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August 26, 2020

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 Crossroads Metropolitan District Nos. 1 & 2

Dear Ms. Parsons:

On behalf of The Equity Group LLC, we are submitting this letter of intent to form the proposed Crossroads Metropolitan District Nos. 1 & 2 (collectively, the "Districts"). The boundaries of the proposed Crossroads Metropolitan District No. 1 ("District No. 1") encompasses one parcel of land located southwest of the intersection of Highway 24 and Highway 94 and contains approximately 29.04 acres (Schedule Number 5408007005). The boundaries of the proposed Crossroads Metropolitan District No. 2 ("District No. 2") encompasses property located northwest of the intersection of Highway 94 and Marksheffel Road and contains approximately 41.42 acres (Schedule Numbers: 5408001029, 5408001034, 5408001008, 5408001042, 5408001041, 5408001050, 5408001033, 5408001032, 5408001051, 5408001052). The property located within the Districts is collectively referred to herein as the "Crossroads Property." The Crossroads Property lies entirely within the boundaries of El Paso County, Colorado (the "County"). The Crossroads Property is not located within the City of Colorado Springs. The property identified as the additional inclusion area in the Service Plan, the property Colorado Springs Airport owns, is located within the City of Colorado Springs. Such property will be proposed to be within District No. 2 if the City of Colorado Springs approves the inclusion and approves the proposal to improve the land for use as a sports park.

The property located within District No. 1 is anticipated to be developed into mixed use retail and medical office buildings and the property located within District No. 2 is anticipated to be developed into retail, restaurants, and potentially a sports park in the future. The planned development remains an estimate 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 in order to meet the requirements of a formation election in November of 2020.

## A. Purpose of the Districts

One of the primary purposes of the Districts is to provide for the construction, installation, completion, financing and possible ownership, operation and maintenance of public improvements including, but not limited to, on and off-site streets, roadway, water and sanitary sewer, drainage, traffic and safety, and park and recreation improvements, and services and powers 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. The creation of the Districts is necessary to serve the Crossroads 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 Crossroads Property. Cherokee Metropolitan District ("Cherokee") is anticipated to be the water and sewer provider to the Crossroads Property, however, Cherokee, along with other special districts in the vicinity of the Crossroads Property, are unable to provide or fund the public improvements. The Meadowbrook Crossing Metropolitan District, which is located adjacent to the Crossroads Property, is a residential district that does not have the ability or desire to undertake a new development as it could adversely affect the current residents and property owners. Furthermore, 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.

The public improvements District No. 1 may finance and construct include but are not limited to the following: an extension to Meadowbrook Parkway, installation of a roundabout, construction of a large underground water detention facility, and construction of a community park. District No. 2 is anticipated to enter into a long-term lease agreement with Colorado Springs Airport to lease approximately 20 acres for development and maintain the proposed sports park. District No. 2 is also anticipated to redevelop Air Lane, the existing platted public right-of-way, including mass over lot grading and installation of utility mains. Further, both Districts are anticipated to fund and construct certain regional improvements, including street and traffic improvements.

To the extent any of the authorized facilities and improvements are dedicated to and accepted by the County or other entities having jurisdiction, the County or other 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.

### B. Justification and Information Regarding Multi-District Structure

A multi-district structure is being utilized for this project to allow the development to occur in phases. The creation of two districts will ensure that the construction, financing, and operation of

each phase of development will be administered consistent with a long-term construction, financing, and operations program. The multiple district structure will also promote the equitable allocation of the costs of capital improvements and operations within the Crossroads Property. Each District will have authority to manage the construction, acquisition, installation, and operation of the public improvements and will be responsible for providing the funding and tax base needed to support the project. The Districts may enter into an inter-district agreement further governing this relationship.

#### C. Development and Financial Plans

The owner of the property located within the Districts is Colorado Springs Equities LLC. The Districts' organizers prepared the Districts' supporting documentation. The Developer of the Crossroads Property is The Equity Group LLC. Cost estimates for the proposed public improvements were generated by Developer representatives who have experience in the completion of similar improvements and the estimates have been reviewed by MS Civil Engineers. Concept planning for both Districts are enclosed. It should be noted, though, that such costs 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, e.g., increased construction costs and inflation. In particular, these 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.

# D. Justification for District Formation Prior to Completion of Zoning and Land Use Approvals

The property located within District No. 1 is zoned commercial regional zoning and does not require a change. The property located within District No. 2 is zoned commercial regional and industrial. The Developer is consolidating all zoning within District No. 2 to commercial regional zoning and the proposed uses within District No. 2 include retail, big box retail, quick serve restaurants, drug store, and medical office. The submittal is scheduled for the week of August 31, 2020.

We are requesting that the Districts' formation be considered in conjunction with the zoning and land use approval process for several reasons. First, the Districts' formation is part of a larger master development plan that will serve the surrounding area. For example, the County has been interested in the construction of Meadowbrook Parkway through to Peterson Road to help facilitate planning and growth in the area. This public improvement is one of four major offsite public improvements the Developer seeks to develop within the master-planned commercial developments the Districts are intended to serve. The other three public improvements include: (i) the extension of water and wastewater through the Hillcrest Subdivision (in District No. 2), which requires borings under both U.S. Highway 24 and Colorado Highway 94; (ii) the development of an underground stormwater detention facility that will result in a park-like landscape entry along U.S. Highway 24; and (iii) massive over lot grading of the District No. 2 property aggregation in

support of both the private development and the potential sports park referenced above. A concept plan demonstrating the development is enclosed herewith. In order to finance the extension of Meadowbrook Parkway within District No. 1 and the mass over lot grading and utility mains within District No. 2, the Districts must be formed.

These on and offsite public improvements generally need to be completed prior to additional development. Moreover, as these improvements are significant, development of such will need to rely on the public financing tools that will be available to the Districts and the Developer cannot move forward on any of the pre-development District-related improvements without such financing. The prolonged election cycle (next TABOR election does not occur until November 2021) and market uncertainty necessitate the formation of the Districts this year to allow for the financing for these types of improvements to materialize.

Second, the Developer is actively preparing the necessary land use submittals for the project. The Developer has completed the Early Assistance meetings for the properties within both Districts and is currently preparing the Preliminary Plat and zoning submittals (zoning submittals are only needed for District No. 2). Due to the overall size and scope of the project, the Developer is completing additional land planning and civil engineering to establish the placement of access roads, detention improvements, and other improvements before finalizing the Preliminary Plat. The Developer anticipates submitting the Preliminary Plat and zoning submittals by August 21, 2020.

Third, the Developer is currently negotiating with the Colorado Springs Airport for a long-term lease of 20 acres (anticipated to be approximately 50 years), which is intended to be redeveloped as a sports park. District No. 2 is intended to be the lessee and therefore must be formed before the parties can enter into the lease and for the Colorado Springs Airport to cooperate on the sports park. The Developer and District No. 2 must be in a position to show the Colorado Springs Airport a financial structure to accomplish the plans for development of the sports park. Therefore timely formation of the Districts is needed to complete this aspect of the plan for development and cannot afford to wait another complete year to be accomplished.

We are therefore requesting that the County allow the Developer to achieve the master-planned approach for this entry corridor, which will help fulfill the County's vision for this area, by allowing the parallel formation of the Districts. To further establish the Developer's intention to obtain all necessary zoning and land use approvals, we propose that the BOCC Resolution approving the Service Plan contain language that requires such land use and zoning approvals prior to the Districts imposing a debt service mill levy or issuing any debt. We also propose including a deadline for the Developer to obtain such approvals, after which the District must initiate dissolution proceedings or petition the County for an amended service plan.

Following approval of the land use and zoning submittals and consistent with the proposed Service Plan, the Developer and the Districts intend to work with applicable service providers to obtain the necessary consents and/or approvals (as necessary) for the provision of necessary public services to the Districts including, but not limited to, water, wastewater/sewer and fire protection services. Cherokee is anticipated to provide water and sewer services to the Crossroads Property pursuant to its development guidelines and rules and regulations. The Districts will fund and construct the necessary improvements and convey such improvements to Cherokee for ownership,

operations, and maintenance as the service provider. The roads will be conveyed to the County and certain public improvements, including stormwater, drainage, and park and recreation improvements, will be owned by the Districts or the County as appropriate and subject to County requirements. A utility plan for the project is enclosed (a lift station is not required). 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.

#### E. Service Plan Conformity

The proponents for the formation of the Districts intend that this 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:

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

The purpose of the Districts is to finance and construct certain public improvements and to provide other additional services necessary to support the Crossroads Property. Without the formation of the Districts, these improvements and services as well as regional improvements will not be developed. Further, 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. To develop the area, significant investment is needed in public infrastructure, both within and without the boundaries of the Districts, including but not limited to water system improvements, sanitary sewer and storm drainage improvements, streets and roadway improvements, and park and recreation improvements. Financing and constructing these improvements through the Districts will lower cost and ensure the costs are spread among those in the community that will benefit from such development.

b. 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 such as Meadowbrook Crossing Metropolitan District, within a reasonable time and on a comparable basis. Meadowbrook Crossing Metropolitan District and Cherokee do not have the ability or the desire to undertake new development. Once the infrastructure is built for the water and sewer systems, the Districts will convey the improvements to Cherokee. See the enclosed Water Sufficiency Letter from Cherokee demonstrating adequate water supply.

c. 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 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 will help lower the costs of the public improvements.

d. The areas to be included within the Districts have, 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 rules and regulations.

The estimated costs of the improvements and facilities to be constructed, installed, and/or acquired by the Districts are set forth in the Service Plan. 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 and other legally available revenue. 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 and improvements identified in the Service Plan and allow the Districts to discharge the proposed indebtedness on a reasonable basis. In addition, the financial plan indicates that the Districts will have the ability to discharge the proposed indebtedness pursuant to the densities following approval of the required land use submittals.

e. 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 public improvements and services the Districts will provide are not available to the area through the County or other existing municipality or quasimunicipal corporation, including special districts, within a reasonable time and on a comparable basis. Cherokee has committed to serve the water and sewer services following construction of the necessary infrastructure by the Districts. Additionally, upfront public financing is needed to construct the proposed infrastructure.

f. 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 and provided in accordance with the standards and specifications of El Paso County, the State of Colorado, and any other appropriate jurisdictions.

g. The proposed service plan shall be consistent with applicable elements of the El Paso County Master Plan.

The Crossroads Property is located within Region 5, Cherokee Metropolitan District. The Water Sufficiency Letter from Cherokee, as the service provider for the Crossroads Property, is enclosed herewith demonstrating Cherokee's compliance with the El Paso County Master Plan and adequate supply of water to serve the Crossroads Property. 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.

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

The proposed public improvements and services necessary to serve the Crossroads Property are not and will not be available to the area through the County or other existing municipality or quasi-municipal corporation, including special districts, within a reasonable time and on a comparable basis. The formation of the Districts will ensure that the public improvements and services are sufficient and constructed within a reasonable period of time for the benefit of the property owners and residents located in the community.

#### F. Major Service Plan Points

- Approximately 70.46 acres of property within the boundaries of the Districts.
- Completion of an estimated \$48,500,000 of on and off-site public improvements including, but not limited to on and off-site streets, roadway, water and sanitary, drainage, traffic and safety, and park and recreation improvements.
- Anticipated development of approximately 373,000 commercial square feet.
- 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, market demand, land-sue 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 at time of complete build-out is \$12,112,942 (based upon an estimated initial market value at time of complete build-out of \$41,768,765 times 29%).
- The initial estimated cost of the public improvements needed for the project is \$48,500,000. 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, these 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.
- Maximum Mill Levy of 60 mills for each District, inclusive of debt (50 mills) and operations and administration (10 mills), is proposed.
- Total current projected mill levy of 50 mills for debt, 10 mills for operations and maintenance and a public improvement fee of 2% allows for financing of up to approximately \$36,270,000 based upon initial estimates. As mentioned above, this is an example of the Districts' capacity to finance the public infrastructure and is subject to change, subject to the limitations in the Service Plan.
- Requested Debt Authorization of \$52,000,000 allows for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project (see estimated cost of \$48,500,000 for public improvements above).
- Maximum voted interest rate of 12%, maximum underwriting discount of 5%.
- 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 in November 2020.
- 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 will be consistent with the present County imposed limitations with other service plans approved by the County.
- Maximum term of any bond issue is 30 years for General Obligation Bonds. The example financial plan attached to the Service Plan anticipates a bond issuance in 2022 for both Districts and a potential refunding in 2032. 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 that development is completed, there is less risk to the bond holders and the initial bonds are refunding and replaced with lower interest rate "permanent" bonds in order to lower the impact on residents. This is a common structure for new development bonds.

#### **G.** Conclusion

Crossroads Metropolitan District Nos. 1 & 2 Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Crossroads 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. Allocation of improvement costs between the Districts will be determined at the time of construction and funding. Each District will help fund the costs within its boundaries and contribute a proportionate share of the costs for regional or shared improvements.

We look forward to working with the County on this matter.

Sincerely, SPENCER FANE LLP

/s/Russell W. Dykstra Russell W. Dykstra, General Counsel

Encl.



# CHEROKEE METROPOLITAN DISTRICT

6250 Palmer Park Blvd., Colorado Springs, CO 80915-2842 Telephone: (719) 597-5080 Fax: (719) 597-5145

October 16, 2019 Danny Mientka Colorado Springs Equities, LLC 90 S. Cascade Ave, Ste. 1500 Colorado Springs, CO 80903

Sent via email: kelly@theequitygroup.net
Original to follow by US Mail

Re: Sufficiency Statement for Colorado Springs Equities, LLC

Dear Colorado Springs Equities, LLC,

As requested, this document will serve as a sufficiency statement from the Cherokee Metropolitan District that it will have sufficient water and sewer capacity for Colorado Springs Equities' three developments located around the intersection of State Highway 94 and U.S. Route 24. The proposed location for this development is located within the District's established boundaries and is therefore eligible for service connections from the District.

Cherokee Metropolitan District staff have determined that the developments will require the following water supply:

Development	Demand (AF/yr)
Meadowbrook Park Residential	20.2
Village at Meadowbrook (NW of US24)	25.4
Crossroads Commercial (SE of US24)	90.9
Total	134.4

The District is actively developing new water supplies to meet the demands of our growing customer base. Based on our water supply development schedule and the anticipated buildout of other developments in the District we will have sufficient water to support partial buildout and construction flows during 2020 and will have sufficient water to fully supply all three parts of the development by the end of 2020. The water demand estimates presented here are upper boundaries for our own planning and final water use may be reduced by installation of low flow fixtures and water efficient landscaping.









