

## Jon L. Wagner

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**From:** Heather L. Hartung  
**Sent:** Friday, December 22, 2023 10:48 AM  
**To:** Kari Parsons  
**Subject:** Peaceful Ridge Metropolitan District  
**Attachments:** PEACEFUL RIDGE LOT LEGALS 12.23.xlsx; Letter of Intent, 2023-12-22 (Executed-Final).pdf

Good morning, Kari. We are in the process of uploading to EDARP the revised Amended and Restated Service Plan (the "A&R Service Plan") and the revised Letter of Intent for Peaceful Ridge Metropolitan District (the "District"). We believe that the revisions address all of the comments that fall within the scope of review contemplated in the County's Special District Policies, and that the submission is in conformity with the County's Model Service Plan.

There were some comments and questions within the responses to the initial submission that we did not address in the revised documents as we believe those comments fall outside of the scope of review contemplated in the County Special District Policies and the Model Service Plan. These are discussed in the balance of this email.

One question raised concerned the difference between the Financial Assurance Estimate (the "FAE") submitted by the Developer and the cost estimates included in the A&R Service Plan. The FAE had cost estimates of between \$8-9 million for public improvements, while the A&R Service Plan projects costs of \$19.3 Million. The FAE and the A&R Service Plan serve two completely different functions and thus are not appropriate to form the basis for a comparison.

The FAE cost estimates are based on County-generated unit cost figures and is used to form the basis for establishing collateral to be posted by the Developer to provide the County with security relative to the completion of infrastructure. They do not represent (and are not intended to represent) the true costs of construction.

On the other hand, the cost estimates contained in a Service Plan are intended to reflect the estimated costs of actual construction of public improvements, including ancillary costs, such as design, engineering, mobilization, surety, and other contingencies. The costs in the A&R Service Plan are based on the Developer's long-term involvement in The Glen at Widefield, with some 20 years' worth of actual development including development that is presently ongoing), and the County-approved construction drawings for the Peaceful Ridge Subdivision. The estimated costs of \$19.3 Million are therefore appropriate for use in the A&R Service Plan, rather than the FAE costs.

The debt cap in the A&R Service Plan is based on this figure, plus a contingency to account for inflation, costs of issuance of the bonds (including marketing fees, reserve funds, capitalized interest, legal fees and other issuance costs). It is customary for Service Plans to include a "cushion" to account for these contingencies and other unforeseen circumstances, since the actual timeline for development may vary. In this case, the debt cap represents approximately a 25% cushion, which in our decades-long experience, is reasonable and customary.

Additionally, there was an inquiry about whether a parcel of land located to the north of the project should be considered for possible inclusion. We confirmed with our client that the District is not interested in including the area to the north of the project and also does not have any intent at this time to include any additional properties. Thus, we have stated within the submission that there are no additional inclusion areas.

There were also questions as to whether service to the development could be accomplished through an annexation into the City, or through inclusion into Lorson Ranch Metropolitan District Nos. 1-7 (the "Lorson Districts"). Annexation is a lengthy legal and political process and, in any case, it is unlikely that any City would have the financial resources to apply to the project, absent a metro district. Inclusion into the Lorson Districts involves the same considerations and limitations. Accordingly, these are not viable options.

A question was raised regarding the projected refinancing of bonds after 10 years. While the financing plan in the A&R Service Plan is a projection, it is not unusual for districts to issue a series of bonds during the initial development phase of the project, and later seek to refinance such bonds. Bonds that are issued during the early stages of development typically bear an interest rate that is higher than the rate that can be secured following full development of the project, because the revenue stream is fully established at that time. Whether or not such refinancing occurs will be in the discretion of the Board of Directors, which by that time would be controlled by property owners.

You had a question concerning the zoning for the project. Zoning for this project is "R," and no change in zoning is necessary for the project to commence construction.

There was a note about whether an independent study would be done relative to the development assumptions in the A&R Service Plan. As previously stated, the information provided is based on the Developer's extensive building and construction experience. A formal study is not required under the County's Special District Policies, and does not appear to have been required in the Service Plans approved this Fall.

There was a request for parcel numbers of the lots being developed. The lots for this project are established in the plat and are of public record, and it is unclear what function a separate listing would serve. That said, attached is a listing of the lots and schedule numbers. Note that 3 of these lots will be deleted to reflect the subdivision after recording of the vacation and replat and one is identified to be utilized as the park.

The vacation and replat is in the process of being recorded. We expect that to happen shortly and will notify you once completed.

Lastly, the property is currently in the process of being conveyed from Fountain Valley Investment Partners, LLC to Peaceful Ridge Development Company, LLC. Because we expect this conveyance to happen any day now, we have listed the property owner as "Peaceful Ridge Development Company, LLC" in the Introduction portion of the A&R Service Plan.

Please let us know if you have any questions or would like to schedule a call to discuss our resubmission.

Thank you and happy holidays!



**HEATHER L. HARTUNG, ESQ.**

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