminary Plan area to connect to the Sterling Ranch parks and open space and the Sand Creek Regional Trail to the east.

E. Service Plan Conformity

The proponent for the formation of the Districts intends that the Service Plan shall be in conformity with the applicable standards contained in C.R.S. § 32-1-203 and shall be compliant with all applicable County rules and regulations including, but not limited to, County requirements for notice, publication, hearings and policies and procedures of the County for approval of a metropolitan district service plan. All pertinent facts, matters and issues shall be submitted to the County and evidence satisfactory to the County that each of the following was presented:

1. There is sufficient existing and projected need for continued organized service in the area to be served by the Districts;

The purposes of the Districts are to finance and construct certain public improvements and to provide other additional services necessary to support the Property. The proposed improvements and services are not available to the community through the County or other existing quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis. Further, to develop the area, significant investment is needed in public infrastructure, including but not limited to, water and sanitary sewer infrastructure; street and road improvements; storm drainage and detention facilities; and park and recreation improvements, including open space and trails, and parks. Financing and constructing these public improvements through the Districts will lower costs and ensure the costs are spread among those in the community that will benefit from such development. Although the Sterling Ranch Metropolitan District Nos. 1-5 (“Sterling Ranch Districts”) are near the Districts, the Sterling Ranch Districts are not able or willing to finance or construct the public improvements necessary for the Property. The Sterling Ranch Districts are not in a position to fund the improvements in the areas proposed for the Districts. Development in Sterling Ranch Metropolitan District No. 2 is almost complete. However, the other Sterling Ranch Districts have experienced slowdowns, changes in development projections, and increases in construction costs. The formation of the Districts avoids burdening the property owners and residents in the Sterling Ranch Districts from financing the public infrastructure within the new project and allows the Sterling Ranch Districts to exist on their own while the new project develops. Further, if the Sterling Ranch Districts were to fund the improvements of the Districts, it would likely extend developer control of the Sterling Ranch Districts.

2. The existing service in the area to be served by the Districts is not adequate for present and projected needs without the organization of the Districts;

The proposed improvements and services are not and will not be available to the community through the County or other existing municipality or quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis, as no other governmental entities, including the County, located in the immediate vicinity of the Districts that consider it desirable, feasible, or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements needed to serve the Property. Although the Sterling Ranch Districts are near the Districts, the Sterling Ranch Districts are not able or willing to finance or construct the public improvements necessary for the Property. The Sterling Ranch Districts are not in a position to fund the improvements in the areas proposed for the Districts because such districts are in the process of developing and have experienced slowdowns, changes in development projections, and increases in construction costs. The formation of the Districts avoids burdening the property owners and residents in the Sterling Ranch Districts from financing the public infrastructure within the new project and allows the Sterling Ranch Districts to exist on their own while the new project develops.

Improvements to be constructed by the Districts will benefit the community. As noted previously, Briargate Parkway is anticipated to be constructed through the Districts’ boundaries. Neighborhood pocket parks, accessed by an interconnected network of

trails, sidewalks, and open space/landscape corridors, will provide recreational facilities for the residents and visitors of the Districts' service area. Further, it is anticipated that a detention pond will be constructed.

3. The Districts are capable of providing economical and sufficient services to the area it intends upon serving and/or financing the public improvements which shall be dedicated to and accepted by the County, or other Provider Jurisdiction;

The formation of the Districts will ensure that the public improvements and other services are sufficient to support the community. The proposed improvements and services the Districts will provide include water and sanitary sewer infrastructure; street and road improvements, storm drainage and detention facilities; and park and recreation improvements, including open space and trails. The Districts will also ensure the public improvements are constructed within a reasonable period of time for the benefit of the property owners, taxpayers, and residents located in the community. In addition, the public financing tools available to the Districts, including tax-exempt financing, will help lower the costs of the public improvements.

4. The area to be included within the Districts has or will have the financial ability to discharge the proposed indebtedness of the Districts on a reasonable basis within the mill levy caps and restrictions provided by the County's rules and regulations.

The estimated costs of the improvements and facilities to be constructed, installed, and/or acquired by the Districts are approximately \$45,825,470. The Districts will be limited to issuing debt within the confines of the Service Plan and limited to the amount the Districts can reasonably pay from the revenue derived from the debt service mill levy (50 mills, as adjusted) and other legally available revenue. Further, the maximum period for maturity for issuance of debt is limited to thirty years. In other words, the anticipated issuance of debt and repayment will be based upon the projected development within the Districts' boundaries, which will allow the Districts to finance the facilities identified in the Service Plan and allow the Districts to discharge the proposed indebtedness on a reasonable basis. The financial plan attached to the Service Plan demonstrates one example of how the Districts may finance the public improvements.

The Board of County Commissioners may also consider in its discretion the following criteria:

1. Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;

The proposed improvements and services are not and will not be available to the community through the County or other existing municipality or quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis, as no other governmental entities, including the County, located in the immediate vicinity of the Districts that consider it desirable, feasible, or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements needed to serve the Property. Although the

Sterling Ranch Districts are near the Districts, the Sterling Ranch Districts are not able or willing to finance or construct the public improvements necessary for the Property. The Sterling Ranch Districts are not in a position to fund the improvements in the areas proposed for the Districts because such districts are in the process of developing and have experienced slowdowns, changes in development projections, and increases in construction costs. The formation of the Districts avoids burdening the property owners and residents in the Sterling Ranch Districts from financing the public infrastructure within the new project and allows the Sterling Ranch Districts to exist on their own while the new project develops.

2. The facility and service standards of the proposed Districts are compatible with the facility and service standards of the County;

All proposed facilities and services will be constructed in accordance with the standards and specifications of El Paso County, the State of Colorado, and any other appropriate jurisdictions.

3. The proposal is in substantial compliance with the County master plan.

The Developer has reviewed the County's master plan and is aware of the County's desire to, *inter alia*, encourage cooperation and planning among water service providers, to protect and preserve water supplies, and to promote water conscious developments. The Developer contends that the project is compatible with the County's vision for the future and complies with the policies necessary to achieve sustainable growth within the County as expressed in the County master plan. Additional information about how the proposal complies with the County's master plan is discussed above.

4. The proposal is in compliance with any duly adopted county, regional, or state long-range water quality management plan for the area.

FAWAA is anticipated to be the water and sanitary sewer provider for the Property. The proposed water sources for this project are either renewable or meet the 300-year rule for quantity. The water system will be designed with redundant equipment and backup power generation for critical facilities to ensure dependability.

5. The creation of the proposed Districts is in the best interests of the area proposed to be served.

The proposed improvements and services are not and will not be available to the community through the County or other existing municipality or quasi-municipal corporations, including special districts, within a reasonable time and on a comparable basis, as no other governmental entities, including the County, located in the immediate vicinity of the Districts that consider it desirable, feasible, or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements needed to serve the Property. Although the Sterling Ranch Districts are near the Districts, the Sterling Ranch Districts are not able or willing to finance or construct the public improvements necessary for the Property. The Sterling Ranch Districts are not in a position to fund the improvements in the areas

proposed for the Districts because such districts are in the process of developing and have experienced slowdowns, changes in development projections, and increases in construction costs. The formation of the Districts avoids burdening the property owners and residents in the Sterling Ranch Districts from financing the public infrastructure within the new project and allows the Sterling Ranch Districts to exist on their own while the new project develops.

As noted previously, the improvements the Districts are anticipated to construct will benefit the community. Briargate Parkway is anticipated to be constructed through the Districts' boundaries, which will provide an east to west road corridor. Neighborhood pocket parks, accessed by an interconnected network of trails, sidewalks, and open space/landscape corridors, will provide recreational facilities for the residents and visitors of the Districts' service area. It is also anticipated that a large detention pond will be constructed. The Districts will also provide a central water system.

F. Major Service Plan Points

- Approximately 142 acres of property within the boundaries of the Districts.
- Completion of an estimated \$45,825,470 of public improvements including, but not limited to, water and sanitary sewer infrastructure; street and road improvements, storm drainage and detention facilities; and park and recreation improvements, including significant open space and trails, and parks.
- Anticipated development of approximately 437 residential units and 30,000 square feet of commercial. The rate of absorption provided in the Service Plan is a projection based on information from the Developer and is used for estimating the financial plan. There is no way to accurately predict absorption due to variables such as the economic factors, housing demand, land-use approval timing, building supply chains, and labor availability. In view of these factors, the bond underwriter projects the potential ability of the Districts to discharge the proposed debt per the statutory requirement. If absorption is delayed or accelerated, the bond issuance parameters will reflect those changes at the time of issuance.
- The estimated initial assessed value of the Property at time of complete build-out is \$22,688,979.
- The initial estimated cost of the public improvements needed for the project is \$45,825,470. The foregoing estimates are preliminary in nature and the ultimate costs may increase or decrease depending on numerous factors, many of which are out of Developer's control. In particular, the initial cost estimates only include the public improvement portion of costs and the total project improvement costs (including items such as dry utilities, etc.) will be significantly higher and will materially increase the overall costs.
- Public Improvements need additional financing from the Districts to complete.
- Debt is proposed to be issued in one or more series of bond issuances to allow for financing of constructed infrastructure and expedient completion of the overall project.

July 16, 2024

- As note above, each District will have a Maximum Mill Levy of 60 mills inclusive of debt (50 mills) and operations and administration (10 mills).
- Requested Debt Authorization of \$50,000,000 allows for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project.
- Metropolitan district powers allowed by the Special District Act and consistent with other El Paso County metropolitan districts.
- Formation Election after approval of the Service Plan.
- There are no current residents within the Districts and no debt or bonds have been issued.
- Mill levies, interest rate limitations, term limitations and underwriting discounts are consistent with the County's model service plan.
- Maximum term of any bond issue is 30 years for general obligation bonds. The example financial pro forma attached to the Service Plan anticipates an initial bond issuance in 2026 with a 30-year term and then a refinance in 2036, which extends the term to 2066. This structure accommodates any significant drop in assessed valuation and other unknown circumstances. Any bonds the Districts issue will have 30-year terms with the ability to extend to 40 years if necessary. If bonds are issued in the early part of a project as proposed, the interest rate is generally higher due to the reliance on future projected development. As the development is completed, there is less risk to the bond holders and the initial bonds are refunded and replaced with lower interest rate "permanent" bonds in order to lower the tax impact on residents. This is a common structure for new development bonds.

G. Conclusion

The Service Plan for the Prairie Ridge Metropolitan District Nos. 1-3 will serve the best interests of the taxpayers, property owners and development of the property within the Property, will minimize non-interested party obligations, and will maximize both development and absorption within the Districts and County without delays in development. The formation of the Districts will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the Districts.

Sincerely,
SPENCER FANE LLP

/s/ Laura S. Heinrich
Legal Counsel

Enclosures