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January 23, 2023

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

You may want to review the LOI from ID221; its very complete. More detail is needed to demonstrate how the application meets the 2022 Special District Polices

Re: Letter of Intent in Support of Formation of Proposed Sterling Ranch Metropolitan District Nos. 4 & 5

Dear Ms. Parsons:

The proposed formation of Sterling Ranch Metropolitan District Nos. 4 & 5 (collectively, the “Districts”) encompasses approximately 581 acres of land generally located southeast of the intersection of Vollmer Road and Arroya Lane in El Paso County, Colorado (Schedule Numbers 5200000553, 5234002001, 5227000008, 5227000006, 5228000038, 5233000015, 5227000005, 5227005001, and 5227000007) (the “Property”). Ultimately, the Districts are anticipated to consist of approximately 1,602 single family residential units. The number of anticipated homes remains an estimate 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”).

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, roadway, water, sanitary sewer, drainage, park and recreation, and Sand Creek Channel 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 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 Property.

Can you specify as to what these are in the District (are there channel improvements, region ponds, major road corridors, water lines, pump stations, tanks etc)? you listed the Statutory purposes but why does this district need to be created when Sterling Ranch 1-3 are adjacent ;

January 23, 2023

if FAWWA is providing service why do you need a district? does the district design, construct the infrastructure or does the developer?

At this time, the Developer anticipates the Falcon Area Water and Wastewater Authority will provide water and sanitary sewer services to the Property and the Black Forest Fire Protection District will provide fire protection services to the Property. The Developer will establish the sufficiency of water to serve the Project when the preliminary plan for the Project is approved. The service plan for the Districts includes language that restricts the Districts from issuing debt until the preliminary plan is approved.

To the extent any of the authorized facilities and improvements are dedicated to and accepted by the County, Falcon Area Water and Wastewater Authority, Black Forest Fire Protection District, or other entities having jurisdiction, such 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. Is District providing Fire Protection/ security/ covenant enforcement/ community building or constructing a facility? hydrants, etc?

B. Justification and Information Regarding Multiple District Structure

The Districts will serve a large project with significant infrastructure that will be developed over several years. A multi-district structure is being utilized to allow the development to occur in phases. It is anticipated that 1,010 residential units will be constructed in District No. 4 starting in 2027 and completing in 2031. District No. 5 will then include the next large phase of the project, which is anticipated to consist of 598 residential units that will be built between 2031 and 2033. The multi-district structure set forth in the Service Plan 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 a district 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. The Districts will enter into an inter-district agreement further governing their relationship, if necessary.

C. Development and Financial Plans

The Developer of the Property is Classic SRJ, LLC. Developer representatives generated the cost estimates for the proposed public improvements. It should be noted 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 the 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, water, sanitary sewer, and fire protection services. 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.

D. Compliance with County Master Plans

The Districts will provide the needed facilities and services to the Property, along with representation and the flexibility to respond to the unique needs of the Property. The Developer has limited this request to the formation of two metropolitan districts to allow for conservative phasing of infrastructure construction and financing during the initial and later phases of development.

1. Compliance with Your EPC Master Plan

add language from MP that discusses special districts; development paying for itself etc..

Core Principle 1, Land Use and Development, seeks to “manage growth to ensure a variety of compatible land uses that preserve all character areas of the county,” and Goal 1.1 seeks to, “ensure compatibility with established character and infrastructure capacity.” The County’s Master Plan categorizes the future land use placetype for the Property as “Suburban Residential.” This categorization provides a collection of land uses that include mainly single-family detached homes, but also includes single-family attached, multifamily, commercial retail, commercial service, parks and open space and institutional uses. The preliminary plan for the Property will accommodate the densities that are consistent with the Suburban Residential placetype land uses and characteristics. The preliminary plan area for the Property may be identified as a “New Development” area, which will be significantly transformed as new development takes place. These areas are often on undeveloped or agricultural areas and are expected to be complimentary to adjacent development.

2. Compliance with Water Master Plan

what region is this on? is there growth predicted? is water available in that region?

Falcon Area Water and Wastewater Authority will be the water supplier for the property and will provide water and sanitary sewer services to the Property. The sufficiency of water to serve the Property will be established at the time the County approves the preliminary plan for the Property. The Developer asserts that the land plan for the Property will reference the El Paso County’s Water Master Plan goals and implementation strategies to incorporate adequate water availability, efficiency, and conservation. Potential future interconnections may be made with neighboring districts, including Cherokee Metropolitan District and Woodmen Hills Metropolitan District, to foster conjunctive use and renewable resources. Outside of interconnectivity between districts in this area, a larger potential regional opportunity for fostering cooperative actions is with Colorado Springs Utilities.

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 will be provided in the preliminary plan phase.

3. Compliance with EPC Major Transportation Corridor Plan

The preliminary plan for the Property will comply with the EPC Major Transportation Corridor Plan.

identify the roads on the MTCP that the District will fund design construction of (Briargate Parkway)

4. Compliance with EPC Parks Master Plan

The preliminary plan for the Property will comply with the EPC Parks Master Plan. It is anticipated

Which design and construction of parks and trails will District likely be funding and maintaining from Parks Master Plan? address.

that the Districts will own and maintain all parks, trails, and open spaces within the Property unless otherwise dedicated to another entity.

E. Service Plan Conformity Please provide detailed information specific to this application; THE PC and BOCC ask these questions for entire section.

The proponents for the formation of the Districts intend that the 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:

- 1. There is sufficient existing and projected need for continued organized service in the area to be served by the Districts;

The purposes of the Districts are to finance and construct certain public improvements and to provide other additional services necessary to support the 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 roadway improvements, water improvements, sanitary sewer improvements, drainage improvements, and park and recreation improvements. Financing and constructing these public improvements through the Districts will lower costs and ensure the costs are spread among those in the community that will benefit from such development.

- 2. 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.

← why cant you join the surrounding districts?

- 3. 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.

- 4. 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.

5. 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.

6. 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.

7. 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.

8. 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 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 581 acres of property within the boundaries of the Districts.
- Completion of an estimated \$140,000,000 of public improvements including, but not limited to, roadway, water, sanitary sewer, drainage, and park and recreation improvements.
- Anticipated development of approximately 1,602 single-family residential units. 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 \$47,240,050 for District No. 4 (based upon an estimated uninflated initial market value at time of complete build-out of \$660,700,000 multiplied by 7.15% for the residential property) and \$33,526,350 for District No. 5 (based upon an estimated uninflated initial market value at time of complete build-out of \$468,900,000 multiplied by 7.15% for the residential property).
- The initial estimated cost of the public improvements needed for the project is \$140,000,000. 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.
- Each District will have a Maximum Mill Levy of 65 mills inclusive of debt (50 mills) and operations and administration (15 mills).
- Requested Debt Authorization of \$150,000,000 allows for contingencies and financing variations based upon changes to construction costs, development build out and absorption of the project.
- Metropolitan district powers allowed by the Special District Act and consistent with other El Paso County metropolitan districts.
- Formation Election in May 2023 after approval of the Service Plan.
- 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 are consistent with the County's model service plan.
- 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 2027 with a 30-year term and then a refinance in 2037, which extends the term to 2067. 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 the 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 Service Plan for the Sterling Ranch Metropolitan District Nos. 4 & 5 will serve the best interests of the taxpayers, property owners and development of the property within the 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

V1_Letter of Intent.pdf Markup Summary 2-21-2023

Callout (10)



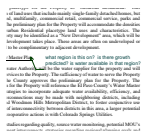
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identify the roads on the MTCP that the District will fund design construction of (Briargate Parkway)



Subject: Callout
Page Label: 4
Author: dsdparsons
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Which design and construction of parks and trails will District likely be funding and maintaining from Parks Master Plan? address.



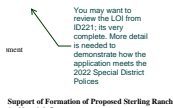
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what region is this on? is there growth predicted? is water available in that region?



Subject: Callout
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add language from MP that discusses special districts; development paying for itself etc..



Subject: Callout
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You may want to review the LOI from ID221; its very complete. More detail is needed to demonstrate how the application meets the 2022 Special District Polices



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Is District providing Fire Protection/ security/ covenant enforcement/ community building or constructing a facility? hydrants, etc?

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why cant you join the surrounding districts?

Subject: Callout
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Please provide detailed in formation specific to this application; THE PC and BOCC ask these questions for entire section.