



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

File No. 5024688.0002

June 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 The Ranch Metropolitan District Nos. 1-4

Ms. Parsons:

The proposed formation of The Ranch Metropolitan District Nos. 1-4 (collectively, the “District”) encompasses multiple parcels of land generally located to the South of Stapleton Drive and to the East of Raygor Road (“Ranch Property”). The initial District boundary includes approximately 610 acres of land. Ultimately the District is anticipated to consist of up to approximately 2,150 single-family residential units and up to approximately 26,000 square feet of commercial development. The Ranch Property lies entirely within the boundaries of El Paso County, Colorado (the “County”).

We respectfully request consideration of the District on 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. One of the primary purposes of the District 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, 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. 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 District 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.

There are currently no other governmental entities, including the County, that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the public improvements needed for the Project. It is acknowledged that the Districts are located in the vicinity of several other districts, including Sterling Ranch Metropolitan District Nos. 1-3 (“Sterling Ranch”), Paint Brush Hills Metropolitan District (“Paint Brush Hills”), and Woodmen Hills Metropolitan District (“Woodmen Hills”). It is not feasible, however, for the property to become part of Sterling Ranch, Paint Brush Hills or Woodmen Hills for several reasons. A separate district is needed to support and pay for the public improvements to be associated with the project including, but not necessarily limited to, streets, roadway and

drainage improvements. The contemplated public improvements are anticipated to be both significant and costly and the creation of the District will isolate those costs to the Property instead of burdening existing residents and property owners within those existing entities. Likewise, the Sterling Ranch, Paint Brush Hills and Woodmen Hills service plans likely do not provide for either (a) the additional infrastructure contemplated by this Service Plan, or (b) sufficient debt capacity authorization to cover such infrastructure and it is reasonable to assume that the residents and property owner in those districts would vote to increase their debt to facilitate the funding of the improvements necessary to serve the Property. Based on the foregoing, formation of the Districts is necessary in order for the Public Improvements required for the project to be provided in the most economic manner possible.

The owner of the property is PRI #4, LLC. Preparation of the District's supporting documentation was provided by the District's organizers. The Developer of the Ranch Property is Elite Properties of America, Inc. Cost estimates for the proposed public improvements were generated by Developer representatives, with the assistance of consultants Classic Engineering, 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.

Developer representatives will make up the initial District Board in order to complete the proposed public improvements in accordance with approved development plans. The new District will help pay for and structure the financing of public improvements for the Ranch Property.

Consistent with the proposed Service Plan, the Developer and the District 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 District including, but not limited to, water, wastewater/sewer, drainage and fire protection services. Additionally, the Developer and the District 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 District.

I. Service Plan Letter of Intent.

The proponents for the formation of the District 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 District;
- b. The existing service in the area to be served by the District is not adequate for present and projected needs without the organization of the District;
- c. The District is 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;

- d. The area to be included within the District has, or will have the financial ability to discharge the proposed indebtedness of the District on a reasonable basis within the mill levy caps and restrictions provided by the County rules and regulations.
- e. The proposed service plan shall be consistent with applicable elements of the El Paso County Master Plan and Special District Policies.

II. Major Service Plan Points for The Ranch Metropolitan District Nos. 1-4.

- Approximately 610 acres of property within the boundaries of the District.
- Completion of an estimated \$34,321,640 of on and off-site public improvements including, but not limited to on and off-site streets, roadway, water and sanitary, and landscaping improvements.
- Anticipated development of up to approximately 2,150 single-family residential units and up to approximately 26,000 square feet of commercial development.
- The estimated initial assessed value at time of complete build-out is \$117,860,596 (based upon an estimated initial market value at time of complete build-out of \$1,648,399,950 times 7.15%).
- The initial estimated cost of the public improvements needed for the project is \$34,321,640. 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 District 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 65 mills inclusive of debt (50 mills – residential districts (District Nos. 1, 2 and/or 3); 35 mills – commercial district (District No. 4 only)), operations and administration (10 mills), and covenant enforcement and design review (up to 5 mills, if provided by the District), is proposed.
- Total current projected mill levy of 50 mills for debt (residential districts (District Nos. 1, 2 and/or 3)), 35 mills for debt (commercial district (District No. 4 only)), 10 mills for operations and maintenance, and up to 5 mills for covenant enforcement and design review (if provided by the District) allows for financing of up to approximately \$43,000,000 based upon initial estimates.
- Requested Debt Authorization of \$43,000,000 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%.

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- 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 District 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 Ranch Metropolitan District Nos. 1-4 shall develop and finance its own property.

The Ranch Metropolitan District Nos. 1-4 Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Ranch Property, will minimize non-interested party obligations, and will maximize both development and absorption within the District and County without delays in development. The formation of the District will allow for financing and development to pay for only those improvements and costs which are a direct benefit to the property within the District.

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

Sincerely,
SPENCER FANE LLP

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

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