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File No. 5022841.0011

November 29, 2017

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

Re: Letter of Intent in Support of Formation of Proposed Rock Creek Metropolitan District

Mr. Fitzpatrick:

The proposed formation of the Rock Creek Metropolitan District (the "District") encompasses multiple parcels of land generally located to the West of Highway 115 and to the South of Cheyenne Mountain State Park ("Rock Creek Property"). The initial District boundary includes approximately 30 acres of land. Additional parcels totaling approximately 90 acres (depending on how many of the parcels are ultimately included within the District) comprise the proposed future inclusion area. Ultimately the District is anticipated to consist of 240 multi-family residential units and 211 single family residential units (no commercial development is currently planned). The majority of the Rock Creek Property lies within the boundaries of El Paso County, Colorado (the "County"), with a portion of the proposed District located within the boundaries of the City of Colorado Springs.

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 May of 2018. As noted, some portion of the proposed District is located within the boundaries of the City of Colorado Springs. That said, where, as here, only a portion of the Project comprising the District will be located within the boundaries of the City of Colorado Springs, it is not necessary for the County to obtain consent from the City of Colorado Springs prior to formation of the District. In particular, C.R.S. §§ 32-1-202 (outlining the service plan filing requirements) and 32-1-204.5 (detailing the municipal approval process) provide that municipal approval is only necessary when a proposed district's boundaries will be "wholly contained within the boundaries of a municipality or municipalities." C.R.S. § 32-1-204.5.

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, 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.

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The owners of the property are Colorado Springs Equities LLC; and, Equity Management LLC Defined Benefit Retirement Plan. Preparation of the District's supporting documentation was provided by the District's organizers. The Developer of the Rock Creek Property is The Equity Group LLC. Cost estimates for the proposed public improvements were generated by Developer representatives, with the assistance of consultants FEI Engineers and Matrix Design Group, 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 will 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 Rock Creek 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 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.

In particular, the Developer is aware of the significant challenges that Rock Creek Mesa Water District ("RCMWD") faces with providing a consistent source of water for the portions of the District that may overlap with RCMWD. In light of the foregoing, the District anticipates that it will both construct the necessary infrastructure and provide access to additional water resources for future District residents in a manner that is not currently available. Such infrastructure and additional water resources will benefit not only the District, but potentially the current users within RCMWD.

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 Rock Creek Metropolitan District.

- Approximately 30 acres of property in the initial boundaries, as well as the potential for an additional of up to an estimated 90 acres or more (depending on how many additional parcels are ultimately included within the District)..
- Completion of an estimated \$4,600,000 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 approximately 240 multi-family residential units and approximately 211 single family residential units.
- The estimated initial assessed value at time of complete build-out is \$7,778,704 (based upon an estimated initial market value at time of complete build-out of \$108,037,554 times 7.2%).
- The initial estimated cost of the public improvements needed for the project is \$4,600,000. 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 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), operations and administration (10 mills), and covenant enforcement and design review (up to 5 mills, if provided by the District), is proposed.
- Total projected mill levy of 50 mills for debt (residential), 35 mills for debt (commercial), 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 \$7,600,000 based upon initial estimates.
- Requested Debt Authorization of \$8,000,000 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 4%.

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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 May 2018.
- 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.
- Rock Creek Metropolitan District shall develop and finance its own property.

The Rock Creek Metropolitan District Service Plan will serve the best interests of the taxpayers, property owners and development of the property within the Rock Creek 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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