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May 2, 2023

4-Way Commercial Metropolitan District
Attention: Craig Dossey
Vertex Consulting Services
455 E. Pikes Peak Avenue, Suite 101
Colorado Springs, CO 80903

RE: Proposed 4-Way Commercial Metropolitan District

We have analyzed the bonding capacity for the proposed 4-Way Commercial Metropolitan District (the “District”). The analysis presented summarizes and presents information provided on behalf of The O’Neil Group (the “Developer”) and does not include independently verified information or assumptions.

Development Assumptions

The following assumptions have been provided by the Developer and form the basis of the analysis. All prices below reflect 2023 market values.

1. The development is comprised of 400,000 square feet of commercial space to be completed between 2026 and 2030. The estimated market value per square foot for commercial space is $140. Such market values are modeled in the financial plan at 1% annual price inflation.

Bond Assumptions

2025 Issuance

1. The District is modeled to issue senior bonds in December 2025 with an estimated principal amount of $14,340,000 at an estimated interest rate of 5.00%. At issuance, it is projected that the District will fund $536,800 in costs of issuance (including underwriter’s discount and attorneys’ fees), $2,151,000 in capitalized interest, and $1,157,000 in surplus fund reserves from bond proceeds. The remaining $10,495,200 is projected to be deposited to the District’s project fund.

    a. Pledged revenues for debt service payments will be comprised of a debt service mill levy and specific ownership taxes.

        i. The debt service mill levy is 50 mills beginning in tax collection year 2026.

        ii. Specific Ownership Tax revenues have been calculated based on a factor of 6% to annual property tax revenues.

    b. It is projected that 99.50% of property taxes levied will be collected and available to the District.

    c. It is projected that there will be a 1% annual inflation of existing assessed value. The bonding capacity could be higher if the rate of inflation is greater, or conversely lower if the inflation rate is below 1%.

    d. The bonds are modeled to a 30-year final maturity.

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2035 Issuance

1. The District is also modeled to issue senior bonds in December 2035 with an estimated principal amount of $22,345,000 at an estimated interest rate of 3.00%. At issuance, it is projected that the District will fund an escrow account in the amount of $13,255,000 for the purpose of refunding the Series 2025 bonds, $311,725 in costs of issuance (including underwriter's discount and attorneys' fees) and $1,254,000 in reserve funds from bond proceeds. The remaining $8,402,275 is projected to be deposited to the District's project fund.

    a. Pledged revenues for debt service payments will be comprised of a debt service mill levy and specific ownership taxes.

    b. It is projected that 99.50% of property taxes levied will be collected and available to the District.

    c. It is projected that there will be a 1% annual inflation of existing assessed value. The bonding capacity could be higher if the rate of inflation is greater, or conversely lower if the inflation rate is below 1%.

    d. The bonds are modeled to a 30-year final maturity.

Assumptions and Other Information

The assumptions disclosed in the Financial Plan are those of the Developer and have not been independently verified by Piper Sandler. Those assumptions identified are believed to be the significant factors in determining financial feasibility; however, they are likely not to be all-inclusive. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as projected, and those differences may be material. Key assumptions, including those relating to market values of real property improvements and the build out schedule of such property, are particularly sensitive in terms of the timing necessary to create the tax base for the District. A small variation in these variables, and to their timing, can have a large effect on the forecasted results. There is a high probability that the forecasted results will differ from realized future tax base factors and such variations can be material. Additionally, other key assumptions, relating to inflation, assessment ratios, interest rates, and infrastructure, administrative, and operating costs may, and likely will, vary from these projected.

Because Piper Sandler has not independently evaluated or reviewed the assumptions that the financial model is based upon, we do not vouch for the achievability (and disclaim any opinion) of the information provided. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented here. Piper Sandler has no responsibility or obligation to update this information or this financial model for events occurring after the date of this report.

Sincerely,

Michael Sullivan
Managing Director, The Special District Group