



RUSSELL W. DYKSTRA, PARTNER
DIRECT DIAL: (303) 839-3845
rdykstra@spencerfane.com

File No. 5035740.0001

April 2, 2021

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

Note: any changes to the service plan may require changes to the LOI

Re: Letter of Intent in Support of Formation of Proposed Grandview Reserve Metropolitan District Nos. 1 - 4

Dear Ms. Parsons:

The proposed formation of Grandview Reserve Metropolitan District Nos. 1 - 4 (collectively, the “Districts”) encompasses approximately 767 acres of land generally located northwest of Highway 24, east of Eastonville Road, south of Latigo Boulevard, and north of Stapleton Road in El Paso County, Colorado (Schedule Numbers 4200000396 and 4200000328) (“Grandview Reserve Property”). Ultimately the Districts are anticipated to consist of approximately 3,250 single family residential units and 20,000 square feet of commercial development. It is anticipated that District Nos. 1-3 will contain residential property and District No. 4 will contain nonresidential property. The number of anticipated homes and the amount of commercial square footage 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”).

The applicant is submitting this new application for formation of the Districts due to significant changes from a prior application involving the Grandview Reserve Property. The changes substantiating a new application are:

767 acres now where 765 acres before

1. The boundaries of the Districts have been revised significantly to accommodate revised development phasing and there are now four Districts instead of the prior application request for five Districts;
2. There is an increase in the size of the Grandview Reserve Property resulting in a change in the overall acreage within the Districts;
3. The overall number, types and valuation of residences in the Districts have changed significantly resulting in a completely new financial plan for the Districts compared to the prior submittal;

4. The phasing and absorption for the development within the Districts has changed significantly, resulting in a 14 year development plan instead of 8 years, nearly doubling the phasing and bond timing;
5. The public improvement costs have increased 10% due to revisions and requests from the County;
6. The changes in public improvement costs and valuation and number of lots have resulted in a 9% increase in the debt limitation for the Districts;
7. The Financial Plan has been completely replaced to reflect the changes described in numbers 3-5 above and reflects a more conservative projection of development; and
8. The new application includes a covenant enforcement mill levy of 5 mills which was not included in the prior application.

The above elements establish that this is a new application based on the significance of the changes cited as well as statutory parameters for material modifications of a service plan (C.R.S. § 32-1-207(2)), which would require a new service plan or amendment be submitted based on the changes described.

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, stormwater and drainage, landscaping, 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 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 Grandview Reserve 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 Grandview Reserve Property. Woodmen Hills Metropolitan District (“WHMD”) is anticipated to be the sewer provider to the Grandview Reserve Property, however, WHDM, along with 4-Way Ranch Metropolitan District No. 2 and other special districts in the vicinity, are unable to provide or fund the public improvements required for the Grandview Reserve Property.

The Applicant acknowledges that the 4-Way Ranch Metropolitan District No. 2 (“4-Way Ranch”) is in the immediate vicinity of the Grandview Reserve Property. However, circumstances have changed since the time 4-Way Ranch and 4-Way Ranch Metropolitan District No. 1 were formed in 2005 and it is no longer feasible for 4-Way Ranch to provide the services, public improvements, or financing for the infrastructure necessary to support the development of the Grandview Reserve Property. It is also clear from the phased development proposed for the Grandview Reserve Property that it would be unreasonable and fiscally impractical to burden the 4-Way Ranch residents and property owners with the costs of the public improvements required to serve the Grandview Ranch Property. A letter from the 4-Way Ranch Board of Directors is enclosed herewith, which provides further explanation of 4-Way Ranch’s inability to undertake the planning, design, acquisition, construction, and financing of the public improvements needed to serve the Grandview Reserve Property. Formation of the Districts is necessary as 4-Way Ranch is clearly unable to serve the Grandview Reserve Property.

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. It is anticipated that the Districts will enter into an intergovernmental agreement with WHMD to govern the provision of sewer services by WHMD following the Districts' construction of the sewer infrastructure.

B. Justification and Information Regarding Multiple District Structure

The Districts will serve a large project with significant infrastructure that will be developed over a 12 year time frame. 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. The multi-district structure 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 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 that the areas within the Grandview Reserve Property are responsible for funding their fair and equitable share of the costs of capital improvements and operations. District Nos. 2-4 will be authorized to perform the same functions, however, it is anticipated that District Nos. 2-4 will be responsible for providing the funding and tax base needed to support the program (together with District No. 1), while District No. 1 will be the district responsible for managing the construction, acquisition, installation, and operation of the public improvements. The Districts will enter into an inter-district agreement further governing this relationship.

C. Development and Financial Plans

The owner of the property is 4 Site Investments, LLC (Schedule Numbers 4200000396 and 4200000328). Preparation of the Districts' supporting documentation was provided by the Districts' organizers. The Developer of the Grandview Reserve Property is 4 Site Investments, LLC. Cost estimates for the proposed public improvements were generated by Developer representatives, with the assistance of consultants JDS-Hydro Consultants, Inc. and HR Green, Inc., who have experience in the completion of similar improvements. 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. 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.

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, wastewater/sewer and fire protection services. It is anticipated

Policy 14.1.3

Discourage the use of special districts as a vehicle to fund substantial amounts of required infrastructure in predominantly undeveloped areas and require the conservative phasing of infrastructure construction during the initial phases of development.

that the Districts will cooperate with the applicable fire district in regard to placement and construction of a fire station. 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.

Thank You for providing a Water Master Plan analysis; did you intend to leave out the Policy Plan (above) and Falcon/Peyton Small Area Master Plan (2008) (on line under resources and maps on planning web site)

D. Compliance with County Master Plan

The Developer asserts that the land plan for the property within the Districts' boundaries references the El Paso County's Water Master Plan goals and implementation strategies to incorporate efficiency and conservation, especially because the area that the Districts will be located is within the Denver Basin aquifers system, Region 3 of the EPC Master Plan. The approved sketch land plan increases density and maximizes open space surrounding the natural tributary areas, thus decreasing irrigation consumption and discouraging individual wells. The landform grading is focused on limiting excavation within shallow ground water levels to deter groundwater surfacing and associated groundwater re-introductions. Swales will be utilized within the individual planning areas to promote groundwater recharge.

Future local wells, mostly in the Arapahoe and Laramie Fox-Hills formations, will provide water for the Grandview Reserve subdivision. Off-site wells will likely be needed (from neighboring lands owned by 4-Site Investments, LLC) for full build-out.

- The total annual water demand for 3,261 SFE's is calculated to be 1,151 AF.
- 4 Site Investments, LLC, the property owner, owns 1,400 AF of Arapahoe non-tributary water.
- The adjoining 4 Way Ranch owns 2,023 AF of Laramie-Fox Hills non-tributary water, and 1,011 AF of Arapahoe non-tributary water.
- Any additional water, should it be needed, will be derived from the 4 Way Ranch water.
- A breakdown of demand at full buildout vs. supply is below:

4 Site Water	1,400 AF
<u>4 Way Ranch Water</u>	<u>3,034 AF</u>
<i>Total Supply</i>	<i>4,434 AF</i>

Grandview Demand 1,151 AF

Potential future interconnections may be made with neighboring districts to foster conjunctive use and better accommodate water supply emergencies. All districts in this area rely on the same water, and all are required to meet CDPHE potable water regulations.

Possible water connections to other districts could be in the form of full interconnectivity (water flowing both directions, all the time) or in the form of an emergency connection (normally closed, only opened to flow one way during an emergency).

Source water will be from the Arapahoe and Laramie-Fox Hills aquifers, the deepest aquifers in the Denver Basin. This defers the use of shallower aquifers for domestic users not served by a central water system.

Outside of interconnectivity between districts in this area, a larger potential regional opportunity

for water supply is Colorado Springs Utilities (“CSU”). Currently, CSU water infrastructure is less than half a mile away from water infrastructure used by neighboring districts. Inter-governmental Agreements (IGA’s) would need to be executed that includes CSU and several districts (i.e., Falcon Highlands Metropolitan District, WHMD, Meridian Ranch Metropolitan District).

As with neighboring districts, the Districts will likely implement tiered water rates to help reduce water usage. In addition, multiple stages of water restrictions can be implemented during drought years and when infrastructure repairs are required (i.e., well pumps need to be replaced in the middle of the summer).

The potential of wastewater reuse (primarily for irrigation) lies with the regional wastewater treatment provider in the area – WHMD. Currently, WHMD’s regional wastewater plant serves Woodmen Hills, Falcon Highlands, Paint Brush Hills, and Meridian Ranch.

If a reuse system is implemented at WHMD’s facility, all contributing wastewater entities will be allowed to be “stakeholders” in development of a reuse system.

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 is provided in the Preliminary Plan phase.

In addition to the regional water resource perspective, local efforts by the end-users will be analyzed pertaining to the following elements to help promote sustainable use of the aquifer shares that are currently allocated for the Districts:

- Plumbing systems requiring low flow fixtures meeting or exceeding standards
- Local water re-use systems
- Low impact irrigation/low flow irrigation or xeriscape
- Smart watering and usage meters
- Home-owner water conservation landscape incentives
- Climate and elevation restricted plantings
- Community-wide rain gardens and bio-retention

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 Grandview Reserve 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 system improvements, sanitary sewer and storm drainage improvements, street and roadway improvements, and park and recreation improvements. Financing and constructing these improvements through the Districts will lower costs 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, within a reasonable time and on a comparable basis.

- 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 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 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 identified in the Service Plan and allow the Districts to discharge the proposed indebtedness on a reasonable basis.

- 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 quasi-

municipal corporation, including special districts, within a reasonable time and on a comparable basis.

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

- g. 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.

- 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 Grandview Reserve 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 located in the community.

F. Major Service Plan Points

- Approximately 767 acres of property within the boundaries of the Districts.
- Completion of an estimated \$265,000,000 of on and off-site public improvements including, but not limited to on and off-site streets, roadway, water and sanitary, stormwater and drainage, landscaping, and park and recreation improvements.
- Anticipated development of approximately 3,250 single-family residential units and 20,000 square feet of commercial development. 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 at time of complete build-out is \$80,578,335 (based upon an estimated uninflated initial market value at time of complete build-out of \$1,106,690,000 multiplied by 7.15% for the residential property and \$5,000,000 multiplied by 29% for the commercial property).
- The initial estimated cost of the public improvements needed for the project is \$265,000,000. 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.
- Residential Districts: Each residential district will have a Maximum Mill Levy of 65 mills inclusive of debt (50 mills), operations and administration (10 mills), and covenant enforcement and design review (5 mills, if provided by the Districts).
- Commercial Districts: Each commercial district will have a Maximum Mill Levy of 50 mills inclusive of debt (35 mills), operations and administration (10 mills), and covenant enforcement and design review (5 mills, if provided by the Districts).
- Total current projected mill levy of 50 mills for debt, 10 mills for operations and maintenance, and 5 mills for covenant enforcement and design review for residential districts; and 35 mills for debt, 10 mills for operations and maintenance, and 5 mills for covenant enforcement and design review for commercial districts allow for financing of approximately \$94,605,000 based upon initial estimates.
- Requested Debt Authorization of \$280,000,000 allows for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project.
- 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 2021.
- 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.

April 2, 2021

- 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 2022 with a 30 year term and then a refinance in 2032, which extends the term to 2062. 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 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 that 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 Grandview Reserve Metropolitan District Nos. 1 - 4 Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Grandview Reserve 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/Russell W. Dykstra
Russell W. Dykstra, General Counsel

Enclosures

LOI V_1 comments.pdf Markup Summary 4-8-2021

dsdparsons (4)



Subject: Text Box
Page Label: 3
Author: dsdparsons
Date: 4/8/2021 2:40:05 PM
Status:
Color: ■
Layer:
Space:

Policy 14.1.3
Discourage the use of special districts as a vehicle to fund substantial amounts of required infrastructure in predominantly undeveloped areas and require the conservative phasing of infrastructure construction during the initial phases of development.



Subject: Callout
Page Label: 4
Author: dsdparsons
Date: 4/8/2021 2:40:44 PM
Status:
Color: ■
Layer:
Space:

Thank You for providing a Water Master Plan analysis; did you intend to leave out the Policy Plan (above) and Falcon/Peyton Small Area Master Plan (2008) (on line under resources and maps on planning web site)



Proposed Grandview Reserve

Subject: Callout
Page Label: 1
Author: dsdparsons
Date: 4/8/2021 2:42:43 PM
Status:
Color: ■
Layer:
Space:

Note: any changes to the service plan may require changes to the LOI



Subject: Callout
Page Label: 1
Author: dsdparsons
Date: 4/8/2021 2:53:02 PM
Status:
Color: ■
Layer:
Space:

767 acres now where 765 acres before